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 LIMTED

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

SEVENTEENTH REPORT OF THE MONITOR
APRIL 8, 2011

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 Honourable 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.

PURPOSE

2. The purpose of this Seventeenth Report of the Monitor (the "Seventeenth Report") is to report to this Honourable Court on:

   a) the Applicants' cash receipts and disbursements since the date of filing, August 1, 2007;

   b) the Applicants' Claims Process;

   c) the Non-Applicants' Claims Process;

   d) the status of the Litigation Assets; and

e) the estimated assets and liabilities of the Applicants and Non-Applicants (in a format similar to the ‘waterfall’ chart contained in the Seventh Report of the Monitor, dated May 18, 2008).

TERMS OF REFERENCE

3. In preparing this Report, the Monitor has relied upon unaudited financial information and records of the Applicants and certain of their Non-Applicant subsidiaries and discussions with management of the Applicants and the Non-Applicants. The Monitor has not performed an audit or other procedures to evaluate the reliability or completeness of the information. Accordingly, the Monitor expresses no opinion, or any other form of assurance, on the historical or prospective financial information, management representations or other data included in this Report. Future oriented financial information relied upon in this Report is based on management’s assumptions regarding future events; actual results achieved will vary from this information and the variations may be material.

4. Capitalized terms not defined in this Report are as defined in the Initial Order or previous reports of the Monitor. All references to dollars are in Canadian currency unless otherwise noted.

INTRODUCTION

5. Since prior to filing, the Applicants have not conducted any active business. They are exclusively engaged in winding up their affairs and realizing on their assets (including the claims that are subject to the Settlements and other litigation assets (together, the “Litigation Assets”)) with a view to distributing the net proceeds to stakeholders in accordance with their legal entitlements, all under the supervision of this Honourable Court and in accordance with the Multi-Party Settlement Agreement (“MPSA”) as described herein.

6. The Applicants' principal activities involve:

a) the legal wind-up of the Applicants' affiliates, 10 Toronto Street Inc. ("10 Toronto") and Domgroup Ltd. ("Domgroup") (including its wholly-owned subsidiaries), to permit the recovery of the amounts owed by these affiliates to the Applicants;

b) the determination of claims against the Applicants and the Non-Applicants pursuant to the Applicants' Claims Process and Non-Applicants' Claims Process;

c) investigation, pursuit and realization of the Applicants' Litigation Assets;

d) the participation in an Interpleader Action and claims process initiated by Hollinger and STMG in the Delaware Superior Court to determine entitlement to insurance proceeds;

e) attendance to regulatory, legal and administrative matters, including compliance with securities laws, tax reporting obligations and matters relating to the preservation of the records of Hollinger pursuant to Court orders made in the proceedings which involved the appointment of the Inspector; and

f) when appropriate, the distribution of the Applicants' assets to stakeholders, subject to this Honourable Court's approval, possibly, but not necessarily, by way of a plan of arrangement.

7. As discussed in the Third and Seventh Reports, the Applicants' principal assets consist of three major components:

a) cash held by the Applicants and Non-Applicants arising from asset liquidations;

b) STMG shares held by Hollinger and 432252 Canada Inc. ("432"); and

c) the Litigation Assets.

8. Since the inception of these *CCAA* proceedings, among other activities described herein, the Applicants have continued to pursue recoveries through litigation and related initiatives, including mediation, against numerous parties, including their former officers and directors, former legal counsel, Torys LLP ("Torys"), former auditors, KPMG LLP ("KPMG"), and former lenders.

9. After participating in confidential mediations facilitated by the Honourable George W. Adams, Q.C. (retired judge), Hollinger reached settlement agreements with Torys (the "Torys Settlement") and KPMG (the "KPMG Settlement"), which are both (collectively the "Settlements") subject to Court approval.

10. The Applicants are currently in the process of seeking Court approval of the Settlements, as will be described in further detail below.

11. Certain stakeholders have recently requested that the Monitor provide a consolidated statement of receipts and disbursements from August 1, 2007 to present, a summary of the claims that have been filed to date in the claims processes and an updated summary of assets and liabilities. The Applicants' consolidated statement of receipts and disbursements (the "Applicants' Statement of Receipts and Disbursements"), included as Appendix A to this Report, reflects the particular circumstances of the Applicants' lack of ongoing commercial activity, but the considerable effort that has gone into the realization of their assets summarized in paragraph 7 above, since the commencement of these CCAA proceedings.

FINANCIAL INFORMATION

Background

12. Throughout these *CCAA* proceedings, the Monitor has regularly delivered communications and court reports that are available on its website (www.ey.com/ca/hollinger) containing the Applicants' statements of receipts and disbursements, cash projections and periodic updates on any material activities and initiatives undertaken, including those of the Non-Applicant subsidiaries.

13. In light of the importance of the Settlements to the Applicants and their stakeholders and the nature of the questions recently posed to the Monitor by various stakeholders, the Monitor is of the view that a comprehensive financial update and discussion of the history of these proceedings and recent developments would be of assistance to this Honourable Court and interested parties at this time.

Cash Balances

14. As at February 28, 2011, the cash balances held by each of the Applicants (excluding the $0.6 million held in trust by Aird & Berlis LLP for an officers' indemnity trust in support of Hollinger's indemnities in respect of one current and one former officer) and the principal Non-Applicants, (excluding the Domgroup Post Retirement Benefits Trust of $1.3 million) were as follows:

	(Millions)
Applicants	$ 1.7
Domgroup	$ 17.7
10 Toronto	$ 1.6

Applicants' Receipts and Disbursements since Filing

15. For presentation purposes, the Monitor has divided these proceedings into the following three main time periods:

a) from August 1, 2007 until the Multi-Party Settlement Agreement (the "MPSA") was approved by an order of this Honourable Court (i.e. May 21, 2008);

b) from May 22, 2008 until STMG (now Chicago Newspaper Liquidation Corporation or "CNLC") filed for protection under Chapter 11 of the *U.S. Bankruptcy Code* (i.e. March 31, 2009); and

c) from April 1, 2009 to present, during which time the Applicants have been principally engaged in the pursuit of the Litigation Assets.

16. The Applicants' Statement of Receipts and Disbursements provides information on the Applicants' cash receipts and disbursements during each of these periods.

Summary of Significant Events during each Time Period

I. August 1, 2007 to May 21, 2008

(a) Activities during the Period

17. On August 1, 2007, the Applicants sought and obtained an initial stay of proceedings under the *CCAA* for 30 days in order to provide them with an opportunity to facilitate a restructuring. Concurrently, the Applicants initiated companion proceedings in the United States pursuant to Chapter 15 of the *U.S. Bankruptcy Code.*

18. The Applicants believed that these *CCAA* proceedings were necessary as a result of the threat by the noteholders to accelerate payment of the full amount of the indebtedness owing pursuant to the Applicants' Senior First Lien Notes in the amount of US$78 million and Senior Second Lien Notes in the amount of US$15 million.

19. The *CCAA* proceedings followed litigation commenced by Catalyst Fund General Partner I Inc. in 2004 claiming various relief, including that flowing from oppression claims, against Hollinger, its related companies, their senior officers and directors and their related entities. That litigation, under the supervision of this Honourable Court, involved various contested stages, including the appointment of Ernst & Young Inc. as Inspector pursuant to the *Canada Business Corporations Act*. The role of the Inspector was substantially completed shortly after the delivery of its Tenth Report dated November 14, 2005. Each step of that inspection, and of the litigation, was supervised under orders of this Honourable Court on notice to all interested parties. The activities and accounts of the Inspector and its counsel were approved by this Honourable Court from time to time on notice to all interested parties. The limited role of the Inspector following the delivery of its Eleventh Report was set out in the Order of this Honourable Court dated December 15, 2006, a copy of which is attached as Appendix B.

20. Subsequent to December 15, 2006, the activities of the Inspector have been limited to dealing with documents of the Applicants under the custody and control of the Inspector pursuant to paragraph 9 of the Order of this Honourable Court dated December 15, 2006.

Since August 1, 2007, the date of the Initial Order, the Inspector has incurred fees and disbursements of approximately $118,000, including taxes.

21. On August 1, 2007, Ernst & Young Inc. was appointed Monitor in these proceedings.

22. After filing, certain key creditors took an active role in these proceedings:

a) STMG, an operating subsidiary and significant creditor of several of the Applicants which was at the date of filing a publicly traded company on the New York Stock Exchange ("NYSE");

b) Davidson Kempner Capital Management LLC ("DK"), the most significant noteholder with in excess of 40% of the Senior First Lien Notes and in excess of 70% of the Senior Second Lien Notes;

c) HSBC Bank USA, National Association, as trustee under the Indenture dated September 30, 2004, and Wells Fargo Delaware Trust Company, National Association (as successor by merger to Delaware Trust Company, National Association, formerly known as Wachovia Trust Company, National Association ("Wells Fargo")), as trustee under the Indenture dated March 10, 2003 (collectively, the "Indenture Trustees"), as representatives of the holders of the Senior First and Second Lien Notes; and

d) Catalyst Fund General Partner I Inc., a significant preferred shareholder of Hollinger and, later, a self-declared "super-priority" creditor.

23. Several of the former officers and directors of Hollinger were involved in the *CCAA* proceedings as members of the Service List.

24. Among the Applicants' principal assets was their controlling interest in STMG through their ownership of approximately 1.2% of the outstanding Class A shares and 100% of the Class B common shares of STMG. The Class B shares had 10 votes per share and the Class A shares have one vote per share. As a result, the Applicants held an economic interest in STMG of approximately 19.7% but controlled approximately 70.1% of STMG's shareholder votes. The shares were the sole pledged security for the amounts owed to the noteholders.

25. The share price of STMG's Class A shares as of August 1, 2007 was approximately US$4.45 per share[1]. The Applicants held 782,923 Class A shares with an indicative trading value on August 1, 2007 of approximately US$3.5 million. In addition, the Applicants held 14,990,000 Class B shares. The Class B Shares were not publicly traded. As set out in the affidavit of G. Wesley Voorheis, sworn August 1, 2007, which was relied upon in the initial application record, the Applicants believed that, based on the July 30, 2007 closing price of the Class A shares of STMG on the NYSE of US$4.34 per share and without attributing any additional value (i.e. control premium) to the Class B shares, the indicative trading value of Hollinger's direct and indirect holdings in STMG was approximately US$68.4 million.

26. On July 31, 2007, the Applicants exercised their voting rights and removed three directors from the board of directors of STMG and expanded the size of the board to eleven members by appointing six new directors. The Applicants issued a press release dated August 1, 2007, attached hereto as Appendix C, describing the changes to STMG's board of directors.

27. During the period following the commencement of these proceedings, there were significant disagreements among the major creditors, shareholders and the Applicants concerning many aspects of the Applicants' activities, management and restructuring efforts.

28. The noteholders' security in the STMG shares, including the proposed methodology to be used to monetize the multiple voting Class B Shares, was a focal point of discussions between the Applicants, DK, the Indenture Trustees and STMG. These shares were also the subject of an adequate protection motion in the Chapter 15 proceedings in Delaware.

29. The Applicants, STMG, the Indenture Trustees and DK obtained an order of this Honourable Court dated August 31, 2007 approving an agreement that established a framework for negotiations amongst the parties regarding the STMG shares (the "Standstill Agreement").

[1] Bloomberg – share price on the NYSE

30. Pursuant to the Standstill Agreement, the Applicants instructed their litigation counsel to cease work (subject to necessary preservation steps) on all litigation matters.

31. Given the number of parties involved and the relative value of the shares to the Applicants' estates, considerable time, effort and resources were expended in negotiating a resolution to the issues surrounding the STMG shares, the governance of STMG and the governance of the Applicants themselves.

32. During these negotiations, which continued from August 1, 2007 to late May, 2008, this Honourable Court ordered serial short–term extensions to the stay of proceedings.

33. In accordance with the Standstill Agreement and various information requests and in order to ensure that all stakeholders had current financial information to facilitate the negotiations, the Monitor prepared frequent reports and communications based on information provided by the Applicants. These communications included updates on the status of the negotiations between the parties, updated statements of receipts and disbursements and an analysis of the legal fees incurred and paid since the date of filing. In total, the Monitor issued twenty communications to the Service List, in addition to formal court reports filed periodically.

34. As discussed in the Monitor's Fifth and Sixth Reports, the Honourable Justice Morawetz provided invaluable assistance to the negotiating parties for several months. Ultimately this process led to a framework being reached in early November 2007 to settle the issues and move forward with a scheme of governance, asset realization and distribution. The negotiating parties engaged in further discussions to convert this framework into a formal settlement agreement to be presented to this Honourable Court for approval.

35. As reported in the Monitor's Thirteenth Communication, the negotiating parties believed they had reached a framework for settling their issues subject to resolving certain details and ancillary issues upon which they reported to this Honourable Court on November 6, 2007. However, the three-way negotiations between the Applicants, STMG and DK ended on December 18, 2007 without a settlement agreement being finalized.

36. The Applicants continued to explore the potential for a two-way agreement with either STMG or DK to bring before the Court as a consensual way forward.

37. On February 28, 2008, the Applicants filed a notice of motion seeking an order:

a) authorizing and directing the Applicants to prepare and file a Plan of Arrangement;

b) authorizing the Applicants to take certain steps to restructure certain of their operations and management, including the appointment of a Litigation Guardian (as it was then referred to) to preserve, protect and realize upon the Litigation Assets; and

c) establishing a claims process for the filing, review and determination of all claims against the Applicants, and the appointment of a Claims Officer.

38. On that same date, DK filed a notice of motion seeking, among other things, a termination of the *CCAA* proceedings and an order declaring the Applicants bankrupt.

39. On February 29, 2008, this Honourable Court extended the stay of proceedings to April 25, 2008 and directed that all of the motions be scheduled for a hearing on April 22 and 23, 2008, if necessary. Concurrently, the parties continued discussions to reach a resolution.

40. On March 25, 2008, the Applicants announced that they had entered into a settlement agreement with STMG (the "STMG Settlement"). The STMG Settlement required approval by both the Ontario Superior Court of Justice and the United States Bankruptcy Court for the District of Delaware in order to become effective.

41. On April 10, 2008, the Applicants filed a notice of motion seeking an order:

a) approving the terms of the STMG Settlement and authorizing and directing the implementation of the STMG Settlement, all as described in a term sheet dated March 25, 2008;

b) authorizing the Applicants to take certain steps to restructure certain of their operations and management to further reduce costs and to continue to enhance asset realizations; and

c) establishing a claims process as described in a draft claims order filed by the Applicants.

42. After the STMG Settlement was reached, the parties continued to negotiate towards a resolution that included DK and the Indenture Trustees.

43. On May 14, 2008, the Applicants notified the Monitor that they had reached a settlement.

44. The Applicants' motion to approve the MPSA was approved by an Order of this Honourable Court of May 21, 2008, binding upon the parties to the MPSA and the Indenture Trustees, which is attached as Appendix D. Among other things, the MPSA resolved:

a) the conversion of the multiple voting Class B STMG shares into Class A shares at a conversion rate of 1.1 Class A share for every Class B share;

b) the quantum of the claims by STMG against the Applicants;

c) the quantum of the claims by the Indenture Trustees against the Applicants;

d) the composition of the STMG board of directors;

e) certain priority payments to be made to DK, STMG and the Indenture Trustees; and

f) a mechanism to pursue to the Litigation Assets, including the appointment of the Litigation Trustee and the Advisory Committee.

(b) Receipts and Disbursements during the Period

45. As set out in the Applicants' Statement of Receipts and Disbursements, of the total receipts of $10.7 million during the period from August 1, 2007 to May 21, 2008, approximately $5.4 million related to the sale of the Cayman Islands Free Press and associated dividend and approximately $4.8 million related to the repayment of inter-company amounts due from 10 Toronto to the Applicants.

46. Of the total disbursements of $11.7 million, $4.0 million was spent in relation to the *CCAA* and Chapter 15 insolvency proceedings including the mediation, negotiation, and documentation of the MPSA as described above.

47. An additional $3.7 million was spent relating to other legal matters, including pursuit of the Litigation Assets.

48. The Applicants were already involved in a number of legal initiatives prior to August 1, 2007 and became involved in additional matters subsequent to filing[2]. During the period from August 1, 2007 to May 21, 2008 the legal initiatives included:

a) the *CCAA* and Chapter 15 proceedings, including preparing for mediations and the Chapter 15 adequate protection motions;

b) the changes to the STMG board;

c) advice to the Applicants' board of directors;

d) matters related to on-going criminal proceedings in Illinois;

e) matters related to claims by the Securities and Exchange Commission of the United States;

f) pursuit of the Litigation Assets; and

g) Ontario Securities Commission ("OSC") proceedings and compliance with provincial securities law.

49. The Applicants' disbursements, other than the professional fees described above, included \$0.7 million of ongoing fees for the board of directors of Hollinger, \$0.4 million relating to payroll and \$0.2 million of building expenses. The Applicants spent \$2.2 million relating to the fees and expenses of their CEO, CFO and other professional advisors. The Monitor is advised that a portion of the legal fees and professional advisor costs were incurred by the Applicants in meeting their public company reporting requirements, including issuing financial statements, preparing filing materials for securities regulators and paying the monthly fees of their share transfer agent.

[2] For a detailed description of the outstanding litigation against, and claims filed by, the Applicants, see notes 12 and 14 of the Hollinger Inc. Notes to Interim Consolidated Financial Statements as of December 31, 2007 that are available on Sedar.

II. May 22, 2008 to March 31, 2009

a) Activities during the Period

50. The MPSA provides for several steps to be completed in order to allow the Applicants and the Non-Applicants to wind up their affairs in order to maximize realizations in the Applicants' estates.

51. Once the Hollinger board of directors resigned, BlueTree Advisors Inc., an entity controlled by William Aziz, CA, was appointed as the chief restructuring officer (the "CRO") of the Applicants and an officer of the Court in consideration of a monthly fee of $65,000, plus GST as applicable and reimbursement of reasonable expenses.

52. As provided in the MPSA, all monthly work fees payable under Hollinger's consulting agreement with G. Wesley Voorheis, the former CEO of the Applicants, or any entity controlled by him, were suspended. Mr. Voorheis resigned as an officer and director of the Applicants effective as of May 21, 2008. The provisions of the MPSA deferred a fee payable pursuant to this consulting agreement, to be paid depending on the returns to be potentially realized on the Litigation Assets as a result of actions commenced or threatened by the Litigation Trustee.

53. On May 21, 2008, this Honourable Court made the Claims Order, as a result of a motion by the Applicants, authorizing the Monitor to conduct a claims process for the Applicants (the "Applicants' Claims Process"). The Claims Order established July 11, 2008 as the Claims Bar Date for claims arising prior to August 1, 2007, or arising after that date if as a result of the restructuring, repudiation or termination of any contract, lease or employment agreement.

54. From August 1, 2007 to May 21, 2008, the share price of the STMG Class A common shares decreased from US$4.45 to US$0.43[3] per share. In May 2008, STMG's Class A common shares were de-listed from the NYSE and were subsequently moved to the Over-the-Counter Bulletin Board ("OTCBB") on June 17, 2008. As a result of this decrease in realizable value for the Applicants' estates and the quantum of claims that were filed in the Applicants' Claims Process, it became apparent that, subject to possible

[3] Bloomberg – share price on the NYSE and the OTCBB

realizations from the Litigation Assets, Hollinger's shareholders were unlikely to realize any substantial recovery on their investment. Shortly thereafter, the Applicants engaged in discussions with the OSC concerning possible relief from the burden of their public company reporting requirements.

55. As approved by an Order of this Honourable Court of July 21, 2008, Hollinger consented to the OSC issuing an order on August 5, 2008 that ceased all trading in and all acquisitions of Hollinger's securities, whether direct or indirect, except in defined circumstances. Cease trade orders were also issued by other provincial regulators. As a result of the cease trade orders, the Applicants were no longer required to produce going-concern public entity financial statements and were permitted to cease obtaining audit opinions on their financial statements.

56. By order of this Honourable Court of August 27, 2008 (the "Non-Applicants' Claims Order"), the Monitor was authorized to conduct a claims process for the Non-Applicants (the "Non-Applicants' Claims Process"). The Non-Applicants' Claims Order established September 30, 2008 as the Claims Bar Date. The costs associated with the Non-Applicants' Claims Process, including any settlements of claims, are not included in the Applicants' Statement of Receipts and Disbursements appended to this report.

57. The MPSA provided for the appointment of a Litigation Trustee in order to supervise, control and administer all aspects of the Litigation Assets. The Honourable John D. Ground, Q.C. (retired judge) was appointed as an officer of the Court to perform the role of Litigation Trustee.

58. The funding for the Litigation Trustee as contemplated by the MPSA was established during this period. The Litigation Trustee engaged counsel to re-engage in the pursuit of the Litigation Assets, which had been put on hold under the Standstill Agreement.

59. On January 2, 2009, STMG voluntarily de-registered its Class A common stock from the OTCBB. After de-registration, STMG's Class A common stock was quoted on the Pink Sheets.

60. On March 31, 2009 STMG announced that it and certain affiliates had filed voluntary petitions under Chapter 11 of the *U.S. Bankruptcy Code* in the U.S. Bankruptcy Court for the District of Delaware.

61. At the time of its bankruptcy filing, STMG remained financially and legally burdened by liabilities, including a US$510 million claim by the United States Internal Revenue Service. The Monitor understands that STMG was also adversely affected by the downturn in circulation and print advertising revenue. The reasons for STMG's filing are more fully described in the declaration of James McDonough, the Senior Vice President, Chief Administrative Officer, General Counsel and Secretary of STMG dated March 31, 2009, a copy of which is attached hereto as Appendix E. As a result of STMG's bankruptcy proceedings, the trading price of the Applicants' Class A common stock in STMG declined to nil. Set out below is a table showing the trading prices of STMG's Class A shares on the NYSE from January 2007:

Date	US$ per share[4]
January 3, 2007	$4.92
August 1, 2007	$4.45
December 31, 2007	$2.20
May 21, 2008	$0.43
December 31, 2008	$0.05
April 1, 2009	$0.02

62. After the STMG bankruptcy filing, the Applicants focused their efforts on realizing upon their Litigation Assets and amounts due from the Non-Applicants.

(b) <u>Receipts and Disbursements during the Period</u>

63. As set out in the Applicants' Statement of Receipts and Disbursements, of the total receipts of $13.7 million during this period, $11.6 million related to the repayment of

[4] Bloomberg – share price on the NYSE, the OTCBB and Pink Sheets.

inter-company amounts due from both Domgroup and 10 Toronto to the Applicants. A further $2.0 million was related to the receipt of funds from the Receiver of Ravelston Corporation Limited ("RCL") which was authorized to distribute the remaining proceeds from a settlement between RCL and CanWest Global Communications Corp. to STMG and the Applicants. The MPSA allocated these funds equally between the Applicants and STMG.

64. Of the total disbursements of $8.3 million, $1.6 million was spent in relation to the *CCAA* and Chapter 15 insolvency proceedings. An additional $1.1 million was spent relating to other legal matters, including pursuit of the Litigation Assets

65. The disbursements during this period also included a payment of $1.0 million to BMO on account of advisory fees (which was approved by Order of this Honourable Court on November 26, 2008), a $2.2 million (US$2.0 million) distribution to STMG pursuant to the MPSA, $1 million for the purchase of run-off insurance coverage, and $0.7 million relating to the fees and expenses of its CRO in accordance with the terms of the MPSA. As part of the Applicants' cash conservation efforts, the Applicants moved to smaller, less expensive offices during this period**.**

III. April 1, 2009 to present

a) <u>Activities during the Period</u>

66. After the commencement of STMG's Chapter 11 proceedings, the Applicants continued their work on implementing the MPSA, including winding up the affairs of the Non-Applicants, continuing to evaluate the claims filed in the Applicants' and Non-Applicants' Claims Processes and pursuing the Litigation Assets.

67. Subsequent to the execution of the MPSA, the Applicants and the Monitor have provided regular updates pursuant to the MPSA regarding the progress of the Applicants' Claims Process and the asset recovery efforts, including the pursuit of the Litigation Assets. Despite the provisions of the MPSA permitting it to do so, STMG has not actively participated in the *CCAA* proceedings since filing for Chapter 11 protection.

68. In December 2009, $2.3 million of the priority distributions required pursuant to the MPSA were made by the Applicants to DK and the Indenture Trustees.

69. As a result of a motion by the Applicants on May 27, 2010, this Honourable Court authorized the payment of the remaining $2.2 million of the priority distributions due pursuant to the MPSA. The Applicants made these distributions in June 2010.

70. As previously reported, in order to determine which, if any, third parties are beneficiaries entitled to share in US$24.5 million of insurance settlement proceeds from the fourth excess layer of directors' and officers' insurance previously held by the Applicants, an Interpleader action was commenced in the Delaware Superior Court. On January 12, 2010, the Delaware Superior Court issued an order calling for individuals and entities with an interest in the Interpleader action to submit claims by February 26, 2010. The Monitor understands that the Applicants and STMG made a joint filing and have made several submissions to that court. The Applicants and STMG (who have a sharing agreement governed by the MPSA in respect of these funds) were among several parties (including Conrad Black, Barbara Amiel-Black, Peter White, John Boultbee and other individuals who were formerly either officers or directors of the Applicants) that have filed claims to these funds, which claims are currently in the process of adjudication by the Delaware Superior Court.

71. During this period, the Monitor (in consultation with the Applicants and the Non-Applicants) has continued to review, accept, revise or disallow claims filed in both claims processes. Several court attendances have been required to address certain claims.

72. On May 27, 2010, Domgroup obtained approval from both its board of directors and this Honourable Court to advance a $4.2 million Debtor-in-Possession ("DIP") loan to Hollinger. Domgroup is charging interest to Hollinger at the Canadian Imperial Bank of Commerce's Prime Rate + 3% per annum on any draws that are made on the $4.2 million DIP loan. The DIP loan is repayable by offsetting amounts owing from Domgroup to Hollinger. In December 2010, the terms of the DIP loan were amended to include Sugra and 432 as borrowers and the total amount of the DIP loan was increased to $5.2 million. As of February 28, 2011, $4.2 million has been drawn on the DIP loan. By order of this

Honourable Court, the Initial Order was amended to allow for a $5.2 million DIP loan charge to rank behind both the Administrative Charge and the Directors' Charge.

73. During the period, the Applicants continued to pursue recovery of the Litigation Assets. They sought negotiated settlements with both Torys and KPMG and, to facilitate this, agreed to participate in separate mediations with each party.

74. Hollinger entered into mediation agreements with each of Torys and KPMG that included provisions to toll the relevant limitation periods pursuant to section 11 of the *Limitations Act, 2002*, S.O. c. 24, Sch. B.

75. Hollinger and Torys engaged in a mediation process before the Honourable George W. Adams, Q.C. (retired justice) on March 23 and 24, 2010.

76. Hollinger and KPMG engaged in a mediation process before Mr. Adams on March 29 and 30, 2010.

77. In the months preceding the aforementioned mediations, the Litigation Trustee and the Applicants incurred significant legal fees associated with preparing their mediation briefs and reply materials, producing document briefs and reviewing Torys' and KPMG's mediation and document briefs.

78. On July 15, 2010, the Applicants issued a press release announcing that they had entered into a settlement agreement, subject to Court approval, with Torys to resolve all claims against Torys that were advanced by the Litigation Trustee on behalf of Hollinger and also including all intended claims by the Applicants and Non-Applicants.

79. On October 6, 2010, the Applicants issued a press release announcing that they had entered into a settlement agreement, subject to Court approval, with KPMG to resolve all claims against KPMG that were advanced by the Litigation Trustee on behalf of Hollinger and also included all intended claims by the Applicants and the Non-Applicants. In seeking court approval for the Torys Settlement and the KPMG Settlement, the Applicants sought approval for a comprehensive notice procedure to advise all potential and known interested parties and stakeholders of the pending Settlements.

80. In addition to monetary consideration, the terms of the Settlements require KPMG and Torys to withdraw or forever remise any claims or possible claims against the Applicants and Non-Applicants. The terms of the Settlements include releases from Hollinger Inc., its subsidiaries and third parties in favour of KPMG and Torys. The Settlements are conditional upon the Applicants obtaining orders from this Honourable Court approving the Settlements, including such third party releases.

81. Pursuant to the November 12, 2010 Service and Notice Procedure Order of this Honourable Court (the "Service and Notice Procedure Order"), all known creditors, defendants, shareholders, stakeholders and other potential interested parties were notified of the requirement to file a Notice of Appearance before the Notice of Appearance Bar Date.

82. Twenty-eight parties filed Notices of Appearance pursuant to the Service and Notice Procedure Order (the "Responding Parties").

83. On November 26, 2010, the Applicants brought a motion to, among other things, approve the Settlements (the "Settlement Approval Motion"). The Applicants sought an order sealing certain references in the Settlements as being confidential. The references in the Settlements refer to the amounts proffered by each of Torys and KPMG to settle Hollinger's claims (the "Settlement Amounts") as well as certain confidential information pertaining to Torys.

84. The Applicants initially sought an order sealing the Report of the Honourable John D. Ground, Q.C. (retired judge) in his capacity as Litigation Trustee (the "Litigation Trustee's Report"). Prior to the hearing of the sealing motion, Hollinger withdrew its request for a sealing order in respect of the Litigation Trustee's Report.

85. A number of stakeholders have raised objections to the relief sought by the Applicants with respect to the Settlements. In response to objections raised by Conrad Black, Barbara Amiel-Black, David Radler, Daniel Colson, Peter White, Ralph Barford, Catalyst Fund General Partner I Inc. and Argus Corporation Limited, the Applicants agreed to bifurcate the requests for sealing orders from the rest of the relief sought on the

Settlement Approval Motion and to bring a separate motion seeking the sealing orders (the “Sealing Motion”) in advance of the Settlement Approval Motion.

86. On February 25, 2011, this Honourable Court issued a protective order, attached hereto as Appendix F, sealing, on terms, the confidential references in the Settlements and approving a form of confidentiality agreement which would govern the disclosure of such confidential references, including the Settlement Amounts, by Hollinger to signatories of the confidentiality agreement.

87. Mr. Black has served a Notice of Motion seeking leave from the Court of Appeal for Ontario to appeal the aforementioned protective order. No other Responding Parties sought leave to appeal the protective order within the applicable appeal period.

88. Mr. Black has also served a Notice of Motion in the Court of Appeal for Ontario seeking to stay the Settlement Approval Motion pending his motion for leave to appeal the protective order. This motion for a stay is currently returnable on April 14, 2011.

89. At a scheduling conference held on March 28, 2011, it was agreed that the Applicants would file all material upon which they intend to rely in support of the Settlement Approval Motion by April 1, 2011. Such materials have now been served and filed by the Applicants. Any other party supporting the Applicants’ motion is to file its material by April 12, 2011, after which a timetable for delivery of responding materials and cross-examinations will be agreed by the parties or determined by this Honourable Court.

(b) Receipts and Disbursements during the Period

90. As set out in the Applicants’ Statement of Receipts and Disbursements, of the receipts of $6.6 million during the period, $2.3 million related to the repayment of inter-company amounts due from 10 Toronto and $4.2 million was related to drawing on the Court-approved DIP loan facility between Domgroup and the Applicants.

91. Of the total disbursements of $10.8 million during the period, $4.5 million related to priority distributions to creditors pursuant to the MPSA. A further $0.8 million was spent in relation to the *CCAA* and Chapter 15 insolvency proceedings.

92. The legal disbursements of $2.9 million during the period primarily related to legal fees associated with the Interpleader action, the Settlement approval process and the fees and disbursements incurred by the Litigation Trustee in the pursuit of the Litigation Assets.

APPLICANTS' CLAIMS PROCESS

93. In the Applicants' Claims Process, forty-eight claims (including inter-company claims) were received either on or before the Claims Bar Date. Three additional claims were received after the Claims Bar Date and accepted for filing. The breakdown of claims filed against the Applicants is shown below:

Applicant	Number of Claims Received
Hollinger	34
Sugra	7
4322525	10
Total	51

94. The Monitor, in consultation with the CRO, has issued seventeen Notices of Revision or Disallowance with respect to the claims. To date, there are three outstanding Notices of Dispute filed by Ravelston as well as one Notice of Dispute that was filed by the Canada Revenue Agency. In addition, six claims have been consensually withdrawn by the creditors who filed them after negotiation with the CRO, in consultation with the Monitor.

95. The Applicants and the Monitor are continuing to address the claims. Pursuant to the Applicants' Claims Order the Monitor is not to determine claims advanced by Non Arms-Length Claimants. Any such claims require a determination by this Honourable Court.

96. As previously reported, Catalyst has asserted that its claim of $1,988,388 is a super-priority claim. The claim was originally filed with the Monitor by Catalyst in the Applicants' Claims Process as an unsecured claim against Hollinger. On December 6, 2010 Catalyst, the Applicants and the Monitor agreed to a timetable for this Honourable Court to hear the merits of this Non Arms-Length claim as contemplated in the Claims

Procedure Order. In late February, 2011, the Applicants and Catalyst began discussions to prepare an agreed statement of facts for the purpose of having this Honourable Court adjudicate the claim asserted by Catalyst and its alleged super-priority status.

97. Some significant claims asserted by several Non Arms-Length Claimants are inextricably connected to the ongoing litigation involving the Applicants. They cannot be dealt with in isolation from claims of the Litigation Trustee. In many cases, the legal issues in question in the actions commenced (or threatened) by the Litigation Trustee are issues that are likely be central to the adjudication of the claims in the Applicants' Claims Process. In particular, the allegations made (or threatened) by the Litigation Trustee may, if proven, adversely affect, limit or eliminate the claims of those Non Arms-Length Claimants to be determined by this Honourable Court, including any claims for contribution and indemnity.

98. Paragraph 18 of the MPSA provides conditions that must be met for any distribution to creditors of the Applicants, including reserves for any disputed claims. Given the projected quanta of the claims asserted by the Non Arms-Length Claimants, it is unlikely that any distribution can be made by the Applicants until these claims have been finally determined.

99. The Applicants have delivered updates as to the progress of the Applicants' Claims Process as provided by the MPSA.

NON-APPLICANTS' CLAIMS PROCESS

100. In the Non-Applicants' Claims Process, thirty-six claims (excluding inter-company claims) were received by the Claims Bar Date. Four additional claims were received after the Claims Bar Date, including a claim filed by Representative Counsel and accepted for filing as discussed in more detail below.

101. The breakdown of claims filed against the Non-Applicants is shown below:

Non-Applicant	**Number of Claims Received**
Domgroup	32
10 Toronto Street	8
Willett Foods	0
Holcay Holdings	0
Total	40

102. The Monitor has issued eleven Notices of Revision or Disallowance with respect to the above-referenced claims. There remain six unresolved Notices of Dispute, of which three claims are currently before the Claims Officer. Seven claims have been consensually withdrawn by the creditors who filed them after negotiation with the CRO, in consultation with the Monitor.

103. As the Non-Applicants are not applicants under the Initial Order, they have, in consultation with the Monitor, continued to settle third party claims in full pursuant to the Non-Applicants' Claims Order and the MPSA.

104. The Non-Applicants are in the process of winding-up the affairs of their inactive subsidiaries, including the winding up of pension plans of Willett Foods under the supervision of the Financial Services Commission of Ontario.

105. Eighteen claims were filed under the Non-Applicant Claims Order against Domgroup by former employees of Dominion Stores relating to their post-retirement health and dental benefit plans, long-term disability entitlements, pension top-up obligations and life insurance.

106. By Order of this Honourable Court of November 26, 2008, following a motion brought by the Non-Applicants, Koskie Minsky LLP was appointed Representative Counsel for

these claimants. On February 27, 2009, Representative Counsel filed a new claim against Domgroup on behalf of all claimants and withdrew 17 of the 18 original claims.

107. As previously reported, Representative Counsel and Domgroup had previously provided proposed timelines to the Monitor for final resolution of these issues. These timelines have since lapsed. The Monitor has observed good faith efforts by both parties to resolve the actuarial differences between their respective positions and to achieve a settlement mechanism. Domgroup and Representative Counsel continue to negotiate an agreement which they hope to bring before this Honourable Court for approval in the near future. A settlement will permit Domgroup to finalize the wind-up of its affairs and, after satisfying third party liabilities, to return any surplus funds to the Applicants as repayment of inter-company balances as contemplated in the Non-Applicants' Claims Order and the MPSA. If a resolution cannot be achieved, it will be necessary to have the claim adjudicated.

108. Crystalline Investments Limited ("Crystalline") and Burnac Leaseholds Limited ("Burnac") filed claims against Domgroup totalling approximately $2.7 million relating to former real estate property leases held by Domgroup. In consultation with the CRO, the Monitor issued Notices of Disallowance reducing the claims to nil. Both Burnac and Crystalline filed Notices of Dispute. Given the size of these two claims, the Non-Applicants, in consultation with both the Monitor and key stakeholders, sought to refer these claims to this Honourable Court for determination pursuant to the provisions of the Non-Applicants' Claims Process. In December 2010, this Honourable Court declined to hear the matter and directed that it be adjudicated by the Claims Officer. A hearing before the Claims Officer is in progress.

109. The Non-Applicants and the Monitor have provided updates as to the progress of the Non-Applicants' Claims Process as provided by the MPSA.

STATUS OF THE LITIGATION ASSETS

110. Pursuant to the MPSA, the Litigation Trustee is responsible for administering the Litigation Assets[5] efficiently in a cost-effective manner with a view to maximizing the

[5] The aggregate amount of damages claimed in all of these actions or threatened actions exceeds $1.5 billion. The Monitor notes that the aggregate value of these assets is uncertain at present but may be material.

net return, after costs, from the Litigation Assets to the Applicants, their creditors and other stakeholders.

111. An Advisory Committee comprised of (i) Mr. Arnold Cader (i.e. the nominee of DK), (ii) Mr. William Brock (i.e. the nominee of the Applicants) and (iii) the Litigation Trustee was established to provide advice and direction to the Litigation Trustee, also pursuant to the MPSA.

112. The initial funding and reserve funding (as described in the MPSA) was provided by the Applicants for pursuit of the Litigation Assets. The funding was completed in accordance with the MPSA. The funds have been segregated from the general cash assets of the Applicants and are used exclusively for the purpose of funding the administration of the Litigation Assets.

113. The Litigation Trustee has been pursuing the claims within its mandate. The Monitor is advised that the Litigation Trustee, in consultation with the Advisory Committee, devoted considerable resources to prepare litigation positions against:

a) certain former directors including: Conrad Black, Barbara Amiel-Black, David Radler, John Boultbee, Peter White, Daniel Colson, Charles Cowan and Peter Atkinson;

b) the companies owned or controlled by some or all of certain former directors including: RCL, Ravelston Management Inc., 509643 N.B. Inc., 509644 N.B. Inc., 509645 N.B. Inc., 509646 N.B. Inc., 509647 N.B. Inc., Moffatt Management Inc., Black-Amiel Management Inc., Argus Corporation Limited, Conrad Black Capital Corporation, Hollinger Aviation Inc. Mowitza Holdings Inc., 364817 Ontario Limited, F. D. Radler Ltd., 1269940 Ontario Limited, 2753421 Canada Limited and 1406684 Ontario Limited;

c) certain former non-management directors, including: Maureen Sabia, Ralph Barford, Fredrik Eaton, R. Donald Fullerton, Henry Ketcham II, Allan Gotlieb and Douglas Bassett;

d) certain banks, namely: the Canadian Imperial Bank of Commerce, the Toronto Dominion Bank and the Bank of Nova Scotia;

e) Torys; and

f) KPMG.

114. The Applicants, the Litigation Trustee and the Advisory Committee have kept the Monitor and its counsel apprised of their progress and activities. Either the Monitor or its counsel has attended as an observer at the monthly status meetings chaired by the Litigation Trustee.

115. The Litigation Trustee has worked with his counsel to determine how to cost-effectively pursue the Litigation Assets. In order to preserve the cash available to the Litigation Trustee, several fee arrangements have been entered into by the Litigation Trustee, the CRO and legal counsel. These arrangements include fee deferrals pursuant to which certain legal fees have been deferred but are contemplated to be paid at a multiple of two and a half times the deferred amount contingent upon the positive outcome of these claims and the receipt of funds by the Litigation Trustee.

116. Pursuant to the terms of the MPSA, the Litigation Trustee must seek direction from the Advisory Committee concerning the use of proceeds of any settlement.

117. Consequently, the funds that may be made available to any of the Applicants as a beneficiary of the efforts of the Litigation Trustee are in part dependent on the cash requirements of the Litigation Trustee and other payments to be made pursuant to the MPSA, as described above.

UPDATED ESTIMATE OF ASSETS AND LIABILITIES

118. The Applicants and Non-Applicants have prepared an updated estimate of their assets and liabilities, with the assistance of the Monitor. The analysis provides an illustrative summary of the Applicants' and the Non-Applicants' significant assets, inter-company receivables and payables and third party obligations as of February 28, 2011 (the

"Waterfall Summary"). The Waterfall Summary also reflects the Applicants' and Non-Applicants' contingent assets and contingent liabilities.

119. The Waterfall Summary is attached as Appendix G to this Seventeenth Report.

120. The Applicants expect that the resolution or determination of contingent assets and contingent liabilities will have a material impact on the recoveries to stakeholders.

121. Pursuant to the MPSA, the claims of the Indenture Trustees under the two debentures dated March 10, 2003 and September 30, 2003 continue to accrue interest at the contractual rate until they are paid in full. Amounts included in the Waterfall Summary reflect these claims being valued with both accrued interest and foreign exchange rate adjusted to February 28, 2011. The notes to the Waterfall Summary provide a summary listing of the claims filed against each of the Applicants and the Non-Applicants, including information as to whether the creditor is also a Non Arms-Length creditor or a defendant. The Waterfall Summary does not include any claimant whose claim has been determined to be nil or that has been withdrawn.

122. The inter-company balances of the Non-Applicants with respect to the Applicants were initially disclosed in the Monitor's Third Report and updated in the Monitor's Seventh Report.

ALL OF WHICH IS RESPECTFULLY SUBMITTED BY:

ERNST & YOUNG INC.

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

Per:

Brian M. Denega
Senior Vice President

Christopher Mediratta
Vice President

APPENDIX A

Appendix A

Hollinger Inc., 4322525 Canada Inc., Sugra Limited
The Applicants' Statement of Receipts and Disbursements
August 1, 2007 to February 28, 2011

C$ 000s	August 1, 2007 to May 21, 2008	May 22, 2008 to March 31, 2009	April 1, 2009 to February 28, 2011	Total - August 1, 2007 to February 28, 2011	Notes
Opening Cash Balance	**1,495**	**472**	**5,841**	**1,495**	**1**
Receipts					
Interest Income	60	22	117	**199**	
Sale of Assets	5,798	-	-	**5,798**	**2**
Other	-	2,005	141	**2,146**	**3**
Inter-company Accounts Receivable (Payable) - 10 Toronto	4,818	2,985	2,300	**10,103**	**4**
Inter-company Accounts Receivable (Payable) - Domgroup	28	8,658	(109)	**8,577**	**5**
DIP Borrowings	-	-	4,200	**4,200**	**6**
Total receipts	**10,704**	**13,670**	**6,649**	**31,023**	
Disbursements					
Payroll & Benefits	(390)	(146)	(15)	**(551)**	**7**
Directors Fees and D&O Insurance	(674)	(1,070)	-	**(1,744)**	**8**
General Corporate and Litigation Legal Fees					
Adair Morse LLP	(42)	(12)	(37)	**(91)**	
Davies Ward Phillips & Vineberg LLP	(1,718)	(574)	(156)	**(2,448)**	
Eimer Stahl Kelovorn & Solberg LLP	(683)	(35)	(46)	**(764)**	
Fasken Martineau DuMoulin LLP	(663)	(3)	-	**(666)**	
Morris Nichols Arsht & Tunnell LLP	(133)	(8)	(56)	**(197)**	
Paliare Roland LLP	(159)	(19)	(183)	**(361)**	
Thornton Grout Finnigan LLP	-	-	(430)	**(430)**	
Voorheis & Co LLP	(115)	-	-	**(115)**	
Weil, Gotshall & Manges LLP	(70)	-	-	**(70)**	
Other	(109)	(10)	(92)	**(211)**	
Foreign Exchange	(18)	(1)	8	**(11)**	**21**
Fees Incurred by the Litigation Trustee	-	(481)	(1,973)	**(2,454)**	
Total General Corporate and Litigation Legal Fees	(3,710)	(1,143)	(2,965)	**(7,818)**	**9**
Chapter 15 Legal Fees (US)					
Morris Nichols Arsht & Tunnell LLP	(39)	(22)	(3)	**(64)**	
Weil, Gotshall & Manges LLP	(863)	49	-	**(814)**	**11**
Foreign Exchange	(10)	(8)	(1)	**(19)**	**21**
Total Chapter 15 Legal Fees (US)	(912)	19	(4)	**(897)**	**10**
CCAA Legal Fees (Canada)					
Davies Ward Phillips & Vineberg LLP	-	(36)	-	**(36)**	
Thornton Grout Finnigan, LLP	(1,821)	(1,050)	(421)	**(3,292)**	
Other	-	(63)	(10)	**(73)**	
Total CCAA Legal Fees (Canada)	(1,821)	(1,149)	(431)	**(3,401)**	**12**
CCAA Monitor Fees					
Ernst and Young Inc.	(925)	(367)	(296)	**(1,588)**	
Lenczner Slaght Royce Smith Griffin LLP	(359)	(106)	(101)	**(566)**	
Blank Rome LLP	(7)	(2)	-	**(9)**	
Willkie Farr & Gallagher LLP	(23)	(3)	-	**(26)**	
Total CCAA Monitor Fees	(1,314)	(478)	(397)	**(2,189)**	**13**
Sub-Total Chapter 15 Legal, CCAA Legal and CCAA Monitor Fees	(4,047)	(1,608)	(832)	**(6,487)**	
Ernst and Young Inc. (Inspector)	(114)	(4)	-	**(118)**	**14**
Nash Consulting	(81)	(95)	(172)	**(348)**	**15**
Contractor Fees					
BlueTree Advisors Inc. (CRO)	-	(692)	(1,611)	**(2,303)**	
VC & Co Incorporated (CEO)	(752)	(79)	-	**(831)**	
Total Contractor Fees	(752)	(771)	(1,611)	**(3,134)**	**16**
Finance, Tax Administration and Financial Advisor Fees					
BMO Nesbitt Burns Inc.	(565)	(1,000)	-	**(1,565)**	**17**
BlueTree Advisors Inc. (CFO)	(422)	-	-	**(422)**	**18**
Domgroup Ltd.	-	(14)	(95)	**(109)**	
Zelfman and Company	(93)	(4)	-	**(97)**	
10 Toronto Street Inc.	-	(41)	(254)	**(295)**	
Other Professionals	(203)	(60)	(65)	**(328)**	
Total Finance, Tax Administration and Financial Advisor Fees	(1,283)	(1,119)	(414)	**(2,816)**	**18**
Operating Costs Related to Premises	(207)	(207)	(284)	**(698)**	**19**
Taxes	-	24	94	**118**	**20**
Foreign Exchange	(152)	27	(41)	**(166)**	**21**
Other	(317)	(14)	(86)	**(417)**	**22**
Total Disbursements Before Payments to Creditors	**(11,727)**	**(6,126)**	**(6,326)**	**(24,179)**	
Distributions to Creditors	-	(2,175)	(4,500)	**(6,675)**	**23**
Change in cash	(1,023)	5,369	(4,177)	**169**	
Closing Cash Balance	**472**	**5,841**	**1,664**	**1,664**	

The ending cash balances of the principal Non-Applicants (with material amounts of cash), excluding the Domgroup Post Retirement Benefits Trust, were as follows:

10 Toronto Street Inc.	7,394	4,344	1,594	**1,594**	
Domgroup Ltd.	31,296	24,039	17,716	**17,716**	
Consolidated Ending Cash Balance	**39,161**	**34,224**	**20,974**	**20,974**	

The accompanying notes form an integral part of this statement
Unaudited - Prepared from information provided by the Applicants and Non-Applicants
Refer to Terms of Reference

Hollinger Inc., 4322525 Canada Inc., Sugra Limited
Notes to the Applicants' Statement of Receipts and Disbursements
August 1, 2007 to February 28, 2011

Background

Since prior to filing, the Applicants have not conducted any active business. They are exclusively engaged in winding up their affairs and realizing on their assets (including the claims that are subject to the Settlements and other Litigation Assets) with a view to distributing the net proceeds to stakeholders in accordance with their legal entitlements, all under the supervision of this Honourable Court and in accordance with the MPSA. A copy of this Honourable Court's Order approving the MPSA dated May 21, 2008 is attached as Appendix D to this Seventeenth Report.

The Applicants' current principal activities involve:

- the legal wind-up of its affiliates, 10 Toronto and Domgroup (including its wholly-owned subsidiaries), to permit the recovery of the amounts owed by these affiliates to the Applicants;
- the determination of claims against the Applicants pursuant to the Applicants' Claims Order;
- investigation, pursuit and realization of the Applicants' Litigation Assets;
- the participation in an Interpleader Action and claims process initiated by Hollinger and STMG in the Delaware Superior Court to determine entitlement to insurance proceeds;
- matters relating to the preservation of the records of Hollinger pursuant to Court orders made in the proceedings which involved the appointment of the Inspector; and
- when appropriate, the distribution of the Applicants' assets to stakeholders, subject to this Honourable Court's approval, possibly, but not necessarily, by way of a plan of arrangement.

Throughout these proceedings, the Monitor has regularly delivered communications and court reports that are available on its website (www.ey.com/ca/hollinger) containing the Applicants' statements of receipts and disbursements, cash projections and periodic updates on any material activities and initiatives undertaken, including those of the Non-Applicant subsidiaries.

For presentation purposes, the Monitor has divided these proceedings into the following three main time periods:

- from August 1, 2007 until the MPSA was approved by an order of this Honourable Court (i.e. May 21, 2008);
- from May 22, 2008 until STMG filed for protection under Chapter 11 of the U.S. Bankruptcy Code (i.e. March 31, 2009); and
- from April 1, 2009 to present, during which time the Applicants have been principally engaged in the pursuit of the Litigation Assets.

A full description of the activities during each of the three periods is contained in the Seventeenth Report of the Monitor.

Cash Balances

1. Cash Balances are shown in the Applicants' Statement of Receipts and Disbursements thousands of Canadian dollars and exclude approximately $0.6 million held in trust by Aird & Berlis LLP for the officers' indemnity trust. The Opening Cash Balance includes approximately $0.6 million held in a bank account in the name of Holcay Holdings, a wholly-owned subsidiary of Hollinger Inc.

Receipts

2. Sale of Assets consists primarily of the payment in full of the promissory note of US $4.2 million, issued by Cayman Islands Free Press in favour of Holcay Holdings Ltd. As a condition of sale of Holcay's investment in Cayman Islands Free Press, and a US $1.0 million dividend payment from Cayman Islands Free Press.

3. Other Receipts consist primarily of a payment received from the Ravelston Corporation Limited, ("RCL") relating to Hollinger's portion of the remaining proceeds from the settlement by RCL with CanWest Global Communications Corp. Pursuant to this

Honourable Court's Order, dated March 26, 2009, STMG is required to share all proceeds from this settlement equally with Hollinger. In addition, Other Receipts include the return of unclaimed dividends that were held by Computershare Investment Trust from dividends that were declared and issued by Hollinger well before the commencement of these proceedings.

4. Inter-company Accounts Receivable (Payable) to 10 Toronto consist of the net inter-company receipts from 10 Toronto on account of its indebtedness to the Applicants.

5. Inter-company Accounts Receivable (Payable) to Domgroup primarily consist of the net inter-company receipts from Domgroup on account of its net indebtedness to the Applicants, offset by the payment of interest on account of draws made on the debtor-in-possession ("DIP") facility between Domgroup and Hollinger, pursuant to an Order of this Honourable Court dated May 27, 2010 and amended on December 15, 2010. As previously reported, during the week ended October 5, 2007, Holcay Holdings repaid in full its $1.7 million inter-company amounts owing to Domgroup.

6. DIP Borrowings represent borrowings on the DIP facility between Domgroup and Hollinger in accordance with the Order dated May 27, 2010 and amended on December 15, 2010.

Disbursements

All amounts include GST and HST, as applicable. Due to the tax status of the Applicants, they are not eligible for any reimbursement of these taxes.

7. Payroll & Benefits represent a reimbursement to 10 Toronto by Hollinger for 50% of the total employee related costs of 10 Toronto, including payroll, benefits and severance costs.

8. Directors Fees and D&O Insurance represent the payments to former members of the board of directors of Hollinger for services performed and the purchase of a run-off insurance policy.

9. General Corporate and Litigation Legal Fees represent fees paid to date on account of general corporate and litigation services. The Applicants were involved in a number of

legal initiatives both prior to August 1, 2007 and subsequent to filing. The legal initiatives included but were not limited to:

- the CCAA and Chapter 15 proceedings, including preparing for mediations and the Chapter 15 adequate protection motions;
- the changes to the STMG board;
- advice to the Applicants’ board of directors;
- matters related to on-going criminal proceedings in Illinois;
- matters related to claims by the Securities and Exchange Commission of the United States;
- pursuit of the Litigation Assets, including the mediations and the Settlement approval process for the Torys Settlement and KPMG Settlement and the fees and disbursements incurred by the Litigation Trustee; and
- Ontario Securities Commission (“OSC”) proceedings and compliance with provincial securities law.

10. Chapter 15 Legal Fees reflect the legal fees associated with the Chapter 15 filing and certain other US legal issues.

11. Legal fees for Weil, Gotshall & Manges LLP are presented net of a retainer refund of $123,000 which was provided in March 2009.

12. *CCAA* Legal Fees reflect the legal fees of the Applicants' counsel.

13. *CCAA* Monitor Fees reflect the fees and disbursements of the Monitor and of both its Canadian and U.S. counsel.

14. Ernst & Young Inc. (Inspector) consist of the fees and costs of Ernst and Young Inc. in its capacity as Court-Appointed Inspector relating to dealing with documents of the Applicants under the custody and control of the Inspector pursuant to paragraph 9 of this Honourable Court’s Order dated December 15, 2006, a copy of which is attached as Appendix B to this Seventeenth Report.

15. Nash Consulting disbursements relate to the fees and costs of a firm engaged by the Applicants to catalogue and administer their records pursuant to Court orders made in the proceedings which involved the appointment of the Inspector.

16. Contractor Fees represent fees paid to external contractors for services rendered to the Applicants, including the former CEO and the current CRO. In accordance with the terms of the MPSA that were approved by an Order of this Honourable Court dated May 21, 2008, BlueTree Advisors Inc., an entity controlled by William Aziz, CA, was appointed as the CRO of the Applicants and an officer of the Court in consideration of a monthly fee of $65,000, plus GST as applicable and reimbursement of reasonable expenses. All monthly work fees payable under Hollinger's consulting agreement with VC & Co Incorporated, an entity controlled by G. Wesley Voorheis, the former CEO of the Applicants, were suspended pursuant to the MPSA. Mr. Voorheis resigned as an officer and director of the Applicants effective as of May 21, 2008. The provisions of the MPSA deferred a fee payable pursuant to this consulting agreement, to be paid depending on the returns to be potentially realized on the Litigation Assets as a result of actions undertaken or threatened by the Litigation Trustee.

No additional fees have been paid by the Non-Applicants to the former CEO and CRO since August 1, 2007. The fees paid by the Applicants to the former CEO and the CRO have not yet been allocated by Hollinger to the Non-Applicants.

17. The Applicants' financial advisor, BMO Nesbitt Burns Inc. ("BMO"), provided financial advice and analysis to the Applicants. BMO's fees were protected under the Administration Charge in the Initial Order, as amended. BMO's engagement agreement provided for success fees payable in respect of various events and transactions, past and future. The Applicants and BMO, in consultation with counsel for STMG and DK, agreed to resolve the outstanding amount owed to BMO with a payment of $1 million as a full and final settlement of all transaction fees owing under the BMO engagement letter. The payment to BMO was approved by an Order of this Honourable Court dated November 26, 2008

18. Finance, Tax Administration and Financial Advisor Fees represent payments to various professionals including Hollinger's auditors, financial advisor, and transfer agent.

Financial, Tax, Administration and Financial Advisor Fees also include a reimbursement to 10 Toronto for the Applicant's portion of advisor fees incurred and paid by 10 Toronto. For the period from August 1, 2007 to May 21, 2008 inclusive, BlueTree Advisors Inc., an entity controlled by William Aziz, CA, acted as CFO of the Applicants. The fees paid by the Applicants to the former CFO have not yet been allocated by Hollinger to the Non-Applicants.

19. Operating Costs related to premises represent the Applicants' portion of costs for leases payments and operating costs shared with the Non-Applicants.

20. Taxes include the receipt of certain tax refunds.

21. Foreign Exchange represents the effect of translating the Applicants' US dollar cash balances into Canadian dollars.

22. Other disbursements include sundry expenses including computer support, TSX fees and other disbursements.

23. Distributions to creditors represent the various priority distributions as contemplated in the MPSA and approved by an Order from this Honourable Court dated May 21, 2008.

APPENDIX B

Court File No. 04-CL-5441

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE	)	15 DAY, THE
	)	
MR. JUSTICE COLIN CAMPBELL	)	DAY OF DECEMBER, 2006

IN THE MATTER OF Hollinger Inc., a corporation incorporated under the Laws of Canada; and

B E T W E E N:

CATALYST FUND GENERAL PARTNER I INC.

Applicant

- and -

HOLLINGER INC.

Respondent

APPLICATION UNDER section 229 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended

ORDER

THIS MOTION, made by Ernst & Young Inc. in its capacity as Inspector appointed pursuant to the Endorsement of this Court dated October 26, 2004 and the Orders of this Court dated October 13, 2004 and December 2, 2004 (the "Inspection Order"), for an Order approving the Inspector's work plan as set out in the Eleventh Report and providing the Inspector with Directions was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion and the Eleventh Report of the Inspector and upon hearing submissions of counsel to the Inspector, the Applicant and the Respondent and other interested parties,

AND UPON this Court being satisfied that the Inspector has fulfilled its duties and obligations as set out in the Inspection Order and subsequent Orders of this Court to date,

1. **THIS COURT ORDERS** that capitalized terms not defined in this Order shall have the meanings set out in the Inspection Order.

2. **THIS COURT ORDERS** that the Inspector has fulfilled its duties and obligations as set out in the Inspection Order and subsequent Orders of this Court.

3. **THIS COURT ORDERS** that the Inspector's activities and reports to this Court to date are hereby approved

4. **THIS COURT ORDERS** that the Inspector is hereby discharged with respect to any further duties under the Inspection Order and subsequent Orders of this Court to date, except for those duties as set out herein and in any further Orders of this Court.

5. **THIS COURT ORDERS** that paragraphs 1, 2, 3, 5 and 7 of the December 2, 2004 Order of this Court shall remain in full force and effect.

6. **THIS COURT ORDERS** that the procedure for final approval of the Inspector Group Accounts shall continue to be the procedure in paragraph 7 of the December 2, 2004 Order of this Court.

7. **THIS COURT ORDERS AND DECLARES** that the accounts of the Inspector Group delivered to date pursuant to paragraph 7 of the December 2, 2004 Order have been finally approved in accordance therewith.

8. **THIS COURT ORDERS** that the March 8, 2005 Order with respect to the retainer of Searchlight Systems Ltd. shall remain in full force and effect.

9. **THIS COURT ORDERS** that the Inspector shall continue to hold in its possession, and perform the duties related to the documents and electronic records which have been delivered up to the Inspector by Related Parties and other parties pursuant to the Inspection Order or by agreement of the parties, as more particularly delineated in paragraphs 78 of the Eleventh Report of the Inspector, until further Order of this Court.

10. **THIS COURT ORDERS** that the Inspector's duties and responsibilities shall be limited to the work plan as approved by this Order, subject to further Order of this court.

11. THIS COURT ORDERS that any interested party may apply for further directions in this proceeding, on notice.

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:
DEC 18 2006
PER/PAR:

CATALYST FUND GENERAL PARTNER I INC. V. HOLLINGER INC.

Court File No. 04-CL-5441

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

PROCEEDING COMMENCED AT TORONTO

IN THE MATTER OF Hollinger Inc., a corporation incorporated under the Laws of Canada

ORDER

LENCZNER SLAGHT ROYCE SMITH GRIFFIN LLP
Barristers
Suite 2600
130 Adelaide Street West
Toronto, Ontario
M5H 3P5

Peter H. Griffin (19527Q) 865-2921
Monique Jilesen (43092W) 865-2926
Tel : (416) 865-9500
Fax: (416) 865-9010

Solicitors for the Inspector
Ernst & Young Inc.

CATALYST FUND GENERAL PARTNER I INC. v. HOLLINGER INC.

Dec 15/06

Court File No. 04-CL-5441

Having read the motion record + heard from counsel an order will issue in the form of the draft filed & signed

[signature] J.

SUPERIOR COURT OF JUSTICE
COUR SUPÉRIEURE DE JUSTICE
FILED / DÉPOSÉ
DEC 07 2006
REGISTRAR - GREFFIER
TORONTO

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

PROCEEDING COMMENCED AT TORONTO

IN THE MATTER OF Hollinger Inc., a corporation incorporated under the Laws of Canada

MOTION RECORD OF THE INSPECTOR
[MOTION RETURNABLE DECEMBER 15, 2006]

LENCZNER SLAGHT ROYCE SMITH GRIFFIN LLP
Barristers
Suite 2600
130 Adelaide Street West
Toronto, Ontario
M5H 3P5

Peter H. Griffin (19527Q) 865-2921
Monique Jilesen (43092W) 865-2926
Tel: (416) 865-9500
Fax: (416) 865-9010

Solicitors for the Inspector
Ernst & Young Inc.

APPENDIX C

Hollinger Inc. Initiates Changes to Sun-Times Media Group, Inc. Board of Directors and Makes Application For Court Supervised Restructuring

TORONTO, Ontario, August 1, 2007 – Hollinger Inc. ("Hollinger") (TSX:HLG.C) (TSX:HLG.PR.B) announced today that, on July 31, 2007, Hollinger, as the holder of a majority in voting interest of the common stock of Sun-Times Media Group, Inc. ("Sun-Times"), delivered a written consent in lieu of a meeting to Sun-Times adopting resolutions that (i) removed three current directors from the Sun-Times Board of Directors, (ii) increased the size of the Sun-Times Board of Directors to eleven directors and (iii) elected each of William E. Aziz, Brent D. Baird, Albrecht Bellstedt, Peter Dey, Edward C. Hannah and G. Wesley Voorheis as directors to the Sun-Times Board of Directors.

G. Wesley Voorheis, the CEO of Hollinger, said, "The concerns we expressed in our June 11, 2007 letter to Sun-Times remain, and have been heightened as the value of Sun-Times' shares continues to decline. We have always believed that Sun-Times should implement a formal strategic process to enhance value for all Sun-Times shareholders. The actions we have taken are consistent with this."

Mr. Voorheis added, "As we have said before, we do not intend to interfere in any way with the mandate of the Special Committee of the Sun-Times Board of Directors, which will deal with the claims between Sun-Times and Hollinger, or the Special Monitor, Mr. Richard Breeden. We have not removed any of the members of the Special Committee. We are committed to working with the Special Committee and the entire Board of Directors, as well as Mr. Breeden."

Mr. Voorheis noted, "Hollinger intends to immediately engage in a formal process, in consultation with other Sun-Times shareholders, to identify other qualified directors to join the Sun-Times Board of Directors in addition to or in lieu of those elected on July 31, 2007."

"Our interests," Mr. Voorheis explained, "as the largest shareholder of Sun-Times are aligned with the interests of all of Sun-Times shareholders. We will work very hard to improve the value of Sun-Times for all shareholders."

Hollinger Makes Application For Court Supervised Restructuring

Hollinger also announced today that it, together with two of its Canadian subsidiaries 4322525 Canada Inc. and Sugra Limited (collectively, the "Companies"), has made application for a Court-supervised restructuring under the *Companies' Creditors Arrangement Act* (Canada) and a similar proceeding in the United States pursuant to Chapter 15 of the U.S. *Bankruptcy Code*. The Companies have requested an Order of the Court that would have the effect of staying all actions or enforcement steps that might otherwise be taken against the Companies, and provide them with an opportunity to facilitate a restructuring of their assets and affairs.

Company Profile

Hollinger's principal asset is its approximately 70.0% voting and 19.7% equity interest in Sun-Times (formerly Hollinger International Inc.), a newspaper publisher with assets which include the Chicago Sun-Times and a large number of community newspapers in the Chicago area. Further information can be obtained at www.hollingerinc.com.

CONTACT INFORMATION

Media contacts:

G. Wesley Voorheis
Chief Executive Officer
(416) 363-8721 ext. 237
wvoorheis@hollingerinc.com

William E. Aziz
Chief Financial Officer
(416) 363-8721 ext. 262
baziz@hollingerinc.com

APPENDIX D

Court File No. 07-CL-7120

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE	)	**WEDNESDAY, THE**
	)	
MR. JUSTICE CAMPBELL	)	**21st DAY OF MAY, 2008**

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**

Applicants

ORDER
(Approval of Multi-Party Settlement and Cost Reduction / Asset Enhancement Program)

THESE MOTIONS, made by Hollinger Inc. ("Hollinger"), 4322525 Canada Inc. ("432") and Sugra Limited (the "Applicants"), and by Sun-Times Media Group, Inc. ("STMG") for an Order approving the terms of a settlement with STMG and Davidson Kempner Capital Management LLC and certain of its affiliates (collectively, "DK") and authorizing and approving the Applicants to take steps to restructure certain of their operations and management to reduce costs and enhance asset realizations was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion of the Applicants dated May 14, 2008, the Seventh Report of Ernst & Young Inc. in its capacity as Court-appointed Monitor of the Applicants (the

"Monitor"), STMG's Amended Fresh as Amended Notice of Motion dated May 15, 2008, an unredacted version of the Multi-Party Settlement (as defined herein) filed under seal and such other materials as this Court may direct be filed as part of the record herein, and on hearing from counsel for the Applicants, STMG, DK, the Indenture Trustees (as defined herein), Conrad Black, Conrad Black Capital Corporation, Barbara Amiel Black, Catalyst Fund General Partner I Inc., the Receiver of the Ravelston Corporation Limited and the Monitor and on being advised that the Service List as of May 14, 2008 was served electronically with the Applicants' Amended Notice of Motion dated May 14, 2008 and STMG's Amended Fresh as Amended Notice of Motion dated May 15, 2008 herein and on being advised that all material terms of the settlement are contained and disclosed in the Multi-Party Settlement;

Approval of Multi-Party Settlement

1. **THIS COURT ORDERS** that the agreement among the Applicants, STMG and DK, a redacted version of which is annexed as Schedule "A" hereto (the "Multi-Party Settlement") and all transactions, actions and activities contemplated therein (the "Settlement Steps"), are hereby approved, the execution of the Multi-Party Settlement by the Applicants is hereby approved and ratified and the Applicants and the other parties thereto are hereby authorized and directed to carry out each of the Settlement Steps, including, without limitation, authorizing the issuance of the Additional Shares pursuant to a Consent, if necessary, and no further Order of this Court is necessary to give effect to any aspect of the Multi-Party Settlement. Terms not defined in this Order shall have the meaning described in the Multi-Party Settlement.

2. **THIS COURT ORDERS AND DECLARES** that the Multi-Party Settlement is fair and commercially reasonable.

3. **THIS COURT ORDERS AND DECLARES** that the information contained in Schedule "B" to the Multi-Party Settlement is commercially sensitive and shall be sealed pending further Order of this Court.

4. **THIS COURT ORDERS** that the Multi-Party Settlement shall be binding upon and enforceable against, and enure to the benefit of, the Applicants and any successors thereto including, without limitation, any trustee in bankruptcy, receiver or receiver and manager in respect of any or all of the Applicants and shall also be binding upon and enforceable against, and enure to the benefit of, STMG, DK, Delaware Trust Company, National Association, in its capacity as collateral agent and as trustee under the indenture dated as of March 10, 2003 with respect to the senior secured notes issued by Hollinger ("Delaware Trust"), and HSBC Bank USA, National Association, in its capacity as trustee under the indenture dated as of September 30, 2004 with respect to the senior secured notes issued by Hollinger ("HSBC"), and any other person having notice of this Order. The aforesaid indentures are collectively referred to herein as the "Indentures".

5. **THIS COURT ORDERS AND DIRECTS** Delaware Trust and HSBC (collectively, the "Indenture Trustees"), on the one hand, and the Applicants, STMG and DK, on the other, to co-operate with each other to facilitate the implementation of the Multi-Party Settlement insofar as it relates to the Indenture Trustees and their collateral. In particular, Delaware Trust is hereby directed to relinquish possession and control of the STMG Class B share certificates held by it as collateral (the "Class B Certificates") to or at the direction of the Applicants, and in exchange to simultaneously receive, upon issuance, from the Applicants or such other person at the direction of the Applicants, the certificates representing the Exchanged Shares and the Additional Shares in substitution for the Class B Certificates.

6. **THIS COURT ORDERS** that, notwithstanding any other provisions of this Order, the provisions of this Order and the Multi-Party Settlement are without prejudice to the rights, if any, of the Applicants and any other person in respect of the Class A shares of STMG currently owned by the Applicants or any of them that are not Exchanged Shares or Additional Shares or that may be subject to any escrow agreement in relation to Hollinger's Class II preference shares.

7. **THIS COURT ORDERS AND DECLARES** that nothing contained in this Order or in the Multi-Party Settlement shall:

(a) affect the obligations of the Applicants to reimburse the Indenture Trustees in accordance with the Indentures (such reimbursable amounts being referred to herein collectively as the "Trustees' Fees and Expenses"); or

(b) impair or modify the liens of the Indenture Trustees pursuant to the Indentures and any existing related agreements for payment of the Trustee's Fees and Expenses.

8. **THIS COURT ORDERS AND DIRECTS** the Monitor to report to this Court when all transactions, releases and acknowledgements of claims contemplated by the Multi-Party Settlement to occur on or forthwith after Court Approval have been completed or performed. The Monitor may report upon such other matters in relation to the Multi-Party Settlement at such time or times as the Monitor deems necessary or appropriate.

9. **THIS COURT ORDERS** that, without prejudice to the rights of any party pursuant to the comeback clause of the Initial Order, the Applicants, the Monitor, STMG, DK, the CRO (defined below), the Litigation Trustee or the Indenture Trustees may, at any time upon seven (7) days notice to the Service List, return to this Court to seek directions or other relief regarding the implementation of the Multi-Party Settlement or any other matter arising in relation to the Multi-Party Settlement.

10. **THIS COURT ORDERS** that notwithstanding:

(a) the pendency of these proceedings or any ancillary proceedings;

(b) a bankruptcy of any of the Applicants; and

(c) the provisions of any federal or provincial statute,

none of the Multi-Party Settlement or any of the transactions contemplated thereby will be void or voidable at the instance of creditors or claimants or their representatives, including any trustee in bankruptcy, and do not constitute nor shall they be deemed to be settlements, fraudulent preferences, assignments, fraudulent conveyances or other reviewable transactions under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation and they do not constitute conduct giving rise to an oppression remedy or any other cause of action.

11. **THIS COURT ORDERS** that the approval of the Multi-Party Settlement, and in particular paragraph 16 thereof, shall not vary or be deemed to vary the Order of this Court dated February 27, 2007 in *STMG v. Conrad Black et al.* (Court File No. 06-CL-6678) and shall be without prejudice to the rights of the defendants in that action, Conrad M. Black, Barbara Amiel Black, Black-Amiel Management Inc., Conrad Black Capital Corporation, 1269940 Ontario Limited and 2753421 Canada Limited to make any arguments or take any position upon any motion seeking an Order as contemplated in paragraph 16 of the Multi-Party Settlement.

Approval of Cost Reduction and Asset Enhancement Program of the Applicants

(a) Appointment of CRO and Litigation Trustee

12. **THIS COURT ORDERS** that William E. Aziz shall be and is hereby appointed as an officer of this Court to be the Chief Restructuring Officer ("CRO") over and in respect of all property,

assets and undertaking of the Applicants, other than the Litigation Assets, upon the terms described herein and in the Multi-Party Settlement.

13. **THIS COURT ORDERS** that justice John D. Ground (retired) is hereby appointed as an officer of this Court to be the Litigation Trustee over and in respect of all claims and causes of action in favour of the Applicants (collectively, the "Litigation Assets") on the terms described herein and in the Multi-Party Settlement.

14. **THIS COURT ORDERS** that the CRO and the Litigation Trustee are hereby authorized and directed to preserve, protect and realize upon the assets of the Applicants for the benefit of the Applicants and their creditors and other stakeholders as contemplated by the Multi-Party Settlement including, in the case of the CRO, without limitation and if thought necessary or desirable by the Applicants, the preparation and delivery of a plan of arrangement in respect of the Applicants as contemplated by the Multi-Party Settlement.

15. **THIS COURT ORDERS** that the CRO and the Litigation Trustee are hereby empowered, authorized and directed to do all things, carry out all actions and perform all duties described in the Multi-Party Settlement and specifically:

(a) to engage and give instructions to counsel and to engage and give direction to consultants, appraisers, agents, advisors, experts, auditors, accountants, managers and such other persons from time to time on whatever basis either of them may agree to assist with the exercise of their powers and duties;

(b) to execute, assign, issue and endorse documents of whatever nature in respect of the Applicants for any purpose pursuant to this Order or the Multi-Party Settlement; and

(c) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Applicants or any of their property and undertaking and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to any appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding.

16. **THIS COURT ORDERS** that the Litigation Trustee may obtain financing in respect of the Litigation Assets at such times, in such amounts and upon such terms as the Litigation Trustee may consider to be appropriate after seeking direction from the Advisory Committee in accordance with the Multi-Party Settlement.

17. **THIS COURT ORDERS** that nothing herein contained shall require the CRO or the Litigation Trustee to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any property, assets or undertaking of any of the Applicants that might be environmentally contaminated, that might be a pollutant or a contaminant or that might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the Ontario *Environmental Protection Act*, the *Ontario Water Resources Act* or the *Ontario Occupational Health and Safety Act* and regulations thereunder (collectively, the "Environmental Legislation"), provided however that nothing herein shall exempt the CRO or the Litigation Trustee from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Applicants are, and are hereby declared to be, and shall remain, in Possession, occupation and control of all of their property, assets and undertaking, subject to further Order of this Court.

18. **THIS COURT ORDERS** that neither the CRO nor the Litigation Trustee shall, as a result of this Order or anything done pursuant to their duties and powers under this Order, deem the CRO or the Litigation Trustee to be in Possession of any property, assets or undertaking within the meaning of any Environmental Legislation.

19. **THIS COURT ORDERS** that each of the CRO and the Litigation Trustee shall incur no liability or obligation as a result of his appointment or the carrying out of any of the provisions of this Order, save and except for any gross negligence or any wilful misconduct on his part. The Applicants shall indemnify and hold harmless each of the CRO and the Litigation Trustee with respect to any liability or obligation as a result of his appointment or the fulfilling of his duties in carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on his part. No action, application or other proceeding shall be commenced directly, or by way of counterclaim, third party claim or otherwise against either the CRO or the Litigation Trustee as a result of, or relating in any way to his appointment, the fulfillment of his duties or the carrying out of any Order of this Court except with leave of this Court being obtained. Notice of any such motion seeking leave of this Court shall be served upon the Applicants, the Monitor and the CRO or Litigation Trustee (as the case may be) at least seven (7) days prior to the return date of any such motion for leave.

20. **THIS COURT ORDERS** that the Applicants' indemnity in favour of the CRO and the Litigation Trustee shall survive any termination, replacement or discharge of the CRO or Litigation Trustee. Upon any termination, replacement or discharge of the CRO or Litigation Trustee, all claims against such officers of the Court for which leave of the Court has not already been sought and obtained shall be, and are hereby forever discharged.

21. **THIS COURT ORDERS** that, without limiting any other provision of this Order, each of the CRO and the Litigation Trustee may from time to time apply to this Court for advice and directions in the discharge of his powers and duties hereunder.

22. **THIS COURT ORDERS** that the Monitor, the CRO and the Litigation Trustee may report to the Court on their activities from time to time as any of them may see fit or as this Court may order.

(b) Monitor

23. **THIS COURT ORDERS** that, in addition to its duties described in the Initial Order and the Claims Process Order of even date herewith, the Monitor is hereby authorized to perform the functions and carry out the responsibilities described herein and in the Multi-Party Settlement. Performance of these functions and responsibilities is subject to the provisions of the Initial Order, particularly paragraphs 21 through 31 thereof.

(c) Directors' Insurance

24. **THIS COURT ORDERS** that the Applicants be and are hereby authorized to purchase run-off insurance for the officers and directors of the Applicants as described in the Monitor's Seventh Report.

(d) Other Actions

25. **THIS COURT RATIFIES AND APPROVES** all actions and activities of the Applicants, including its current officers, directors and management, in authorizing any of the transactions, actions and activities or other matters approved, authorized or directed pursuant to this Order.

Extra-Territorial Assistance

26. **THIS COURT REQUESTS** the aid and recognition of any court or any judicial, regulatory or administrative body in any Province of Canada and any judicial, regulatory or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any state, federal or other court or any judicial, regulatory or administrative body of the United States of America to act in aid of and to assist this Court in carrying out the terms of this Order.

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:
MAY 27 2008

PER/PAR: JSN

SCHEDULE "A"

EXECUTION COPY

Multi-Party Settlement Term Sheet

The Applicants seek Court Approval, as described herein, of the following terms of agreement among the Applicants, Sun-Times Media Group, Inc. ("STMG") and Davidson Kempner Capital Management LLC and its affiliates listed in Schedule "A" hereto (collectively, "DK").

A. STMG

1. Upon Court Approval, the Court shall authorize and direct Hollinger, 432, STMG and any other necessary parties to forthwith take the steps necessary to convert Hollinger's and 432's existing Class B shares into an equal number of Class A shares (the "Conversion"), subject to and prior to the steps described in paragraphs 2 and 3 hereof.

2. If STMG's stockholders are required to approve (the "Stockholder Approval") the issuance of the Additional Shares (as defined below), then, upon Court Approval, the Court shall authorize Hollinger, and Hollinger shall approve the issuance of the Additional Shares, pursuant to a stockholder written consent (the "Consent").

3. If Stockholder Approval is required, as soon as possible after the Consent Effective Date (as defined below), Hollinger and STMG shall effect the Conversion pursuant to the Restated Certificate of Incorporation of STMG. The Consent shall be effective after all actions required by the Securities Exchange Act of 1934, as amended (the "1934 Act"), have been taken and the issuance of the Additional Shares is permitted by the 1934 Act (the "Consent Effective Date"). If no Stockholder Approval is required, Hollinger and STMG shall effect the Conversion pursuant to the Restated Certificate of Incorporation of STMG as soon as possible after Court Approval.

4. Forthwith after the later of (i) Court Approval and (ii), if Stockholder Approval is required, the Consent Effective Date, STMG will issue to Hollinger (or as it may direct) 1,499,000 additional Class A shares (the "Additional Shares"). The number of Additional Shares represents 10% of the number of Hollinger's and 432's existing Class B shares.

5. All transactions will comply with all applicable laws and regulations and rules of applicable stock exchanges.

6. Upon the later of (i) Court Approval and (ii) immediately after the next annual meeting scheduled for June 17, 2008, the six directors appointed by Hollinger to the Board of STMG (Wes Voorheis ("Voorheis"), William Aziz ("Aziz"), Edward Hannah, Peter Dey ("Dey"), Brent Baird ("Baird") and Albrecht Bellstedt ("Bellstedt")) will submit their resignations from the board of STMG. Upon submitting their resignations, each resigning director will receive: (a) a written confirmation from STMG that any existing STMG indemnity will remain in place and that such resigning director will be covered by the STMG directors and officers insurance policy in effect from time to time on the same

terms as may be applicable to any other current STMG directors; and (b) reimbursement by STMG of all reasonable legal fees incurred by the independent directors (Dey, Baird and Bellstedt) in respect of their tenure as directors of STMG. Upon payment of such fees by STMG, Hollinger will reimburse STMG for all amounts paid in respect of such legal fees, except for US$75,000.

7. Upon Court Approval, Hollinger will pay to STMG the reasonable fees and costs, including legal fees, of STMG incurred in connection with the CCAA proceedings of the Applicants, from August 1, 2007 up to and including the date of Court Approval. However, the total amounts payable to STMG by Hollinger under this paragraph shall be subject to a cap of US$2 million in the aggregate.

8. STMG and Hollinger will cooperate to maximize the recoverable portion of the class action insurance settlement proceeds payable to them and such proceeds shall be allocated so that STMG receives 85% of such proceeds, and Hollinger receives 15% of such proceeds.

9. Hollinger and STMG agree to divide their respective recoveries from the insolvency proceeding of Ravelston equally as between them.

10. The following claims of STMG shall be allowed as unsecured claims against the Applicants (the "STMG Allowed Claims") in the amounts indicated below, subject to confirmation of the calculations of the quantum of such claims by the Monitor:

    (a) a claim in respect of the promissory note executed by 4322525 Canada Inc. ("432") in the amount of US $40,545,974;

    (b) all claims for contribution and indemnity STMG has or may assert against Hollinger in the amount of US$28,663,588; and

    (c) a claim for the aircraft lease settlement in the amount of CDN$1,281,941.

11. Other than the STMG Allowed Claims, all other claims of STMG and its subsidiaries against the Applicants or any of their other subsidiaries, and all claims of the Applicants and their subsidiaries against STMG and its subsidiaries, shall be released upon Court Approval. The Applicants agree, in connection with their release of STMG, that they will not seek contribution, indemnification, reimbursement or any other form of claims over from Torys LLP or any of its predecessor or successor partnerships, F. David Radler or North American Newspapers Ltd. for any consideration paid or payable by any of the Applicants to STMG under this Term Sheet. For greater certainty, nothing contained in this paragraph shall limit or otherwise compromise in any manner, the Applicants' right to pursue or continue to pursue those named parties for any claims whatsoever, save and except only in respect of consideration paid or payable by the Applicants to STMG under this Term Sheet.

12. The total recoveries of STMG under the STMG Allowed Claims shall be capped at a maximum of US$15 million (the "STMG Cap"). After receipt of the STMG Cap, the

balance of the STMG Allowed Claims will be assigned to the Applicants for the benefit of the Applicants' other general unsecured creditors.

13. Upon STMG receiving distributions in the aggregate amount of US$7.5 million in respect of the STMG Allowed Claims (after giving effect to any valid and effective subordination regarding distributions under the 432 promissory note referred to in paragraph 10(a) above, if any), fifty percent (50%) of all distributions thereafter payable to STMG in respect of the STMG Allowed Claims shall be assigned to the Applicants.

14. Prior to any agreement in respect of the terms contained herein, STMG will ensure that nothing herein or in any plan of arrangement (the "Plan") of the Applicants, if any, giving effect to the terms hereof or in the implementation of any such Plan will:

(a) cause the Rights (as defined in the STMG rights plan) to become exercisable;

(b) cause any Person (as defined in the STMG rights plan) to become an Acquiring Person (as defined in the STMG rights plan); or

(c) trigger the application of the STMG rights plan.

15. STMG will continue with its independent examination of all strategic alternatives available to STMG.

16. Subject to the terms of any existing court orders or agreements pursuant to which the Applicants may be restricted, the Applicants will support the making of an order providing STMG with equal rights in respect of the Applicants' Mareva injunction against Conrad Black and Barbara Amiel Black. STMG shall be permitted to reserve its right as to whether to seek such an order.

B. DK

17. (a) Forthwith after Court Approval, the Class A shares of STMG resulting from the Conversion (the "Exchanged Shares"), plus the Additional Shares, being 10% of the number of Hollinger's and 432's existing Class B shares, when issued shall be voted by the indenture trustees for the benefit of and at the direction of noteholders in the manner contemplated by the indentures up to that number of shares that is equal to or less than 19.999% of the aggregate number of STMG Class A shares then outstanding rounded down to the nearest whole share. The indenture trustees, for the benefit of the noteholders, may thereupon exercise all voting or other rights associated with the Exchanged Shares and the Additional Shares when issued subject to the limitation referred to in the immediately preceding sentence and subject to the rights and at the direction of the noteholders in the manner contemplated by the indentures (provided that any shares of the Applicants shall not be voted other than in favour of the election of the directors described in Schedule "C" hereto and other resolutions proposed by STMG at the next annual meeting of shareholders scheduled to occur on or about June 17, 2008 and thereafter without restriction) and may dispose of or otherwise realize upon such shares in any commercially reasonable manner and subject to the applicable law and as directed by the noteholders in a manner contemplated by the indentures (provided that

any such disposition or realization shall not be considered part of any Plan for the purposes of paragraph 14 hereof). The Applicants shall provide proxies and do such acts and things as will facilitate such rights.

(b) The Conversion and the issuance of the Additional Shares shall be subject to a registration rights agreement, to be negotiated among DK, the Applicants and STMG, all acting reasonably (the "Registration Rights Agreement") forthwith after Court Approval. In all events, such Registration Rights Agreement shall include a provision with respect to payment of fees connected with any such registration, and shall include a provision permitting STMG to postpone the filing of a registration statement or its efforts to cause such registration statement to become effective if at the time the right to delay is exercised by STMG it shall determine in good faith that such offering would interfere with any acquisition, financing or other transaction that STMG is actively pursuing and is material to STMG or would involve initial or continuing disclosure obligations that would not be in the best interests of STMG.

(c) Upon being paid in full, all principal, interest and costs and other amounts, payable under the indentures), the indenture trustees will remit any remaining shares and any surplus proceeds to Hollinger and 432.

18. (a) Subject only to a reasonable reserve for (i) administrative costs (including any applicable legal fees, advisor fees and any other costs secured by the Administration Charge and also including a reserve to pay the reasonable costs, fees and expenses in respect of DK's post-Court Approval role as described herein) and (ii) disputed claims, such reserves to be determined by the CRO (as defined in the STMG Term Sheet) and the Monitor, both acting reasonably (and subject to their right to seek directions from the Court), and in consultation with DK and STMG, and subject to the segregated funds described below, all other cash and realizable proceeds of the Applicants (including the 15% share of the insurance settlement proceeds referred to herein) and the non-applicant subsidiaries of the Applicants (other than STMG and its subsidiaries) shall be distributed as efficiently as reasonably possible to the creditors who have proved claims in accordance with the claims process for each of the Applicants. Distributions will be determined and made on a non-consolidated basis giving effect to inter-company claims but including only 50% of a claim by 432 against Hollinger in the amount of approximately CDN$342.5 million and subject to the following payments in the priority specified below:

(i) firstly, to pay a transaction fee to DK in consideration of its agreement to the terms hereof of CDN$1.5 million;

(ii) secondly, to pay the reasonable fees and disbursements, including reasonable legal fees and disbursements, of the indenture trustees up to and including Court Approval; and

(iii) thirdly, to pay the reasonable legal fees and disbursements of DK up to and including Court Approval;

provided that the total amount available to fund items (i) through (iii) hereof shall not exceed CDN$4,500,000. The priority payments described herein will not affect the timing or amount of the payment to STMG described in paragraph 7 herein.

(b) The Applicants will acknowledge claims owing by 432 and also by Hollinger to the indenture trustees in the full amount of the principal, interest and costs owing under the two debentures dated March 10, 2003 and September 30, 2004, the amount of which is estimated to be US$103,235,062 as of December 31, 2007. These claims will continue to accrue interest (unless and until the Applicants become bankrupt) in accordance with the debentures at the contractual rate until paid in full. The claims will be reduced only by distributions received by the indenture trustees from the estates of the Applicants and by amounts actually received from or in respect of the Exchanged Shares and the Additional Shares.

(c) The Monitor and the CRO, with periodic reports as requested (acting reasonably) and at least monthly to DK and STMG, will work to resolve and determine all disputed claims as efficiently as reasonably possible. The Monitor and the CRO will seek the input of DK and STMG before allowing any claims against the Applicants (other than the claims of STMG and the indenture trustees acknowledged herein). The Monitor and the CRO, in consultation with DK and STMG, will provide estimates of the net recovery to creditors based on the "waterfall" analysis of the Monitor and the information now known regarding the claims of all creditors (including the claims of STMG allowed under the STMG Term Sheet), such estimate to be updated after the claims bar dates for the Applicants and for the non-applicant subsidiaries as described herein.

(d) STMG will acknowledge that its claim against 432 in respect of the 432 loan is subordinated to and in favour of the claims of the indenture trustee for and in respect of only the senior bonds against 432.

19. DK agrees to:

(a) withdraw its motion seeking the bankruptcies of the Applicants; and

(b) support Court approval in the Applicants' CCAA proceeding ("Court Approval") consisting of: (i) approval of this agreement and (ii) approval of the other relief sought by the Applicants in their Notice of Motion dated April 10, 2008 to the extent not inconsistent with the terms described herein.

C. General Conditions

20. A standard CCAA claims process shall be implemented immediately for all claims against the Applicants, except claims against the Applicants by their subsidiaries (other than STMG and its subsidiaries).

21. A subsequent claims process shall be implemented in respect of the non-Applicant subsidiaries of the Applicants to ensure that all creditors of those subsidiaries are identified prior to the asset consolidation herein contemplated.

22. The Applicants, in consultation with the Monitor, shall prepare a plan to accumulate at Hollinger, on a tax-effective basis, all assets of the non-Applicant subsidiaries of the Applicants (other than STMG and its subsidiaries) after payment of all claims of creditors of such subsidiaries.

23. The Applicants agree to work with the Monitor, in consultation with DK and STMG (and subject to the right of all parties to seek directions from the Court), to realize upon any assets of the Applicants and the non-applicant subsidiaries (other than the cash, the Exchanged Shares, the Additional Shares and the Litigation Assets described herein) with a view to distributing net proceeds thereof as efficiently as reasonably possible and to provide the necessary proxies. In particular, the Applicants will consider making such distributions pursuant to periodic Court orders in the CCAA proceedings as opposed to incurring the costs associated with formalizing and approving a Plan.

24. The form and content of any Plan, if necessary or advisable to implement the terms hereof, as it relates to STMG shall be satisfactory to STMG, acting reasonably and, as it relates to DK and the indenture trustees, shall be satisfactory to DK, acting reasonably.

25. All steps and transactions described herein that are to occur upon Court Approval are intended to take place simultaneously, and the parties shall co-operate with each other to coordinate the timing of the effectiveness of such steps and transactions.

26. The information contained in Schedules "B" and "C" hereof is confidential and commercially sensitive. The parties agree to seek an order sealing Schedule "B", pending further order of the Court, and Schedule "C", until such time as the information contained therein is disclosed by STMG, and agree that Schedules "B" and "C" will be redacted from any publicly disclosed materials.

D. Corporate Governance

27. Aziz, or an entity controlled by him, shall be appointed forthwith by the Court Approval order as the chief restructuring officer (the "CRO") of the Applicants and an officer of the Court in consideration of a monthly salary of $65,000, payable in advance, plus GST as applicable and reimbursement of reasonable expenses. Such engagement shall be on a month-to-month basis and may be terminated by Aziz upon 30 days' prior written notice.

28. The CRO shall be responsible, among other things, for developing and implementing the asset consolidation and repatriation plan and assisting the Monitor with the claims process.

29. The board of directors of Hollinger shall be reduced as soon as possible to a maximum of three persons.

30. Upon Court Approval, Hollinger and Voorheis will agree to suspend payment of all monthly work fees payable under Hollinger's consulting agreement with Voorheis or any entity controlled by him and Voorheis shall resign as an officer and director of the Applicants or any subsidiary.

31. In accordance with the engagement letter between Hollinger and BMO Nesbitt Burns Inc. ("BMO"), dated June 15, 2007, payment of all monthly work fees payable to BMO ceased in February 2008.

E. Litigation Assets

32. As part of the Court Approval order, justice John D. Ground shall be appointed as an officer of the Court to perform the role of litigation trustee (the "Litigation Trustee") of all claims and causes of action in favour of the Applicants (the "Litigation Assets") on such terms as may be agreed between the Applicants and justice Ground and subject to approval by the Court.

33. The Litigation Trustee will supervise, control and administer all aspects of the Litigation Assets of the Applicants, in consultation with the Applicants and subject to monitoring by the Monitor and supervision by the Court.

34. The Litigation Trustee may, if he considers it necessary or advisable, retain the services of Voorheis or an entity controlled by him on an hourly basis to provide assistance or advice in respect of the Litigation Assets.

35. The Litigation Trustee will be responsible for administering the Litigation Assets efficiently and in a cost-effective manner with a view to maximizing the net return, after costs, from the Litigation Assets to the Applicants and their creditors and other stakeholders and shall provide periodic reports to the Advisory Committee (as defined herein) and such other reports as may be requested by any member of the Advisory Committee, acting reasonably.

36. An advisory committee shall be established to provide advice and direction to the Litigation Trustee (the "Advisory Committee") comprised of one nominee of DK, one representative of the Applicants (other than Wes Voorheis) and the Litigation Trustee. The Litigation Trustee shall act in accordance with any majority decision of the Advisory Committee. For greater certainty, in the event of any disagreement as between the representative of DK and the representative of the Applicants, the Litigation Trustee shall have a deciding vote.

37. The nominee of DK to the Advisory Committee shall not receive any remuneration for so acting other than as specified below. The representative of the Applicants shall be a senior Canadian litigation counsel and shall be paid at his or her usual hourly rate by the Applicants. At the option of DK, its nominee may receive compensation on an equivalent basis to that of the representative of the Applicants. All members of the Advisory Committee shall be indemnified in respect of any claims made against them in such capacity excepting only claims arising from their wilful misconduct or gross negligence.

38. The Litigation Trustee will supervise and administer the Litigation Assets on a day-to-day basis, including giving direction to counsel. The Litigation Trustee will seek such direction from the Advisory Committee as he deems necessary or appropriate, but, in particular, the Litigation Trustee will seek direction from the Advisory Committee with respect to litigation strategy, financing (if any) for the Litigation Assets, whether to accept or make any settlement offer and the use of proceeds of any settlement.

39. The amount described in Schedule "B" hereto shall be segregated from the general cash assets of the Applicants and used exclusively for the purpose of funding the administration of the Litigation Assets. Payment of any amount payable to Mr. Wes Voorheis shall be made as contemplated in Schedule "B".

40. The Litigation Trustee will be responsible for administering the Litigation Assets efficiently and in a cost effective manner with a view to maximizing the net return, after costs, from the Litigation Assets to the Applicants and their creditors and other stakeholders.

41. Representatives of DK and Hollinger will hold all information received by them as members of the Advisory Committee in strict confidence pursuant to a form of confidentiality agreement acceptable to Hollinger, the Litigation Trustee and such representatives, all acting reasonably.

42. DK or Hollinger may apply to Court at any time to seek such changes to the provisions of the order appointing the Litigation Trustee as either of them may deem necessary or appropriate.

Subject to Court Approval being obtained to the terms hereof, pursuant to an Order in form and content satisfactory to the parties, for consideration received, each of the undersigned agrees to the above as evidenced by their respective signatures as of this 14th day of May, 2008. This agreement may be signed in counterparts and delivered by electronic transmission.

HOLLINGER INC., SUGRA LIMITED and

4322525 CANADA INC.

Per: [signature]

(I have authority to bind each of the corporations)

SUN TIMES MEDIA GROUP, INC.

Per:

Per:

(I/We have authority to bind the corporation)

DAVIDSON KEMPNER CAPITAL MANAGEMENT LLC on its own behalf and on behalf of the affiliates listed in Schedule "A" hereto (collectively, "DK")

Per: ______________________

Per: ______________________

(I/We have authority to bind the entities collectively referred to as "DK")

SUN TIMES MEDIA GROUP, INC.

Per: ____________________________

Per: ____________________________
(I/We have authority to bind the corporation)

DAVIDSON KEMPNER CAPITAL MANAGEMENT LLC on its own behalf and on behalf of the affiliates listed in Schedule "A" hereto (collectively, "DK")

Per: ____________________________

Per: ____________________________

(I/We have authority to bind the entities collectively referred to as "DK")

Schedule "A"

MH Davidson Co.

Davidson Kempner International Limited

Davidson Kempner Institutional Partners

Davidson Kempner Partners

Schedule "B"

REDACTED AND SEALED

PURSUANT TO COURT ORDER

DATED MAY 21, 2008

Schedule "C"

The directors to be proposed for election at the annual general meeting of shareholders of STMG to be held on June 17, 2008 are the following, which, for greater clarity, are all of the current directors of STMG. The six directors referred to in paragraph 6 of the Multi-Party Settlement Term Sheet will, notwithstanding any such election, resign in accordance with paragraph 6 of the Multi-Party Settlement Term Sheet.

The Hon. Raymond G.H. Seitz
William Aziz
Brent D. Baird
Albrecht W. A. Bellstedt Q.C.
Herbert A. Denton
Peter Dey
Cyrus F. Freidheim, Jr.
Edward Hannah
Gordon A. Paris
Graham W. Savage
G. Wesley Voorheis

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 AND ARRANGEMENT OF HOLLINGER INC., 4322525 CANADA INC. AND SUGRA LIMITED

Court File No: 07-CL-7120

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

ORDER

ThorntonGroutFinnigan LLP
Suite 3200, Canadian Pacific Tower
100 Wellington St. West, P.O. Box 329
Toronto-Dominion Centre
Toronto, ON M5K 1K7

Robert I. Thornton – 24266B
D.J. Miller – 34393P

Tel: (416) 304-1616
Fax: (416) 304-1313

Solicitors for the Applicants

APPENDIX E

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
SUN-TIMES MEDIA GROUP, INC., *et al.*,[1]	)	Case No. 09-11092 (___)
Debtors.	)	Joint Administration Requested

DECLARATION OF JAMES D. MCDONOUGH
IN SUPPORT OF FIRST DAY MOTIONS

I, James D. McDonough, hereby declare under penalty of perjury:

1. I am the Senior Vice President, Chief Administrative Officer, General Counsel and Secretary of Sun-Times Media Group, Inc., a corporation organized under the laws of the State of Delaware and one of the above captioned debtors and debtors in possession (collectively, the "Debtors," and together with the Debtors' non-debtor subsidiaries, the "Company"). In this capacity, I am generally familiar with the Debtors' day-to-day operations, business and financial affairs, and books and records. I am over the age of 18 and am competent to testify. I have been employed by the Debtors since January 3, 2005.

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1 The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Sun-Times Media Group, Inc. (8892); American Publishing (1991) LLC (9303); American Publishing Company LLC (5797); American Publishing Management Services, Inc. (7433); APAC-95 Oklahoma Holdings, Inc. (1123); Centerstage Media, LLC (1160); Chicago Group Acquisition LLC (4250); Chicago Sun-Times Features, Inc. (9928); Chicago Sun-Times LLC (7749); Digital Chicago Inc. (0626); Fox Valley Publications LLC (2434); HGP, Partnership (4292); HIPI (2002) Inc. (3946); Hollinger Australian Holdings Limited (3321); Hollinger International Publishing Inc. (0603); HTH Benholdco LLC (8274); HTH Holdings Inc. (8275); HTNM LLC (0714); HTPC Corporation (9332); LHAT Corporation (8117); Meridian Star, Inc. (3390); Midwest Suburban Publishing, Inc. (1455); Northern Miner U.S.A., Inc. (5174); Oklahoma Airplane LLC (1123); Pioneer Newspapers Inc. (0502); Reach Chicago LLC (4252); Sun Telemarketing LLC (8780); Sun-Times Distribution Systems, Inc. (9838); Sun-Times PRD Inc. (8118); TAHL (2002) Inc. (3945); The Johnstown Tribune Publishing Company (7927); The Post-Tribune Company LLC (7370); The Red Streak Holdings Company (9358); The Sun-Times Company (7751); XSTMHoldings LLC (9284). The location of the Debtors' corporate headquarters and the service address for all Debtors is: 350 N. Orleans St., Floor 10-S, Chicago, IL 60654.

2. I am authorized by the Debtors to submit this Declaration in support of the Debtors' petitions for relief under the Bankruptcy Code (defined below) and the First Day Motions (defined below). Except as otherwise indicated, all facts set forth herein are based upon my personal knowledge, information supplied or verified to me by other members of the Debtors' management and the Debtors' third party advisors and professionals, my review of relevant documents, or my opinion based upon my experience and knowledge of the Debtors' operations and financial condition.

3. Concurrently with the filing of this declaration (the "Declaration") on the date hereof (the "Petition Date"), each Debtor has filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101 1532 (the "Bankruptcy Code") in this Court. The Debtors are operating their businesses and managing their properties as debtors in possession pursuant to Bankruptcy Code §§ 1107(a) and 1108.

4. To enable the Debtors to operate effectively and to transition seamlessly into chapter 11, the Debtors also have filed several motions and applications requesting various types of immediate relief (collectively, the "First Day Motions"). I am familiar with the contents of each of the First Day Motions and I believe that the relief sought is critical to stabilizing the Debtors business operations, preserving value, and facilitating an effective transition into chapter 11. Indeed, absent the immediate ability to make certain essential payments as sought in the First Day Motions, I believe the Debtors' estates would suffer immediate and irreparable harm. Accordingly, the Debtors request that the Court grant the relief requested in the First Day Motions.

5. This Declaration is divided into two parts. Part I of this Declaration describes the Debtors' business operations and the circumstances surrounding the commencement of these

chapter 11 cases. Part II sets forth the relevant facts in support of each of the First Day Motions. A chart summarizing the Debtors' corporate organization attached hereto as Exhibit A.

PART I

SITUATIONAL OVERVIEW

6. Unlike other recent newspaper companies suffering in this economic climate, Sun-Times Media Group, Inc. is commencing these chapter 11 cases without any outstanding funded debt. This puts the Company in the unique position of having a significant pool of unencumbered assets. Nevertheless, the Company remains financially and legally burdened by a variety of legacy liabilities dating back to earlier periods of management and ownership. Further, like most newspapers across the country, the Company continues to be severely impacted by the significant downturn in print advertising revenue. Accordingly, despite recent steps to reduce costs and strengthen the organization, the deteriorating economic climate, coupled with a significant, pending IRS tax liability dating back to previous management, has led the Company to commence these chapter 11 cases.

7. The Company's main objective in commencing these chapter 11 cases is to reset the Company's cost structure, stabilize operations, and consider strategic alternatives, which likely will include commencing a process for a sale of the Company's assets pursuant to Bankruptcy Code § 363. During these chapter 11 cases, the Company plans to continue to explore its options regarding its newspaper and interactive businesses and adopt a flexible approach as it pursues various strategic alternatives and aims to become a stronger, more competitive business that is better positioned to serve its readers and advertisers and add new ones. The Company plans to enter chapter 11 and complete this process on an expedited basis with the goal that some or all of the Company will emerge from bankruptcy with a stronger

balance sheet, improved cash flows, and the preservation of as many as jobs as possible across the Company.

THE DEBTORS' BUSINESSES AND EVENTS LEADING TO THE COMMENCEMENT OF THESE CHAPTER 11 CASES

I. The Company's Business Operations

A. Overview

8. Sun-Times Media Group is the ultimate parent company of each of the Debtors in these chapter 11 cases. The Company conducts business as a single operating segment which is concentrated in the publishing, printing, and distribution of newspapers in the greater Chicago, Illinois metropolitan area and the operation of various related websites. The Company also has non-debtor affiliates in Canada, the United Kingdom and Bermuda.

9. The Company was incorporated in the State of Delaware on December 28, 1990, as Hollinger International, Inc. The Company's stock at the time was listed on the New York Stock Exchange ("NYSE") under the ticker symbol HLR. In July 2006, the Company's stockholders changed the Company's name to Sun-Times Media Group, Inc. and changed its ticker symbol to SVN. In May 2008, the Company's stock was de-listed from the NYSE and the Company subsequently moved its securities to the Over-the-Counter Bulletin Board ("OTCBB") on June 17, 2008 under the ticker symbol SUTM.OB. On January 2, 2009, the Company voluntarily de-registered its Class A Common Stock thereby ending it reporting obligations under the Securities Exchange Act of 1934. After deregistration, the Company's Class A Common Stock was no longer quoted on the OTCBB. As of January 6, 2009, it was quoted on the Pink Sheets under the ticker symbol SUTM.PK.

B. Capital Structure

10. As of the Petition Date, the Company has no outstanding funded debt and does not have a credit facility with any lender. The Company funds its existing business operations with cash on hand and cash generated from its business operations. Despite the lack of prepetition funded debt, the Company was forced to file these chapter 11 cases because of an impending cash shortfall caused, in part, by the significant downturn in the print advertising industry and the overall deteriorating economic climate.

C. Newspaper Segment

11. The Company's properties consist of more than 100 newspapers, associated websites and news products in the greater Chicago metropolitan area. For the year ended December 31, 2008, the Company had revenue of approximately $324 million and an operating loss of approximately $344 million. The Company's primary newspaper is the *Chicago Sun-Times*, which was founded in 1948 and is one of Chicago's most widely read newspapers. The *Chicago Sun-Times* is published in a tabloid format and has the second highest daily readership and circulation of any newspaper in the Chicago metropolitan area, attracting approximately 1.3 million daily readers.

12. The Company produces a network of publications throughout Chicago and the major suburbs in the surrounding high growth counties to allow its advertising customers the ability to target and cover their most productive audiences. This structure enables the Company to offer joint selling programs to advertisers, thereby expanding their reach to customers, often at a lower cost. In addition to the *Chicago Sun-Times*, the Company's newspaper properties include: (a) the Pioneer Press Group which currently publishes 39 weekly newspapers and one magazine in Chicago's northern and northwestern suburbs; (b) the daily *SouthtownStar* in Tinley Park, Illinois; (c) the daily *Post-Tribune* of northwest Indiana; (d) the *Herald News* in Joliet;

(e) the *Courier News* in Elgin, Illinois; (f) the *Beacon News* in Aurora, Illinois; (g) the *Naperville Sun* in Naperville, Illinois; (h) the *Lake County News Sun* in Waukegan, Illinois; and (i) 13 free weekly newspapers in suburban Chicago.

D. Advertising

13. The Company's operating revenue is primarily derived from the sale of advertising space within the Company's newspapers and related websites. Advertising revenue for the Company for the year ended December 21, 2008, was approximately $243 million and represented approximately 75% of the Company's revenue for 2008.

14. Advertisements appear either within the body of Company's newspapers (referred to as run-of-press advertising), as inserts, or on the Company's websites. Local and national businesses and classified advertisers represent the Company's principal sources of advertising revenue. Advertising rates and rate structures vary among the publications and are based on, among other things, circulation, readership, and type of advertising (whether classified, national or retail). In 2008, retail advertising accounted for the largest share of advertising revenue (50%), followed by classified advertising (31%) and lastly, national advertising (19%). The Company's advertising revenue is subject to changes in the national and local economy, in addition to fluctuations in individual business sectors. The Company's advertising revenue also experiences seasonality, with the first quarter of year (after the holidays) being the lowest.

15. The *Chicago Sun-Times* offers a variety of advertising alternatives, including geographically zoned issues, special interest pullout sections, and advertising supplements in addition to regular sections of the newspaper targeted to different readers. The Chicago area suburban newspapers offer similar alternatives to the *Chicago Sun-Times*' platform for their daily and weekly publications. In addition, the Company operates the Reach Chicago Newspaper Network, an advertising vehicle that can reach the combined readership base of all

the Company's publications. This network allows the Company to offer local advertisers geographically and demographically targeted advertising solutions and national advertisers an efficient vehicle to reach the entire Chicago metropolitan market.

E. Circulation

16. The *Chicago Sun-Times* has the second highest daily circulation of any newspaper in Chicago. As reported by the Audit Bureau of Circulations ("ABC") in its most recent published report, the *Chicago Sun-Times'* average audited circulation was approximately 319,202 copies on weekdays, 228,996 copies on Saturdays, and 246,217 copies on Sundays. Circulation revenue represents the Company's second largest source of cash flow. Circulation revenue is derived primarily from two sources. The first source is sales of single copies of the Company's various newspapers via retailers, street vendors and vending racks. The second source comes from newspaper subscribers who pay monthly or yearly fees to secure delivery of a newspaper to their homes or offices. For the year ended December 31, 2008, approximately 58% of copies of the *Chicago Sun-Times* reported as sold and 62% of circulation revenue generated by the *Chicago Sun-Times* was attributable to single-copy sales. For the same period, approximately 23% of the Company's circulation revenue was attributable to single-copy sales of all its newspapers, while subscription sales accounted for approximately 77% of circulation revenue.

17. The Company's various suburban daily and weekly newspapers also have substantial circulation. As a group, the approximate average circulation of the Company's daily suburban newspapers, as reported by the ABC in its most recent published reports, were 217,000 copies on weekdays, 170,000 copies on Saturdays, and 245,000 copies on Sundays. The circulation of the Pioneer Press Group's weekly papers, as reported by ABC, was approximately 165,000 copies per week.

F. Online Publications

18. The Company continues to strengthen its online presence. Suntimes.com and other affiliated newspaper websites have approximately 3.4 million unique users and approximately 51 million page impressions per month. In February 2007, the Company launched SearchChicago.com featuring online classifieds for cars and homes. The Company's growing online presence over the last few years has helped increase revenue generated by online advertising. In February 2008, the Company launched YourSeason.com, a new and innovative source for all high school sports scores, news and information across the Chicago area and northwest Indiana. YourSeason.com updates the Company's popular online pages for more than 380 high schools across the region, sports blogs by recruiting experts, and player pages for top prospects in the area. YourSeason.com expanded into an enhanced, more comprehensive prep sports site in August 2008. Page views for this site were more than 2 million in November 2008, representing a 50% percent increase from the prior month. YourSeason.com provides many opportunities for advertising sales.

G. Retail Store

19. The Company operates a retail store at its headquarters location in Chicago, Illinois. The Company sells t-shirts, reprints of certain historic editions and other collectibles and memorabilia relating to the Company's newspaper products.

H. Sales and Marketing

20. The marketing promotions department works closely with both advertising and circulation sales teams to introduce new readers and new advertisers to the Company's newspapers through various initiatives. The Company's marketing departments use strategic alliances at major event productions and sporting venues for on-site promotion which helps generate subscription sales. The *Chicago Sun-Times*' relationships with local television and

radio outlets have given it a presence in the market and enabled targeted audience exposure. Similarly, marketing professionals at the Company's suburban newspapers work closely with circulation sales professionals to determine promotional activities, including special offers, sampling programs, in-store kiosks, sporting event promotions, dealer promotions, and community event participation.

I. Employees and Labor Relations

21. As of March 31, 2009, the Company had 2,171 employees. Approximately 45% of the Company's employees were represented by 18 collective bargaining units. Direct employee costs (including salaries, wages, severance, fringe benefits, employment-related taxes and other direct employee costs) were approximately 52% of the Company's revenue in the year ended December 31, 2008. Contracts covering approximately 10% of union employees will expire or are being negotiated in 2009.

J. Printing Facilities, Other Properties, and Distribution

22. The Company operates three printing facilities and generally prints multiple publications at each of its printing facilities. In Chicago, the Company owns a 320,000 square foot, state of the art printing facility that houses the production for the *Chicago-Sun Times* and certain other of the Company's publications. This facility houses printing presses with the quality and speed necessary to compete effectively with the other regional newspaper publications such as the *Chicago Tribune*. In October 2004, the Company relocated its editorial, pre-press, marketing, sales and administrative activities to a 127,000 square foot leased property in downtown Chicago.

23. The Company also owns a 100,000 square foot printing facility in Plainfield, Illinois and leases a 65,000 square foot building in Northfield, Illinois. The Plainfield facility houses pre-print, sales, administrative, and certain editorial functions with respect to the

Company's daily and weekly newspapers for those suburbs located nearby. The Northfield production facility houses the pre-print functions for the Pioneer Press Group and is responsible for printing the main body of most of its weekly newspapers. In order to provide advertisers with more color capacity, certain sections of the Pioneer Press Group's newspapers are printed at the Chicago facility.

24. The Company owns a building in north suburban Chicago that houses the Pioneer Press Group's editorial, pre-press, sales and administrative activities, and the Company leases several satellite offices for Pioneer's editorial and sales staff in surrounding suburbs. The Company leases office space in a building in Aurora, Illinois, which it uses to house editorial, sales and support functions for several of its daily newspapers and related products in the western and southwestern Chicago suburbs. Lastly, the Company also owns buildings in Tinley Park, Illinois and Merriville, Indiana which it uses for editorial, pre-press, marketing, sales and administrative activities with respect to the Company's suburban newspapers in those areas.

25. In 2007, the Company entered into a contract with Tribune Company for home delivery and suburban single-copy delivery of the *Chicago Sun-Times* and most of its suburban publications. As a result of the Company's distribution agreement, all the Company's distribution centers (with the exception of one) have been vacated. The Company continues to distribute single-copy editions of the *Chicago Sun-Times* within the city of Chicago and continues to operate its sales and billing functions, with the exception of single-copy billing in the suburbs, which is performed pursuant to the terms of the distribution agreement with the Tribune Company.

K. Competition

26. Each of the Company's Chicago area newspapers competes to varying degrees with radio, broadcast and cable television, direct marketing and other communications and

advertising media, including free internet sites, as well as with other newspapers having local, regional or national circulation. The Chicago metropolitan region is served by 13 local daily newspapers of which the Company owns eight. The *Chicago Sun-Times* competes in the Chicago region with the *Chicago Tribune*, a large established metropolitan daily and Sunday newspaper. In addition, the *Chicago Sun-Times* and other Company newspapers face competition from other newspapers published in adjacent or nearby locations and circulated in the Chicago metropolitan area market, as well as newspapers with national distribution, such as the *New York Times*, the *Wall Street Journal* and the *USA Today*.

II. Events Leading to These Chapter 11 Cases

27. The Company commenced these chapter 11 cases as part of an overall strategy to restructure operations and pursue strategic options. As a result of the global financial crisis, the Company has steadily been losing advertising revenue as advertisers slash their budgets. The Company is at risk of running out of cash quickly unless it obtains relief from some of its prepetition obligations. In addition, and as described in more detail below, the Company is facing a $510 million tax claim.

28. The Company believes that filing these chapter 11 cases is the most effective method of maximizing value for the Company's stakeholders. While unfortunate, the Company believes that this filing will lead to a stronger, more valuable business enterprise. As the Company continues to explore restructuring alternatives, the Company may also pursue a sale of substantially all of their assets pursuant to Bankruptcy Code § 363.

A. The Newspaper Industry and the Company Are in a Crisis

29. The domestic newspaper industry has been crippled by an unprecedented and severe decline in advertising revenue—specifically print advertising revenue. This decline has built up over several years as a result of, among other things, declining circulation brought on by

the emergence of new media, most notably the internet. Recently, however, the economic recession and dislocation of the credit markets have accelerated and exacerbated this crisis. According to published industry sources, the print advertising market decline hit 20% in the fourth quarter for 2008, with six major companies reporting fourth quarter declines in print advertising revenue between 18% to 22%. Many of the economic activities and industries on which newspapers rely the most for their advertising revenues, the auto and housing sectors and employment advertising, for example, have been the hardest hit in the current economic downturn. In common with many industries, it is difficult for newspaper publishers to adjust their operating costs with respect to goods and services that are essential to a company's business operations. As a result of these negative trends, many newspaper and media companies around the country have been forced to dramatically reduce operating costs, restructure operations and rethink business models to offset revenue declines. Notably, in the last few months alone, many prominent newspapers companies have commenced chapter 11 cases, including, most recently, the Journal Register Company, the Star Tribune Holdings Corporation, the Philadelphia Newspapers LLC and the Tribune Company.

30. The Company has experienced a significant reduction in profitability and cash flow due in large part to this substantial and increasing decline in print advertising revenue. During the fourth quarter 2008, the Company experienced an 18.2% drop in print advertising revenue. Although the Company has maintained circulation for the last four quarters, the decline in advertising revenue has been overwhelming and has caused the Company's financial performance to decline materially. Indeed, the Company's current outlook on advertising remains grim. The Company anticipates a continued decline in advertising revenue of approximately 30% throughout 2009.

B. Internal Revenue Service Proposed Audit Adjustments

31. As of December 31, 2008, the Company's balance sheet reflected $608 million of accruals intended to cover contingent liabilities regarding additional income taxes and interest it may be required to pay. The accruals cover contingent tax liabilities primarily related to items that had been deducted when calculating the Company's taxable income, which deductions may be disallowed by the Internal Revenue Service (the "IRS").

32. In January 2008, the Company received an examination report from the IRS setting forth proposed adjustments to the Company's U.S. income tax returns from 1996 to 2003 totaling approximately $510 million. The Company disputes significant portions of this tax liability and is currently appealing the IRS' audit ruling. If the deductions are disallowed, the Company may be required to pay up to $510 million in additional taxes and interest and may also be subject to certain penalties. Currently, the Company does not have the cash resources to satisfy such a claim.

III. Cost-Cutting Initiatives and Outlook

33. The Company is aggressively pursuing cost reductions in response to declining advertising revenue. Newsprint and production costs have been minimized through reductions in page sizes and balancing of editorial versus advertising content. The Company intends to pursue productivity enhancements in other areas, including outsourcing where appropriate. Headcount and other operating costs in all areas will continue to be adjusted as required by changes in the Company's business and operations.

34. The Company's current business plan for the fiscal year 2009 is focused on a program of cost-reductions and was developed based on an anticipated 18% decline in print advertising revenue in 2009. Worse than expected print advertising revenue declines in 2009 have caused the Company to augment its business plan with additional initiatives and programs

designed to further reduce costs and enhance revenues. This business plan includes projects with the potential for up to $60 million in cost reductions and margin improvements to the Company's bottom line in 2009. While in chapter 11, the Company intends to continue to leverage its position in the Chicago metropolitan area to drive market share growth by delivering local content to readers and emphasizing the reach of the Company's network in both print and internet media.

35. The Company's weakened financial position is partly the result of events and actions which took place several years ago, which continue to burden the Company. Among those are legacy issues dating from the former management, including Conrad M. Black, among others, which are well-known to the public. It is the Debtors' hope that these chapter 11 cases will permit the Company to make strategic changes that were not possible before due to these legacy liabilities.

PART II

SUMMARY OF FIRST DAY MOTIONS

36. To enable the Debtors to minimize the adverse effects of the commencement of these chapter 11 cases on their ongoing business operations and promote a smooth transition to chapter 11, the Debtors have requested various relief in their First Day Motions.[2] Receiving Court approval of the relief sought in the First Day Motions is essential to giving the Debtors an opportunity to work towards a successful outcome in their chapter 11 cases.

37. Several of the First Day Motions request authority to pay certain prepetition claims. Rule 6003 of the Federal Rules of Bankruptcy Procedure provides that "except to the

2 Capitalized terms used but not otherwise defined herein shall have the meanings set forth in each individual First Day Motion.

extent relief is necessary to avoid immediate and irreparable harm," the Court shall not consider motions to pay prepetition claims during the first 20 days following the filing of a chapter 11 petition. Accordingly, as set forth below, the Debtors have narrowly tailored those requests to circumstances where the failure to pay such claims would cause immediate and irreparable harm to the Debtors and their estates.

Administrative Motions

I. Motion of the Debtors for an Order Directing Joint Administration of Their Related Chapter 11 Cases (the "Joint Administration Motion")

38. Many of the motions, hearings and orders that will arise in these chapter 11 cases will jointly affect each and every Debtor. I believe entry of an order directing joint administration of these cases will permit the Debtors to reduce fees and costs in connection with the administration of these cases by avoiding the duplication of effort associated with, for example, filing multiple duplicative documents in the Debtors' various individual cases, monitoring each of the Debtors' individual dockets and maintaining individual case files for each of the Debtors that will largely duplicate one another. I believe that joint administration of these chapter 11 cases will not harm creditors' rights and that constituents will actually benefit from the cost reductions associated with the joint administration of these cases.

Retention Related Motions

II. Debtors' Application for Entry of Order Authorizing the Debtors to Employ and Retain Kurtzman Carson Consultants LLC as Notice, Claims and Solicitation Agent (the "KCC Retention Application")

39. The Debtors seek to retain and employ Kurtzman Carson Consultants LLC ("KCC") to act as the Debtors' notice, claims and solicitation agent in connection with their chapter 11 cases. I believe that the retention of KCC is the most effective and efficient manner

of noticing the thousands of creditors and parties in interest of the filing of these chapter 11 cases and other developments related to the Debtors' chapter 11 cases.

<u>Operational Motions</u>

III. Debtors' Motion for Entry of Order Authorizing the Debtors to Reject (a) Certain Unexpired Leases of Nonresidential Real Property *Nunc Pro Tunc* to the Petition date and (b) Certain Executory Contracts (the "Lease and Contract Rejection Motion")

40. The Debtors are in the process of consolidating their operations, part of which involves terminating burdensome contracts in order to minimize costs and strengthen the businesses. I believe it is a sound exercise of the Debtors' business judgment to reject the following unexpired leases and executory contracts:

(a) The Debtors are party to a lease of nonresidential real property at 1880 W. Fullerton Avenue in Chicago, Illinois (the "Fullerton Lease"). The Fullerton Lease expires on May 31, 2010. Prior to the Petition Date, the Debtors completely vacated the premises and the Debtors do not intend to utilize the premises in the future.

(b) The Debtors also are party to a lease of nonresidential real property at 291 N. Dunton Avenue in Arlington Heights, Illinois (the "Dunton Lease"). The Dunton Lease expires on November 30, 2009. Prior to the Petition Date, the Debtors completely vacated the property and the Debtors do not intend to utilize the premises in the future.

(c) The Post-Tribune Company LLC, one of the Debtors, is party to two License Agreements with ProQuest Company ("ProQuest"), f/k/a Bell & Howell Information and Learning Company, dated as of April 27, 2000 (collectively, the "License Agreements"). Pursuant to the License Agreements, the Debtors provide ProQuest with electronic and physical copies of certain of their publications and grant ProQuest certain non-exclusive rights to reproduce, transmit and distribute the publications in photographically reproduced ("Microform") and electronic formats. In return, ProQuest (i) provides the Debtors with Microform copies of the publications and (ii) pays royalties based on the net revenues ProQuest generates in the distribution, sales, transmittal or licensing of the Debtors publications in Microform or electronic formats. I believe the License Agreements are not necessary to the operation of the Debtors' business and the benefits received pursuant to the License Agreements do not justify the obligations incurred.

(d) The Debtors also are parties to approximately 50 executory agreements with certain current and former employees in various levels of management (collectively, the "Severance Agreements"), which require the Debtors to pay severance and related benefits to such employees upon termination. These current and former employees are subject to various obligations that are beneficial to the Debtors, including non-compete, non-solicitation and confidentiality clauses as well as a promise to sign a release. In addition, the Debtors are parties to certain executory oral agreements with approximately nine current and former employees under which the Debtors are obligated to make a cash payment to these employees and former employees on the first to occur of (a) February 12, 2011, so long as still employed; (b) a severance-event termination (generally, termination without cause or for good reason); or (c) retirement (collectively, the "Bonus Agreements"). Further, the Debtors are party to an employment agreement with myself (the "Employee Agreement"). I believe that the Severance Agreements, the Bonus Agreements, and the Employment Agreement are no longer beneficial or necessary to the Debtors' business operations and that rejection of these agreements is necessary to conserve resources for the benefit of the Debtors' stakeholders.

41. Accordingly, I believe that rejection of the foregoing unexpired leases and executory contracts is an exercise of the Debtors' sound business judgment.

IV. Debtors' Motion for Entry of an Order Authorizing, but not Directing, the Debtors to (a) Pay Certain Prepetition Wages, Salaries and Other Compensation, Reimbursable Employee Expenses, and Employee Medical and Other Benefits; (b) Continue Their Workers' Compensation Program and Other Benefit Programs; and (c) Pay Prepetition Amounts to Benefit Providers, Plan Administrators, Custodians, and Payroll Tax Agent (the "Wages Motion")

A. Debtors' Workforce

42. As of the Petition Date, the Debtors employ approximately 2,171 employees (collectively, the "Employees"), including approximately 207 part-time employees (the "Part Time Employees") and approximately 1,964 full-time employees (the "Full Time Employees"). Of the Full Time Employees, more than 1,400 are employed on an hourly basis and more than 560 are employed on a salaried basis. Further, more than 185 Part Time Employees are employed on an hourly basis and more than five are employed on a salaried basis. Approximately 45% of the Debtors' Employees are represented by unions and covered by various collective bargaining agreements (each, a "CBA").

43. While the Debtors prefer to use full-time staff to fill staffing vacancies, from time to time the demand for qualified professional staff exceeds available supply. Consequently, as of the Petition Date, the Debtors supplement their workforce with independent contractors consisting primarily of freelance writers and photographers (the "Independent Contractors"), a number of contract labor employees and temporary employees hired through employment agencies (the "Contract Labor Employees"), and four individuals who contract with the Debtors through personal services contracts (the "PSC Employees").

44. I believe that the skills and knowledge of the Debtors' Employees, Independent Contractors, Contract Labor Employees, and PSC Employees are essential to the Debtors' businesses and their effective reorganization. Thus, to ensure a smooth transition into chapter 11 and retain the continued availability of the Debtors' Employees' expertise, it is critical that the Debtors are able to satisfy all prepetition employee-related obligations as expected. Failure to satisfy prepetition Employee obligations during the first 20 days of these chapter 11 cases will jeopardize employee loyalty and trust, possibly causing employees to leave the Debtors' employ and severely disrupting the Debtors' operations at a critical juncture.

B. Wage, Commission and Bonus Obligations and Other Compensation

(a) Wages

45. The Debtors pay each Employee on a bi-weekly basis, in arrears. The Debtors have segmented their payroll process such that the Debtors issue payroll on every Friday. The Debtors' payroll obligations generally include wages, salaries, commissions and overtime compensation, as applicable. On average, gross wages paid to Employees total $2,000,000.00 on even weeks and $2,600,000.00 on odd weeks. I believe that as of the Petition Date, the Debtors owe approximately $3,270,000.00 on account of total gross wages to Employees.

(b) Commissions

46. The Debtors offer eight commission programs to approximately 310 Employees (collectively, the "Commission Programs"). These Commission Programs are an integral component of compensation for sales and marketing Employees. The majority of these Commission Programs offer the advertising sales personnel the ability to earn compensation based on the amount of sales print, media and online advertising space they sell within a given month and are paid monthly in arrears concurrent with such Employee's payroll date. Certain of the more senior positions earn a quarterly payout, and four vice-presidents earn their commissions on a yearly basis. Employees rely on the compensation earned under the Commission Program as part of their salaries. As of the Petition Date, I estimate that total earned and unpaid compensation under the Commissions Programs total approximately $450,000.00.

(c) Bonuses

47. As an incentive to encourage and reward outstanding performance, the Debtors also offer their Employees the opportunity to earn bonuses under several small incentive bonus programs (collectively, the "Bonus Programs"). The Employees are entitled to receive service awards accrued on each of their 5-year employment anniversaries with the Debtors. The service awards are paid to Employees in the applicable quarter of the anniversary year and range between approximately $100.00 and $500.00 with each 5-year anniversary of employment. Advertising sales personnel and other Employees are eligible to earn "spiff" bonuses at the discretion of advertising and publishing management and the program is budgeted to pay out $100,000.00 in 2009. Employees of the production departments are entitled to receive monthly bonuses for achieving certain waste reduction goals. Also, management of the Debtors can reward outstanding performance by Employees with one-time "spot" bonuses of up to $1,000.00.

As of the Petition Date, I estimate that the total amount of earned, but unpaid, bonuses under the Bonus Programs totals $200,000.00. The Debtors have no unpaid 2008 annual bonuses and have yet to adopt an annual bonus plan for 2009.

(d) Independent Contractor, Contract Labor Employee, and PSC Employee Compensation

48. The Debtors remit compensation to the Independent Contractors through their accounts payable process. Independent Contractors are paid either directly or through their employment agencies, on an as invoiced basis. On average, the Debtors pay a total of approximately $310,000.00 per month to Independent Contractors. As of the Petition Date, I estimate that the Debtors owe Independent Contractors approximately $310,000.00 as compensation for prepetition services. I do not believe that the Debtors owe any unpaid Independent Contractor in excess of the $10,950.00 priority cap imposed by Bankruptcy § 507(a)(4) (the "Priority Cap") on account of prepetition obligations.

49. The Debtors typically remit compensation on a bi-weekly basis for the Contract Labor Employees' services to the employment staffing agencies that refer such Contract Labor Employees and in some cases directly to the Contract Labor Employee. This compensation is remitted through the Debtors' accounts payable process. On average, the Debtors pay approximately $520,000.00 per month on account of approximately 175 Contract Labor Employees. As of the Petition Date, I estimate the Debtors owe Contract Labor Employees (or their respective agencies) approximately $425,000.00 as compensation for prepetition services. I do not believe that the Debtors owe any Contract Labor Employee (or his/her staffing agency on account of any given Contract Labor Employee) an amount in excess of the Priority Cap on account of prepetition obligations.

50. The Debtors remit compensation to the PSC Employees through their accounts payable process. PSC Employees are paid directly, on an as invoiced basis. On average, the Debtors pay a total of approximately $77,000.00 per month to PSC Employees. As of the Petition Date, I estimate the Debtors owe PSC Employees approximately $25,500.00 as compensation for prepetition services. The Debtors owe one PSC Employee approximately $12,646.00 on account of prepetition services rendered. This PSC Employee is a unique and valuable columnist for the Debtors and greatly enhances the Debtors' news business. In fact, the Debtors believe that a significant portion of the Debtors' readership reads the *Chicago Sun-Times* (print version or online) for this individual's pieces. This PSC Employee is not an insider and the compensation due and owing to such PSC Employees in excess of the Priority Cap is approximately $1,696.00.

C. Gross Pay Deductions, Governmental Withholdings and Payroll Taxes

51. The Debtors routinely deduct certain amounts from paychecks, including, without limitation, (a) garnishments, child support, service charges, union dues[3] and similar deductions and (b) other pre- and after-tax deductions payable pursuant to certain of the employee benefit plans discussed herein (such as an Employee's share of health care benefits and insurance premiums, contributions under flexible spending plans, 401(k) contributions, legally ordered deductions and miscellaneous deductions) (collectively, the "Deductions").

52. On average, the Debtors deduct approximately $1,040,000.00 from Employees' paychecks per pay period. As of the Petition Date, I estimate the Debtors' have collected approximately $3,420,000.00 on account of these Deductions. The Debtors remit these

[3] The Debtors are current on their obligations to deduct and pay union dues and intend to continue to pay such dues.

Deductions to the appropriate third-party recipients. The Debtors, however, may not have forwarded certain of the Deductions relating to the prepetition period to the relevant third-party recipients prior to the Petition Date.

53. In addition to the Deductions, federal and state laws require the Debtors to withhold amounts related to federal, state and local income taxes, as well as Social Security and Medicare taxes, for remittance to the appropriate federal, state or local taxing authority (collectively, the "Withheld Amounts"). Further, federal and state laws require the Debtors to pay additional amounts for Social Security, Medicare and federal and state unemployment insurance (the "Employer Payroll Taxes," and together with the Withheld Amounts, the "Payroll Taxes"). The Debtors engage ADP as the Debtors' agent to remit to taxing authorities all Payroll Taxes. In the aggregate, Payroll Taxes, including both the Employee and employer portions, total approximately between $680,000.00 and $1,240,000.00 per pay period. As of the Petition Date, I do not believe the Debtors owe any amounts on account of prepetition Payroll Taxes.

D. Unpaid Compensation.

54. On average, the Debtors' gross payroll totals approximate between $2,000,000 and $2,600,000.00 per weekly period (depending on which portion of Employees is to be paid that particular week). The Debtors' gross payroll may vary due to payments under the Commission Programs and Bonus Programs. As discussed, the Debtors owe approximately $4,680,500.00 on account of accrued wages, salaries, commissions, bonuses and other compensation (excluding reimbursable expenses and vacation pay) earned prior to the Petition Date.

E. Other Outstanding Payments to Employees, Independent Contractors, Temporary Employees and PSC Employees

55. Certain Employees, Independent Contractors, Contract Labor Employees and PSC Employees may be entitled to Unpaid Compensation because (a) discrepancies may exist between the amounts paid and the amounts that should have been paid and (b) some payroll or invoice checks issued prior to the Petition Date may not have been presented for payment or may not have cleared the banking system.

F. Reimbursable Expenses

56. The Debtors reimburse Employees (as well as members of the Debtors' boards of directors) for certain expenses incurred in the scope of their employment (or board service) and on behalf of the Debtors (collectively, the "Reimbursable Expenses"). The Reimbursable Expenses include, without limitation, professional organization, relocation, temporary housing, business-related travel and client entertaining expenses. In the aggregate, the Debtors' Employees and directors incur, on average, approximately $320,000.00 per month in Reimbursable Expenses and currently have approximately $31,000.00 owing on account of uncashed checks to Employees for Reimbursable Expenses. Typically, the Debtors reimburse Employee's for Reimbursable Expenses directly through their accounts payable system after processing and approving the expense and the Debtors are generally current on such Reimbursable Expenses. Although the Debtors request Employees and directors to submit reimbursement requests promptly, not all requests are timely submitted. Accordingly, as of the Petition Date, I estimate the Debtors owe approximately $460,000.00 on account of prepetition Reimbursable Expenses.

57. Certain of the Debtors' employees use company expense cards (the "Company Cards") to pay certain Reimbursable Expenses. Employees submit expense reports for items

charged to the Company Cards. Amounts owed on the Company Cards are primarily the Debtors' obligations, but in some instances the Employees and directors who incurred the Reimbursable Expenses may become personally liable for them to the extent that the Debtors do not pay such obligations.

G. Employee Benefits

58. The Debtors maintain various employee benefit plans and policies, including, without limitation, health care, dental and vision plans, vacation time and other paid leaves of absence, 401(k) retirement savings plans, flexible benefit plans, life insurance, pensions programs, short- and long-term disability insurance and education assistance (the "Employee Benefit Program"). The Employee Benefit Program includes both amounts deducted from Employee paychecks, as discussed above, and contributions by the Debtors.

(a) Medical, Vision and Dental Plans

59. All Employees who regularly work (the "Eligible Employees") and their dependents are eligible to receive medical, vision and dental insurance (the "Health Care Plan"), including prescription drug coverage.[4] The following is a brief summary of each Health Care Plan:

(1) **Medical Plans**. Through six fully-insured medical plans, which include prescription drug coverage (the "Medical Plans"), the Debtors offer the Eligible Employees and their dependents healthcare coverage. The Debtors pay approximately $1,600,000.00 per month on account of the Medical Plans. Approximately 1,865 Employees are covered under the Medical Plans. As of the Petition Date, I believe that the Debtors do not owe any prepetition amounts on account of Medical Plan obligations.

4 Eligibility for participation in the Health Care Plan varies among the Debtors' various unions. Union Employees who meet eligibility criteria pursuant to the applicable CBAs are considered "Eligible Employees" for purposes of this Declaration.

(A) Currently, approximately 1,270 Eligible Employees participate in the Blue Edge PPO and HMO Illinois plans sponsored by Blue Cross Blue Shield of Illinois. The BlueEdge PPO has a healthcare account (HCA) provision pursuant to which the Debtors fund 50% of the employee deductible, which annual deductibles range from $1,000.00 to $3,000.00 and an enrolled Employee may rollover any unused funds up to a limit of four times the deductible. The Debtors average monthly expense in respect of this program is approximately $60,000.00.

(B) Currently, approximately 120 Eligible Employees participate in a Blue Cross Blue Shield PPO plan through BCBS of Indiana.

(C) Currently, approximately 265 Eligible Employees participate in Aetna's HMO and PPO plans sponsored by St. Consul pursuant to a CBA.

(D) Currently, approximately 65 Eligible Employees participate in the Graphic Communications Conference of the International Brotherhood of Teamsters ("GCIU") plan sponsored by Graphic Communications International Union and BCBS pursuant to a CBA.

(E) Currently, approximately 5 Eligible Employees participate in the Graphic Communications International Union plan sponsored by GCIU pursuant to a CBA.

(F) Currently, approximately 135 Eligible Employees participate in the Drivers H/W plan sponsored by the Central States Plan pursuant to a CBA.

(2) **Dental Plans.** Through five fully-insured dental plans and one self-insured dental plan (the "Dental Plans"), the Debtors offer the Eligible Employees and their dependents dental care coverage. The Debtors pay approximately $45,000.00 per month on account of the Dental Plans. Approximately 1,906 Employees are covered under the Dental Plans. As of the Petition Date, I believe that the Debtors do not owe any prepetition amounts on account of Dental Plan obligations.

(A) Currently, approximately 143 Eligible Employees participate in the Delta Dental PPO plan.

(B) Currently, approximately 1,260 Eligible Employees participate in three MetLife PPO dental plans, which is self-insured by the Debtors and the Debtors pay approximately $56,000.00, including a premium of $5,229.00 and additional claims per month on the account the MetLife PPO dental plans.

(C) Currently, approximately 285 Eligible Employees participate in Aetna's DMO dental plan.

(D) Currently, approximately 190 Eligible Employees participate in various PPO and HMO dental plan options sponsored by Guardian pursuant to a CBA.

(E) Currently, approximately 26 Eligible Employees participate in a PPO dental plan sponsored by National IAM Benefit Trust.

(3) **Vision Plans**. Through four fully-insured vision plans (the "Vision Plans"), the Debtors offer the Eligible Employees and their dependents vision care coverage. The Debtors pay approximately $20,000.00 per month on account of the Vision Plans. Approximately 1,500 Employees are covered under the Vision Plans. As of the Petition Date, I believe that the Debtors do not owe any prepetition amounts on account of Vision Plan obligations.

(b) Flexible Benefit Plans.

60. The Debtors also offer Employees the ability to contribute a portion of their pre tax compensation to flexible spending accounts to pay for eligible out-of-pocket health care, dependant care and transportation and parking expenses (the "Flexible Benefit Plan"). SHPS administers the Flexible Benefit Plan and the Employees' flexible spending accounts ("FSAs"). Currently, approximately 151 Employees participate in the healthcare Flexible Benefit Plan, 15 Employees participate in the dependant care Flexible Benefit Plan and 17 Employees participate in the transportation and parking Flexible Benefit Plan. The administration of this Flexible Benefit Plan costs the Debtors approximately $1,200.00 per month and the Debtors pay out approximately $27,000.00 per month in eligible employee expense reimbursements. The Debtors withhold approximately $27,000.00 per month on account of Employee contributions to the Flexible Benefit Plan for all the eligible expense reimbursements. As of the Petition Date, I estimate the Debtors do not owe any prepetition amounts on account of administrative costs relating to the Flexible Benefit Plan, and have collected approximately $81,000.00 in Employee contributions to the Flexible Benefit Plan for 2009.

(c) Vacation, Short-Term Leave and Leaves of Absence.

61. Vacation. The Debtors provide vacation time to their Employees as a paid time-off benefit (the "Vacation Time"). Up to five weeks of vacation time can be accrued each year by each Employee depending on each Employee's length of service with the Debtors and any applicable CBAs. The Debtors do not permit Employees to carryover Vacation Time from one year to another. Depending on the applicable vacation policy and/or CBA, vacation time may be accrued on a pro-rata basis throughout the year or accrued for the entire year on the first day of an applicable calendar or anniversary year (after an employee completes a year of service for the prior year). When an Employee elects to take Vacation Time, an Employee is paid his or her regular hourly or salaried rate. Upon termination of employment, Employees will receive vacation pay for their accrued and unused vacation in accordance with their respective CBA or the Debtor's policy if no CBA is applicable.

62. If an Employee leaves the Debtors' employ, whether voluntarily or involuntarily, his or her accrued and unused Vacation, if any, will be calculated and cashed out in a final paycheck. As of March 31, 2009, the Debtors have accrued approximately $7,985,000.00 on account of unused Vacation Time. The Debtors believe that when Vacation Time is factored into Unpaid Compensation for certain Employees, such Employees may be owed more than the Priority Cap, however, I believe that the Debtors' Vacation Policy should continue because: (a) the Debtors may be obligated to observe such obligations under Illinois state law; (b) the Debtors have just discontinued the Basic Severance Plan (as defined below) and the concurrent discontinuation of the Vacation Time policy may be a significant and severe disruption to Employee morale; and (c) the amount of Vacation Time is not a current cash payment obligation as Employees are entitled to be paid for accrued and unused Vacation Time only in the event the Employees leave the Debtors' employ.

63. Short-Term Leave. In addition, in the ordinary course of business, Employees may be eligible for paid short-term leave for illness, injury, other emergency situations and bereavement leave (the "Short-Term Leave"). The amount of Short-Term Leave available varies by type of Employee and length of employment. The Debtors do not accrue Short-Term Leave for their Employees. Short-Term Leave is not reflected as a liability on the Debtors' balance sheet and is paid when due through current payroll procedures.

64. Leaves of Absence. The Debtors also allow their Employees to take certain other leaves of absence for personal reasons, many of which are required by law (the "Leaves of Absence"). Leaves of Absence include family, school, partnership leave, family medical leave, family care leave, pregnancy leave and military leave. The Debtors do not accrue Leaves of Absence for their Employees and do not reflect Leaves of Absence as a liability on their balance sheet. As of the Petition Date, there are approximately 65 Employees on Leaves of Absence.

(d) Retirement Savings Plans.

65. The Debtors maintain three retirement savings plans: (a) the Sun-Times Media Group, Inc. 401(k) Retirement Plan, (b) the Chicago Sun-Times Pre-Tax Advantage Savings System and (c) the Pioneer Newspapers, Incorporated, Editorial Employees 401(k) Plan, with Prudential, for the benefit of eligible Employees meeting the requirements of Internal Revenue Code § 401(k) (collectively, the "401(k) Plans"). I estimate the Debtors deduct approximately $522,000.00 each month from the Employees' paychecks.

66. Approximately 1,550 Employees currently participate in the Hollinger/Sun-Times Media Group 401(k). The Sun-Times Media Group, Inc. 401(k) Retirement Plan has a discretionary profit sharing component, under which the Debtors' contributed approximately $725,000.00 for 2008. Such payments have historically been made in the first quarter of the following year and all 2008 contributions have been paid. Additionally, approximately 200

Employees have borrowed against their Sun-Times Media Group, Inc. 401(k) Retirement Plan accounts, and the Debtors withhold approximately $11,200.00 per weekly pay period on account of repayment of these loans.

67. Approximately 373 Employees currently participate in the Chicago Sun-Times Pre-Tax Advantage Savings System. Pursuant to one of the CBAs, the Debtors contribute an amount equal to one percent (1%) of certain Employees' bi-weekly straight-time wages for 38 Employees, such that the monthly amount is approximately $1,200.00. Additionally, approximately 90 Employees have borrowed against their Chicago Sun-Times Pre-Tax Advantage Savings System accounts, and the Debtors withhold approximately $5,600.00 per weekly pay period on account of repayment of these loans.

68. Approximately 190 Employees currently participate in the Pioneer Newspapers, Incorporated, Editorial Employees 401(k) Plan. Pursuant to one of the CBAs, the Debtors make contributions of $0.50 per hour for each hour paid to a maximum of 37.5 hours per week for 163 Employees, such that the monthly amount is approximately $5,600.00 and the outstanding aggregate amount owed to such plan is approximately $60,000.00 to the extent current monthly contributions remain the same through the relevant term. Additionally, approximately 30 Employees have borrowed against their Pioneer Newspapers, Incorporated, Editorial Employees 401(k) Plan accounts, and the Debtors withhold approximately $1,500.00 per weekly pay period on account of repayment of these loans.

(e) Life and Disability Insurance.

69. The Debtors provide certain life insurance and disability benefits to certain Employees. There are approximately 2,260 Employees that participate in basic life insurance coverage through the Debtors' Employee benefits program with Aetna ("Basic Life Insurance"). The Debtors pay approximately $25,000.00 a month for the Basic Life Insurance. As of the

Petition Date, I believe that the Debtors do not owe any prepetition amounts on account of the Basic Life Insurance. Aetna also provides supplemental life insurance coverage ("Supplemental Life Insurance"). Approximately 580 participants, 397 Employees, 199 Spouses and 84 dependents participate in the Supplemental Life Insurance program and the monthly premiums of approximately $16,200.00 are paid entirely by participating Employees. Approximately 14 Employees participate in universal life insurance coverage provided by Guardian and the monthly premiums of approximately $600.00 are paid entirely by participating Employees. In addition, the Debtors provide Employees with short-term disability benefits through (a) Aetna at the Debtors' Fox Valley location for 417 Employees or (b) on a self-funded basis. The Debtors pay approximately $960.00 a month in premiums for the short-term disability insurance provided by Aetna at the Debtors' Fox Valley location.

70. The Debtors provide long term disability insurance to approximately 1,500 Employees through Aetna ("Long Term Disability Benefits") and the monthly premiums of approximately $20,000.00 are paid entirely by the Debtors.

(f) Executive Life and Disability Insurance.

71. The Debtors provide life insurance benefits to five executives through American General, Lincoln Benefits and Prudential ("Executive Life Insurance"). The Debtors pay approximately $2,346.00 a month for the Executive Life Insurance. The Debtors further provide disability insurance to four executives through ACE and Lloyds of London ("Executive Disability Insurance"). I estimate that the Debtors pay approximately $721.00 a month for the Executive Disability Insurance.

(g) Travel and Accident Insurance.

72. The Debtors provide Business Travel Accident Insurance through ACE to all Employees which has a maximum benefit of $100,000.00 per person. I estimate that the

Debtors' obligations for premiums to ACE for the Business Travel Accident Insurance are approximately $1,500.00 a month.

(h) Accident and Dismemberment Insurance.

73. The Debtors provide Accident and Dismemberment Insurance through Life Insurance Company of North America. This insurance is fully funded by the approximately 90 Employees enrolled in the insurance and the Debtors' obligations are $600.00 a month, subject to off-set through Deductions.

(i) Education Assistance.

74. The Debtors maintain an education assistance program, available to Employees who enroll in an approved educational program. Prior to the Petition Date, there were approximately 13 Employees participating in the education assistance program at a total cost to the Debtors of approximately $2,500.00 per month. As of the Petition Date, I estimate the Debtors owe approximately $5,000.00 on account of the education assistance program.

(j) Retiree Benefits.

75. Approximately 15 of the Debtors' retirees receive medical insurance and prescription drug benefits for the duration of their respective lives (the "Retiree Medical Plan"). I estimate that the Retiree Medical Plan costs the Debtors approximately $7,500.00 a month and I estimate that the total prepetition liability for the Retiree Medical Plan is approximately $250,000.00.

76. Approximately five of the Debtors' retiree union members receive medical benefits for a five year period ("Retiree Medical Plan 2"). The Debtors estimate that the total prepetition liability for the Retiree Medical Plan 2 is approximately $51,358.00.

77. Approximately 78 of the Debtors' retirees receive medical insurance and prescription drug benefits for periods ranging from three to 12 months based on service at the

Debtors (the "Short Term Retiree Medical Plan"). The Debtors estimate that the Short Term Retiree Medical Plan costs the Debtors approximately $60,000.00 a month and the Debtors estimate that the total prepetition liability for the Short Term Retiree Medical Plan is approximately $400,000.00

78. Approximately 410 retirees and eligible family members receive term life insurance benefits pursuant to company retirement policies (the "Retiree Insurance Plan"). The Debtors estimate that the Retiree Insurance Plan costs the Debtors approximately $100.00 per month.

(k) Pensions Programs.

79. As of the Petition Date, the Debtors maintain seven pension plans (collectively, the "Pension Plans"). Of the seven pension plans, only one plan, the Chicago Sun-Times Guild Employees' Pension Plan, actively accrues additional benefits (the "Active Pension Plan"). The remaining six Pension Plans were amended by the Debtors to disallow new participants into the plans and to cease benefit accruals for existing plan participants (the "Frozen Pension Plans").[5] As of the Petition Date, the Active Pension Plan has 142 active participants.

80. The Debtors contributed an aggregate amount of $3,954,785.00 to the Pension Plans in 2008, which included $1,875,250.00 to the Frozen Pension Plans and $2,079,535.00 to the Active Pension Plan. As of the Petition Date, the Debtors estimate that the 2009 contributions to the Pensions Plans will be approximately $4,390,672.00, which are estimated to

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5 The Frozen Pension Plans include: (a) Chicago Sun-Times Office Employees' Pension Plan, (b) 1986 Chicago Sun-Times Pension Plan, (c) Retirement Plan for Employees of Star Publication, Inc., (d) Pioneer Press Retirement Plan, (e) Retirement Plan for Bargaining Employees of Daily Southtown, Inc. and (f) Holladay-Tyler Printing Corporation Pension Plan for Salaried Employees.

include approximately, $2,344,350.00 to the Frozen Pension Plans and $2,046,322.00 to the Active Pension Plan.

(1) **Multiemployer Pension Plans**

81. As of the Petition Date, the Debtors contribute to six multiemployer pension plans (the "Multiemployer Pension Plans").[6] The Debtors contributed an aggregate amount of $3,160,000.00 to the Multiemployer Pension Plans in 2008. As of the Petition Date, the Debtors estimate that the 2009 contributions to the Multiemployer Pensions Plans will be approximately $2,740,000.00.

H. Voluntary and Involuntary Severance Programs

82. Prior to the Petition Date, the Debtors pursued a series of voluntary and involuntary severance initiatives to eliminate workforce redundancies and certain personnel (the "Severance Programs"). The Debtors have the following severance plans: (a) a basic severance plan for which certain non-union employees are eligible (the "Basic Severance Plan"), (b) severance and dismissal plans instituted in accordance with the various CBAs to which the Debtors are party (the "CBA Mandated Severance Plans") and (c) approximately 50 severance agreements for employees in various levels of management (the "Key Employee Severance Agreements"). The Basic Severance Plan awards one week of severance pay for every six month period of completed service with a maximum of 52 weeks severance pay while the CBA Mandated Severance Plans offer similar awards, but in some instances have lower or higher maximum severance and/or dismissal payments.

6 The Multiemployer Pension Plans are (a) ITU Negotiated Pension Plan, (b) GCIU Employer Retirement Fund, (c) IAM National Pension Fund, (d) CNP (Amalgatrust), (e) Central Pension Fund and (f) GCIU Supplemental.

I. Workers' Compensation.

83. The Debtors provide workers' compensation insurance for the Employees at the statutorily required level (the "Workers' Compensation Program"). The Debtors place insurance policies to provide statutory workers' compensation benefits and employer's liability insurance with a commercial insurer, St. Paul Travelers, with one policy for Indiana (the "Indiana WC Policy") and one for all other states in which the Debtors operate (other than Indiana) (the "General WC Policy"). Under the General WC Policy, the Debtors agree to reimburse St. Paul Travelers for all claim costs up to $350,000.00 per claim. Under the Indiana WC Policy, the Debtors agree to reimburse St. Paul Travelers for all claim costs up to $100,000.00 per claim. The Debtors have an accrued aggregate liability of $4,100,000.00 as of March 1, 2009 for workers' compensation claims below the relevant policy deductibles and the Debtors pay approximately $132,000.00 per month in respect of claim reimbursements. The Debtors will pay annual insurance premiums to St. Paul Travelers for 2009 in an aggregate amount of approximately $411,000.00. As of the Petition Date, the Debtors have paid $207,500.00 in insurance premiums for 2009.

84. In short, I believe that the commencement of these chapter 11 cases will likely cause uncertainty and concern among the Debtors' employees. Nonpayment of compensation and benefits, in addition to imposing hardship on the employees, would likely also generate doubts regarding the stability of the Debtors and their prospects for reorganization. Failure to pay the employee obligations would undermine morale and create significant risk of attrition. Accordingly, I believe that the relief requested in the Wages Motion is in the best interests of the Debtors' estates and is necessary to prevent immediate and irreparable harm to the Debtors.

V. Debtors' Motion for Entry of Order Authorizing Debtors to (a) Continue Using Existing Cash Management System, Bank Accounts and Business Forms; and (b) Maintain Existing Investment Practices (the "Cash Management Motion")

85. The Debtors utilize a centralized cash management system (the "Cash Management System") to collect funds from their business operations and to pay operating and administrative expenses in connection therewith. The Cash Management System is managed primarily by the Debtors' financial personnel in their treasury department located at their headquarters in Chicago, Illinois. The Cash Management System is similar to those utilized by other companies of comparable size in the Debtors' industry to collect, concentrate, transfer, disburse and invest funds generated by operating entities in a cost-effective and efficient manner.

86. As of the Petition Date, the Debtors maintain or exercise signatory control over more than 44 bank accounts (the "Bank Accounts") established at various financial institutions (the "Banks"). Generally, the Bank Accounts fall into two categories: (a) operating accounts comprised of collection accounts used for revenue collection and disbursement accounts used for all employee-related, general operating and administrative business payments (the "Operating Accounts"); and (b) corporate-level, non-operating accounts used to manage and direct funds for the Debtors' investment and business needs (the "Corporate Accounts"). A summary of the Debtors' Bank accounts as of the Petition Date is as follows:

A. Operating Accounts - Collection Accounts

(1) Collection Accounts

(A) Concentration Account. The focal point of the Debtors' Cash Management System is the main operating account (Account No. xxx5939) at Bank of America, N.A. ("BofA"), which serves as the ultimate collection point for all funds moved into and through the Cash Management System (the "Concentration Account"). The Concentration Account holds and supplies cash to all other accounts, as necessary. Any excess cash remaining in the Concentration Account at the end of the day above a $6,500,000.00 "peg amount" is swept into the sweep account at

BofA (Account No. xxx199.7). In addition to funds from the BOA depository and lockbox accounts that are transferred to the Concentration Account, authorized employees of the Debtors make disbursements from time to time based on business operating needs of the Debtors from the Corporate Accounts into the Concentration Account. The Debtors also maintain a demand deposit account at JPMorgan Chase ("JPM") for managing activity of The Post Tribune Company (Account No. xxxxxxxx9034). Funds from the JPM demand depository account are transferred to the Concentration Account from time to time.

(B) Depository Accounts. The Debtors maintain six depository accounts at BofA. These accounts are used to facilitate a convenient collection process for revenue generated by the sale of newspaper advertisements and subscriptions, as well as revenue from the various websites operated by the Debtors. Funds from the five BofA depository accounts are initially swept via automated, zero-balance account transfers to the Concentration Account.

(C) Lockbox Accounts. The Debtors maintain seven lockbox accounts at BOA and two lockbox accounts at JPM. The lockbox accounts are used in conjunction with the BofA depository accounts and the JPM demand deposit account to assist in providing a convenient collection process for both local and national customers. Funds in the BofA lockbox accounts are automatically transferred twice daily to the Concentration Account.

(2) **Disbursement Accounts**

(A) Payables Account. The Debtors maintain one account at BofA for general accounts payable (Account No. xxxxxx4538). This is a zero-balance account that is funded from the Concentration Account as needed to satisfy the Debtors' general non-payroll operating obligations.

(B) Payroll Accounts. The Debtors maintain five payroll accounts at BofA and one payroll account at JPM exclusively used to fund all employee payroll, certain benefits and withholding obligations. The BofA payroll accounts are funded from the Concentration Account on Wednesday and Thursday of each payroll period. The JPM payroll account is funded from the JPM demand deposit account. The payroll accounts disburse funds via check and direct deposit. The Debtors' employees are paid bi-weekly. The employees of the Sun-Times newspaper and corporate employees, on the one hand, and the employees of all of the Debtors' other newspapers on the other hand, are paid in alternating weeks, so there are payroll disbursements each week.

B. **Corporate Accounts** - The Debtors maintain 17 Corporate Accounts. As more fully set forth below, the Corporate Accounts consist of non-operating accounts used for managing the Debtors' investments and periodically funding the Operating Accounts as needed, as well as certain restricted cash accounts. Additionally, the Debtors maintain certain dormant accounts at Wachovia Bank that are no longer actively used in the Debtors' Cash Management System and are in the process of being closed. In connection with the closure of such accounts, any remaining balances will be transferred to the BofA Accounts.

(1) **Active Corporate Accounts**. In the ordinary course of the Debtors' business, the Debtors utilize the following active corporate accounts:

(A) Corporate Deposit Accounts. The Debtors maintain demand deposit accounts ("DDAs") to fund investment and restricted cash accounts.

(B) Investment Accounts. Excess DDA cash (generally above a "peg" amount) is used to fund investment and sweep accounts consisting of short-term interest-bearing investments. Funds from the investment accounts are periodically transferred back to the DDAs based on the Debtors' business operating needs. All investments are made in compliance with the Debtors' Short Term Investment Policy as adopted on April 27, 2007 (the "Short Term Investment Policy").

(C) Restricted Cash Accounts. The Debtors maintain four restricted cash accounts, two at BofA, one at Fifth Third Bank and one at Wachovia Bank. The restricted cash accounts are used to collateralize approximately $10,271,715.00 of standby letters of credit as of March 25, 2009 (of which $9,248,601.00 and $1,023,114.00 of cash collateral was held at Fifth Third Bank and Wachovia Bank, respectively) and to backstop certain litigation and tax disputes in the aggregate amount of approximately $176,055.00. The standby letters of credit are required in connection with certain of the Debtors' operations (such as workers' compensation or real property leases). The letters of credit are required to be collateralized because the Debtors do not maintain lines of credit with the Banks. These standby letters of credit generally are not drawn upon (and therefore generally do not need to be replenished), but the Debtors' are restricted from using the cash collateralizing these letters of credit.

(2) **Dormant Accounts**. The Debtors have four DDAs at Wachovia Bank that are neither critical to the Debtors' Cash Management System or business needs. The Debtors are in the process of taking steps to close the dormant accounts. Funds in the dormant accounts will be transferred to BofA accounts.

87. The Cash Management System is similar to those commonly used by corporate entities of comparable size and complexity to the Debtors. Such systems provide numerous benefits, including, without limitation, the ability to: (a) quickly create status reports on the location and amount of funds, which allows management to track and control such funds; (b) ensure cash availability; and (c) reduce administrative costs through a centralized method of coordinating and tracking movement of funds. Indeed, the Debtors maintain current and accurate accounting records of all daily cash transactions.

C. The Debtors' Depository Banks

88. For each of the Banks at which the Debtors have accounts holding Debtor funds that are not party to a Uniform Depository Agreement with the Office of the United States Trustee for the District of Delaware (the "U.S. Trustee"), the Debtors intend to use their good faith efforts to cause the Bank to execute a Uniform Depository Agreement in a form prescribed by the U.S. Trustee within 30 days of the date of the Cash Management Order.

D. Intercompany Claims

89. The Debtors maintain business relationships with each other, resulting in intercompany receivables and payables (collectively, the "Intercompany Claims"). Indeed, in connection with the daily operation of the Debtors' business, as funds are disbursed throughout the Cash Management System at any given time, there may be Intercompany Claims owing by one Debtor to another Debtor (collectively, the "Intercompany Transactions"). The Debtors maintain records of all fund transfers and can ascertain, trace and account for Intercompany Transactions. At the same time, however, if the Intercompany Transactions were to be discontinued, the Cash Management System and the related administrative controls would be disrupted to the Debtors' detriment. The continued performance of the ordinary course

Intercompany Transactions is integral to ensuring the Debtors' ability to operate their business as debtors in possession.

E. Investment Practices

90. The Debtors adhere to certain prudent investment practices with regard to the Cash Management System (the "Investment Practices"), which have the primary goals of maximizing liquidity and preserving capital. It is the policy of the Debtors to invest in high-quality, short-term debt obligations in order to achieve the maximum yield consistent with safety of principal and maintenance of liquidity. I believe it is desirable to maintain the Debtors' excess cash in income-producing investments to the fullest extent possible. As part of their Cash Management System, the Debtors collect all of their operating cash in the Concentration Account, from which excess funds are automatically swept on a daily basis into sweep and investment accounts for investment in overnight money market funds and short-term interest bearing securities. Cash held in Corporate Accounts is similarly invested in money market funds, short-term interest bearing government securities and bank-backed certificates of deposit issued by large U.S. banks. All such investments are made by authorized persons in accordance with the Debtors' Short Term Investment Policy.

VI. Debtors' Motion for Entry of Order Authorizing, but not Directing, the Debtors to Continue to Maintain and Administer Customer Programs and Honor Prepetition Obligations Related Thereto (the "Customer Programs Motion")

91. The Debtors engage in certain practices to develop and sustain their positive reputations with subscribers, advertisers and the marketplace generally. The practices, many of which are customary in the Debtors' industry, include, among other things, prepayments, refunds, rebates, error credits, barter and trade agreements, billing adjustments, credit card programs and other programs (the "Customer Programs"). The Debtors' Customer Programs generate goodwill, meet competitive market pressures and ensure customer satisfaction, thereby

retaining current customers, attracting new ones and ultimately enhancing revenue and profitability. I believe that continuing all aspects of the Debtors' Customer Programs is essential to maximizing the value of their estates for the benefit of all creditors. Honoring prepetition commitments under the Customer Programs will benefit the Debtors and their creditors by allowing the Debtors' operations to continue without interruption. The Debtors estimate that prepetition obligations incurred by the Debtors pursuant to their Customer Programs are approximately $16,162,000.00 in the aggregate; however, the potential cash liability with respect to the Customer Obligations only is approximately $1,850,000.

92. Moreover, in an effort to maintain continuity with their relationships and business operations, the Debtors hope to continue during the postpetition period those Customer Programs that they believe were effective prepetition. The following is a summary of the Debtors' most significant Customer Programs:

A. Prepayments and Refunds

93. There are certain instances where the Debtors receive payments from their customers in advance of providing goods and services (the "Prepayments"). For instance, in the Debtors' newspaper businesses, approximately 50% of the newspaper's subscribers prepay for newspaper subscriptions before receiving the newspaper. The terms of these prepaid subscriptions range from four weeks to two years. The Debtors also receive payments from certain advertisers in advance of providing newspaper advertising space for such advertisers. For instance, the Debtors receive payments from certain small businesses and individuals for the purchase of classified advertisements two to five days before the publication of the advertisements in the newspaper. As of the Petition Date, I believe the Debtors are holding approximately $10,200,000.00 on account of Prepayments.

94. The Debtors generally do not incur actual cash liability on account of the foregoing Prepayments, but instead incur the obligation to deliver the prepaid newspaper or advertisements space. In certain instances, however, the Debtors are obligated to return unused prepaid amounts (the "Refunds"). For instance, certain retailers purchase newspapers from the Debtors to sell to third parties. To the extent these newspaper retailers do not sell all of their purchased copies to third parties, the Debtors refund the newspaper retailers the original purchase price of the unsold newspaper. As of the Petition Date, the Debtors estimate they owe newspapers retailers approximately $65,000.00. The Refunds to newspaper retailers typically take the form of credits applied to a particular newspaper retailer's account and thus the Debtors believe that, as of the Petition Date, their actual cash liability to newspaper retailers on account of Refunds is a *de minimis* amount. The Debtors also return prepaid subscription amounts to subscribers that cancel their subscription before the expiration of its term and to subscribers to newspapers that have been discontinued. The Debtors will not know the total amount of their obligations with respect to Refunds until they receive requests from their customers. However, as of the Petition Date, the Debtors estimate they owe a total of approximately $117,000.00 in potential cash payments on account of Refunds.

B. Advertising Programs

95. The majority of the Debtors' revenue comes from advertising, with the remainder mostly coming from subscriptions and singly copy newspaper sales. There are several types of Customer Programs related to the Debtors' advertising services (the "Advertising Programs"). The Debtors' Advertising Programs, each of which is described more fully below, include (a) advertising rebates and related discounts or price adjustments (the "Rebate Program"); (b) correction of improperly run ads (the "Error Credit Program"); and (c) barter agreements with advertisers for the mutual exchange of advertising services (the "Barter Program").

(a) Rebate Program

96. The Debtors offer rebates, allowances, discounts and other price adjustments (collectively, the "Rebates") to incentivize advertisers to purchase large volumes of print advertising from the Debtors. These Rebates are custom-negotiated by the Debtors and the advertisers to fit the specific demands of the advertisers or the needs of a particular vertical segment of the marketplace. The Rebate program is consistent with industry practice and has been done by the Debtors for several years.

97. Typically, the Debtors will accrue Rebates monthly, with such amounts paid in cash or otherwise credited to the advertiser monthly, quarterly or annually, depending on the specific terms of the applicable Rebate agreement. As of the Petition Date, I believe that there is approximately $385,000.00 of potential liability outstanding in connection with the Rebates. However, in light of the fact that many of these Rebates are granted in the form of additional advertisement space or credit applied to a particular advertiser's account, the Debtors believe that their actual cash liability to their advertisers with respect to Rebates is only approximately $38,500.00.

(b) Error Credit Program

98. Despite the Debtors' best efforts, given the size of the Debtors' print, media, and online advertising business, from time to time advertisements are run with errors or are otherwise not to the advertiser's satisfaction. To the extent such issues occur, under the Error Credit Program, the Debtors will re-run the advertisement at no additional charge. In certain limited circumstances, if an advertising error cannot be corrected by re-running the advertisement, the Debtors will issue a credit to the advertiser's invoice.

99. As of the Petition Date, I estimate that there may be as much as $1,400,00.00 of potential liability outstanding with respect to the Error Credit Program. However, because the

Debtors' primary obligations associated with the Error Credit Program are to rerun advertisements, or where necessary, to issue a credit to the advertiser's invoice, the Debtors do not believe that there are any cash payments outstanding to their advertisers as of the Petition Date on account of the Error Credit Program. I believe that their ability to continue providing the services rendered in connection with the Error Credit Program is an essential element of their print, media, and online advertising business.

(c) Barter Program

100. The Debtors have entered into agreements with certain advertisers whereby the Debtors exchange advertising space in their newspapers in return for services provided to the Debtors by the advertiser (the "Barter Agreements"). Thus, in some instances, instead of receiving a cash payment from the advertiser for the running of a particular advertisement or series of advertisements, the Debtors receive certain advertising services from the advertiser. Generally, the advertiser compensates the Debtors by agreeing to provide advertising and sales and marketing services. The Barter Agreements are custom-negotiated by the Debtors and the advertisers.

101. As of the Petition Date, I believe there is approximately $2,185,000.00 of potential liability in connection with the Barter Agreements. However, in light of the fact that the obligations under the Barter Agreements consist primarily of the obligation to provide future advertising services, the Debtors estimate that, as of the Petition Date, they do not have any potential cash liability with respect to the Barter Agreements. The Debtors' ability to continue performing their obligations under the Barter Agreements is an essential component to maintaining the satisfaction of their advertisers and generating additional subscribers for their newspapers. The Barter Agreements provide significant value to both the Debtors and the Debtors' advertisers. Specifically, the Barter Agreements offer the advertisers additional options

and flexibility in making payment to the Debtors, which helps to retain the long-term business of the advertiser. Further, the Debtors enjoy valuable opportunities to advertise their newspapers to potential subscribers and customers at no cash expense.

C. Billing Adjustments

102. Despite the Debtors' best efforts, from time to time in the Debtors' businesses, subscribers, advertisers and other customers are invoiced in error for amounts that they did not actually incur. Such errors include improper invoicing (when the invoice created does not properly reflect the items ordered by a customer), duplicate payment (when a customer makes two payments on account of the same order), mis-pricing (when a customer is charged or pays an incorrect price—either too high or too low—for the Debtors' products or services), and various other billing and payment errors (collectively, the "Invoicing Errors"). When a customer pays for the amounts invoiced in error, the Debtors correct the Invoicing Errors through billing adjustments (collectively, the "Billing Adjustments").

103. Because there is some delay from the time the invoice is first issued to the time the Debtors realize the Invoicing Error, it is difficult to predict with certainty the amount outstanding on account of such errors. However, as of the Petition Date, the Debtors estimate that approximately $135,000.00 is outstanding in connection with Billing Adjustments. However, the potential cash liability in connection with Billing Adjustments only is approximately $15,000.00. It is essential that the Debtors be able to continue to refund amounts due under such Invoicing Errors to their customers in order to maintain the Debtors' customer base and preserve the long-term goodwill of the Debtors' businesses.

D. Subscriber Discount

104. Prior to the Petition Date, the Debtors also offered discounts to customers that subscribe—i.e., purchase for a particular length of time and prepay or pay monthly—to the

Debtors' newspapers (the "Subscriber Discount"). The Subscriber Discount averages approximately 35% of the price that the Debtors charge a customer who purchases the newspaper or publication on a single copy basis. The Subscriber Discount provides a key incentive for customers to subscribe to the Debtors' newspapers and is consistent with industry practice. I estimate that the Debtors' customers receive approximately $1,960,000.00 per month in Subscriber Discounts, which amount is not a cash payment or reimbursement to the subscribers but rather is the aggregate revenue difference between single copy pricing and subscription pricing. It is essential that the Debtors be able to continue the Subscriber Discounts in order to meet competitive market pressures and retain current customers, thereby enhancing revenue and profitability.

E. Customer Contests and Award Programs

105. The Debtors run certain contests and award programs to create interest and induce customers to purchase print editions of the newspapers (collectively, the "Customer Contests"). These Customer Contests often span several months and require customers to enter the contest by a certain date. Under the terms of the Customer Contests, the Debtors incur the obligation to pay certain winning customers (collectively, the "Contest Winners") cash amounts at a date that is one to three months after the contest entry date. As of the Petition Date, I estimate the Debtors have approximately six such Customer Contests in effect. Potential cash payments to Contest Winners under these ongoing Customer Contests total less than $20,000.00. In addition, the Debtors request the authority to honor their obligations to two previous Contest Winners whose award amounts are paid on a monthly schedule. The total remaining payments to the previous Contest Winners are $920,000.00 over the next 12 years.

F. Solicitor Payments

106. The Debtors contract with approximately 25 individuals and agencies (collectively, the "Solicitors") who solicit newspaper subscription sales on behalf of the Debtors. Although the Solicitors' methods vary, it is common for the Solicitors to sign up new subscriptions for the Debtors' various publications by working at booths at grocery stores, sporting events and other locations with heavy foot traffic. As consideration for the Solicitors' efforts, the Debtors pay the Solicitors biweekly fees in arrears, based on the volume of new subscriptions. As of the Petition Date, I believe the Debtors owe the Solicitors approximately $390,000.00 for fees that were earned by the Solicitors prepetition (the "Unpaid Solicitor Fees").

107. Despite the best efforts of the Debtors and the Solicitors, it is common for some of the subscriptions obtained by the Solicitors to have either undeliverable addresses, names and addresses that do not match or other defects that render the subscriptions worthless. Or, some of the subscriptions may be cancelled shortly after they are purchased. In these circumstances, the Debtors would not owe a fee to the Solicitors, but due to the biweekly payment cycle, the fees may have already been paid.

108. To protect the Debtors against paying fees to Solicitors for valueless subscriptions and to ensure that the Solicitors continue to perform their services, the Debtors maintain a reserve against fees paid to Solicitors (the "Solicitor Reserve"); the Solicitor Reserve was funded through historical commissions earned by the Solicitors but held back by the Debtors. The Solicitor Reserve contains approximately one month's worth of fees owed to Solicitors, or approximately $235,000.00, and is accounted for on a Solicitor-by-Solicitor basis.

109. The Solicitors provide a vital link between the Debtors and their potential customer base. Depending on the newspaper or publication, the Debtors estimate that over 50% of new subscriptions are obtained through the Solicitors. The Debtors believe that many of the

Solicitors would be unlikely to continue to conduct business on behalf of the Debtors if the amounts in the Solicitor Reserve were to be forfeited or if the Debtors did not pay the Unpaid Solicitor Fees that had been earned prepetition. In addition, using the Solicitor Reserve System protects the Debtors from paying fees for worthless subscriptions.

G. Credit Card Processing Fees

110. The Debtors are parties to certain agreements with credit card processors (collectively, the "Credit Card Processors") under which the Credit Card Processors accept and process credit card payments made by the Debtors' customers for subscription and advertising purchases. The Credit Card Processors disburse to the Debtors the amounts received from the Debtors' customers, subject to certain adjustments, returns and refunds, and charge the Debtors a processing fee (the "Credit Card Processing Fee") for the Credit Card Processors' services.

111. As of the Petition Date, the Debtors estimate they owe approximately $95,000.00 on account of prepetition Credit Card Processing Fees. The Debtors' continued ability to allow their customers to pay by credit card is essential to the Debtor' ability to maximize the value of their estate for their creditors. Losing this ability would impose a significant burden on the Debtors' customers who prefer the option of making their subscription payments by credit card and would eliminate a major avenue for conducting sales transactions with future customers. Accordingly, I believe that the Debtors' ability to honor their obligations with respect to Credit Card Processing Fees is critical to maintaining the loyalty and goodwill of their subscribers.

VII. Debtors' Motion for Entry of Order (a) Authorizing the Debtors to Pay Prepetition Claims of Shippers and Lien Claimants and (b) Authorizing and Directing Banks and Other Financial Institutions to Honor Related Checks and Electronic Payment Requests (the "Shippers and Lien Claimants Motion")

112. The Debtors businesses involve the publication of multiple newspapers and the placement of advertisements in these newspapers. The Debtors frequently utilize third-party

common carriers and truckers (collectively, the "Shippers") to directly and indirectly transport completed newspapers from the Debtors' printing facilities to their subscribers and other customers. The Debtors employ approximately five Shippers to ensure that delivery of their newspapers runs smoothly. As of the Petition Date, I anticipate that certain Shippers will have outstanding invoices for the transportation services provided to the Debtors prior to the Petition Date (the "Shipping Claims"). As of the Petition Date, I estimate that approximately $800,000.00 remains outstanding with respect to the Shipping Claims. Absent payment of the Shipping Claims, the Shippers likely will refuse to continue to make timely delivery of the Debtors' goods and may seize the products in their possession as collateral securing their lien.

113. Additionally, the Debtors routinely transact business with a number of third parties (collectively, the "Lien Claimants") who have the potential to assert liens against the Debtors and their property or other assets if the Debtors fail to pay for the goods or services rendered (the "Lien Claims"). The Lien Claimants may perform various services for the Debtors, including certain archival and storage services. Although the Debtors generally make timely payments to the Lien Claimants, as of the Petition Date, a number of the Lien Claimants may not have been paid for certain prepetition goods and services. The Debtors do not expect the payments on account of the Lien Claims to exceed $20,000.00.

114. Payment of prepetition amounts owed to Shippers and Lien Claimants is integral to the Debtors' operations and is necessary to maintain the Debtors' operations, including the confidence and goodwill of the Debtors' customer base, which is critical to a successful reorganization. The sale of the Debtors' newspapers—the lifeblood of the Debtors' operations—depends upon the Debtors' ability to print and deliver newspapers in a timely fashion. Failure to satisfy obligations with respect to the Shippers and Lien Claimants will jeopardize the supply of

newspapers causing customers to turn to competitors thereby threatening the survival of the Debtors' business.

115. Moreover, it is the Debtors' business judgment that the continuation of their positive relationship with the Shippers and Lien Claimants greatly increases the likelihood of a successful reorganization. Payment of these prepetition amounts will save the Debtors the considerable time and expense of having to negotiate or litigate for the return of or right to use property of the estate that may be subject to these claims. The above payments will not prejudice unsecured creditors because the Debtors will only pay those claimants that they believe in their business judgment to be secured by valid liens, or that they believe are capable of being secured by perfecting liens in the Debtors' property.

116. Accordingly, I believe that the relief requested in the Shippers and Lien Claimants Motion is in the best interests of the Debtors' estates and is necessary to prevent immediate and irreparable harm to the Debtors.

VIII. Debtors' Motion for Entry of Order (a) Authorizing, but not Directing, the Debtors to Pay Certain Prepetition Taxes and (b) Directing Financial Institutions to Honor Related Checks and Electronic Payment Requests (the "Taxes Motion")

117. In connection with their business operations, the Debtors collect sales taxes from their customers and incur taxes, including, but not limited to, sales, use, franchise, real and property, business and other taxes arising from the operation of their businesses (collectively, the "Taxes") that are payable to various taxing, licensing and other governmental authorities (collectively, the "Authorities"). The Taxes are paid to the respective Authorities monthly, quarterly or annually, in each case in accordance with all applicable laws and regulations. It is my understanding that the total amount of prepetition Taxes owing to the various Authorities is approximately $2,100,000.00.

118. The Debtors own or lease facilities in California, Illinois, Indiana, New York and the District of Columbia, sell newspapers primarily in Illinois and Indiana, and market merchandise to customers in an Illinois store and across the entire United States via websites operated by the Debtors. Any disputes that could impact the Debtors' ability to conduct business in a particular jurisdiction could have a wide-ranging and adverse impact on the Debtors' operations as a whole.

IX. Debtors' Motion for Entry of Interim and Final Orders Determining Adequate Assurance of Payment for Future Utility Services (the "Utilities Motion")

119. In connection with the operation of their businesses and management of their properties, the Debtors obtain gas, water, sewer, electric, telephone and other similar utility services from approximately 30 utility companies (the "Utility Providers"). On average, the Debtors spend approximately $705,000.00 each month for utility services. As of the Petition Date, the Debtors are substantially current on utility payments. Moreover, the Debtors intend to pay postpetition obligations owed to Utility Providers in a timely manner. The Debtors expect that their cash flow from operations and cash on hand will be sufficient to pay postpetition obligations related to their utility services.

120. The Utility Providers provide various utility services to the Debtors' corporate headquarters, printing facilities, and administrative offices. The continuation of utility services, without interruption, is essential to the Debtors' ongoing operations and, therefore, to the success of these chapter 11 cases. Should the Utility Providers refuse or discontinue service, even for a brief period, I strongly believe that the Debtors' business operations would be severely disrupted, and the impact on the Debtors' business operations, customer relationships, revenue, and profits would be extremely harmful and would jeopardize the Debtors' reorganization efforts.

Accordingly, I believe that the relief requested in the Utilities Motion is necessary to prevent immediate and irreparable harm to the Debtors.

X. Debtors' Motion for Entry of Order Authorizing the Debtors to Continue Prepetition Insurance Coverage Policies and Practices (the "Insurance Motion")

121. The Debtors maintain various insurance programs and related insurance policies including, without limitation, the following: directors' and officers' liability; property and casualty; general liability; umbrella liability; excess liability; fiduciary liability; crime and special crime; travel and accident; multimedia and errors and omissions professional liability; workers' compensation; auto liability and international truck policies (collectively, the "Policies"). The insured parties under the Policies include the Debtors and certain affiliates of the Debtors.

122. The Debtors maintain these Policies through several different insurance providers. The annual premiums for the Debtors' current Policies total approximately \$3,860,000.00. The Debtors do not have an insurance financing program in effect. Premiums are paid to the insurance carriers either as prepayments or pursuant to an installment schedule. As of the Petition Date, the Debtors have paid approximately \$3,510,000.00 towards premiums on the Policies and believe that they are current on all payment obligations with respect to the Policies; however, payments may come due in the future that relate to premium obligations incurred prepetition. As of the Petition Date, it is my understanding that approximately \$350,000.00 remains outstanding with respect to premiums being paid on installment schedules for existing Policies. The uninterrupted maintenance of the Debtors' Policies is essential to the continued operation of the Debtors' businesses and to the preservation of the Debtors' estates' value.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: March 31, 2009

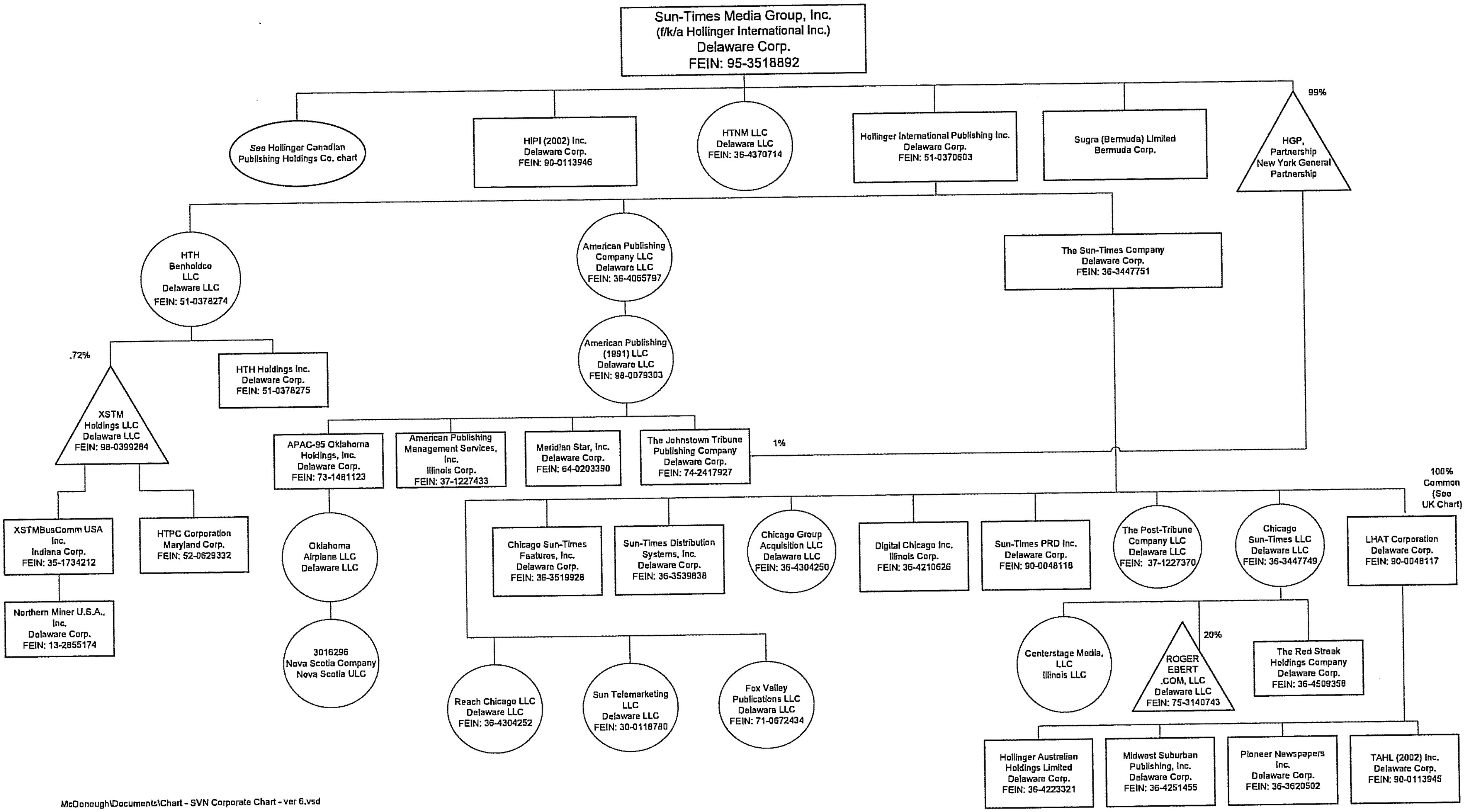
Sun Times Media Group, Inc., and its subsidiaries and affiliates, as proposed Debtors and Debtors in Possession

James D. McDonough
Senior Vice President, Chief Administrative Officer,
General Counsel and Secretary

EXHIBIT A

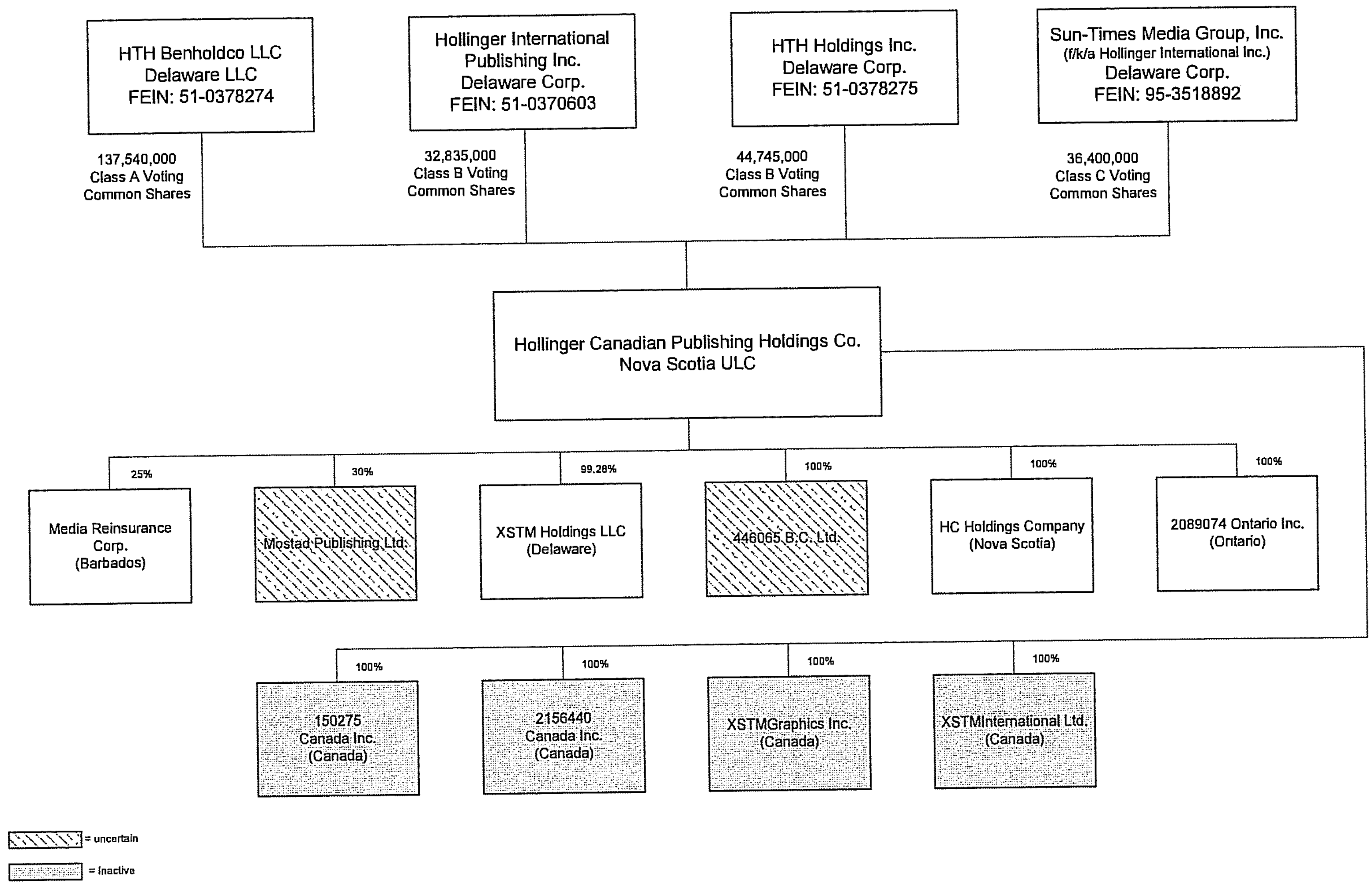
Corporate Organization Chart

Sun-Times Media Group, Inc. (f/k/a Hollinger International Inc.)
Subsidiaries
as of January 1, 2009

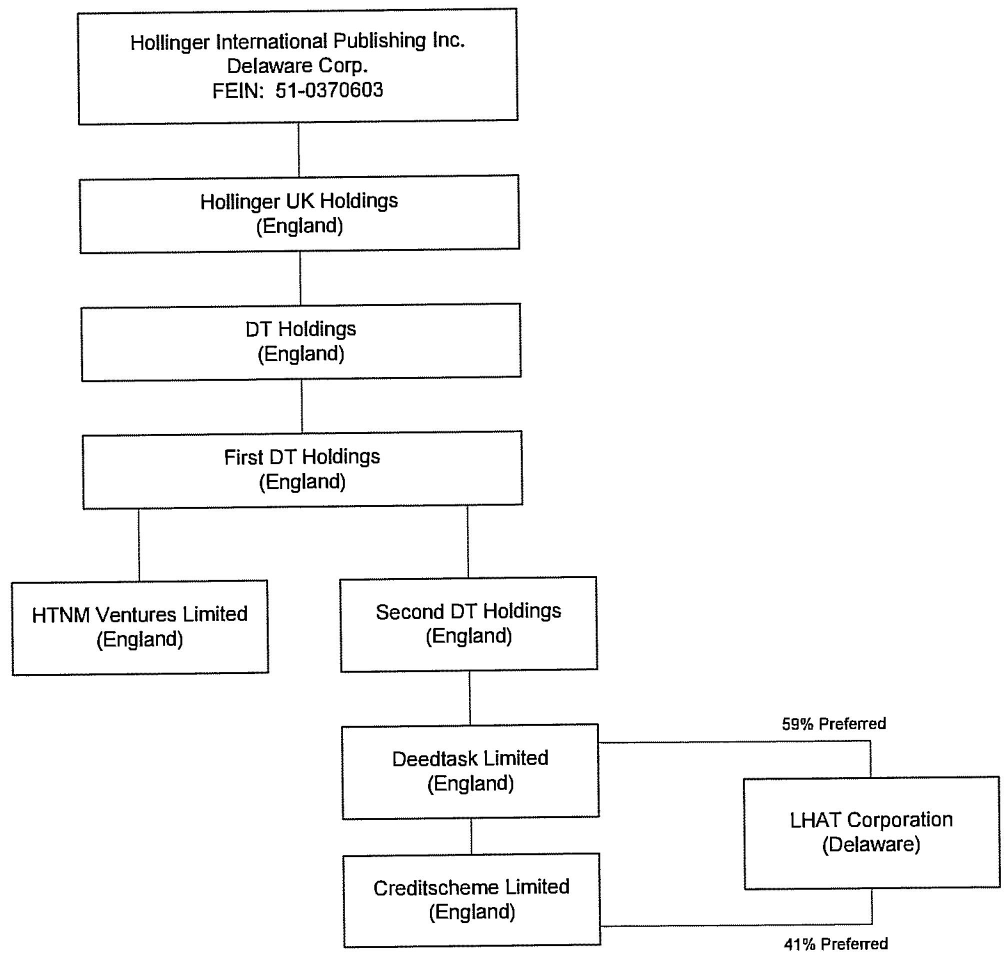


McDonough\Documents\Chart - SVN Corporate Chart - ver 6.vsd

Hollinger Canadian Publishing Holdings Co.
Ownership and Subsidiaries



Hollinger UK Holdings
Ownership and Subsidiaries



APPENDIX F

Court File No. 07-CL-7120

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE	)	**FRIDAY, the 25th DAY**
	)	
MR. JUSTICE CAMPBELL	)	**OF FEBRUARY, 2011**

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**

Applicants

ORDER
(Sealing and Confidentiality Agreement Approval Order)

THIS MOTION made by the Applicants for an Order sealing confidential references in the settlement agreement among Hollinger Inc. ("**Hollinger**"), the Litigation Trustee of the Applicants, Torys LLP (Ontario) and Torys LLP (New York) (collectively, "**Torys**") dated March 26, 2010 (the "**Torys Settlement Agreement**") and in the settlement agreement among the Applicants and their existing subsidiaries (but not including the Chicago Newspapers Liquidation Corp. formerly known as Sun Times Media Group, Inc. and its subsidiaries), the Litigation Trustee and KPMG LLP Canada ("**KPMG**") dated October 1, 2010 (the "**KPMG Settlement Agreement**" and together with the Torys Settlement Agreement, the "**Settlement Agreements**") both attached as Exhibits to the Affidavit of William E. Aziz sworn on November 24, 2010 (the "**CRO Affidavit**"), and for an Order approving the form of confidentiality agreement attached hereto as Schedule "A" (the "**Confidentiality Agreement**") to be entered into between Hollinger, Torys and KPMG (the "**Settling Parties**") and such Responding Parties who agree to be bound by the terms of the Confidentiality Agreement (the "**Contractually Bound Responding Parties**") which will govern the disclosure of the redacted portions of the Settlement Agreements, was heard on February 18, 2011 at 330 University Avenue, Toronto, Ontario, with judgment reserved to this date.

ON READING the Motion Record of the Applicants dated November 26, 2010, the Supplemental Motion Record of the Applicants dated January 17, 2011, the Responding Motion Records of the Responding Parties, dated February 1, 2011, the *facta* of the parties, filed, and on hearing the submissions of counsel for the Applicants, Torys, KPMG and such other counsel as were present, and on being advised that the Service List as of November 26, 2010, including all Persons who filed Notices of Appearance in accordance with the Service and Notice Procedure Order dated November 12, 2010, were served electronically with the Applicants' motion materials:

SERVICE AND NOTICE

1. **THIS COURT ORDERS** that the motion was properly returnable on February 18, 2011 and that notice of this motion has been given and the service of materials filed in connection with this motion has been conducted in accordance with the Service and Notice Procedure Order dated November 12, 2010 and further that service upon any interested party other than those parties served is hereby dispensed with.

SEALING ORDER

2. **THIS COURT ORDERS** that the settlement amounts set out in the Torys Settlement Agreement and in the KPMG Settlement Agreement (the "**Individual Settlement Amounts**") be and are hereby sealed from the public record until the Settlements are approved and all appeals are resolved in favour of Hollinger, Torys and KPMG, in which case the Individual Settlement Amounts shall be deemed to have entered the public domain such that their disclosure shall not constitute a breach of the Confidentiality Agreement, or if the Settlements are not approved, until further order of this Court.

3. **THIS COURT ORDERS** that paragraphs 1(c) and 7(b) of the Torys Settlement Agreement be and are hereby sealed from the public record until further order of this Court.

4. **THIS COURTS ORDERS** that the redacted version of the CRO Affidavit shall be placed on the public record and served on the parties to the motion pursuant to which the Applicants seek court approval of the Settlement Agreements, and the unredacted version of the CRO Affidavit shall be filed with the Court under seal from the public record in accordance with paragraphs 2 and 3 of this Order.

APPROVAL OF CONFIDENTIALITY AGREEMENT

5. **THIS COURT ORDERS AND DECLARES** that the redacted portions of the Settlement Agreements may be disclosed to the Settling Parties and to the Contractually Bound Responding Parties on the condition that those Parties agree to be bound by the terms of and validly execute the Confidentiality Agreement attached hereto as Schedule "A".

6. **THIS COURT ORDERS AND DECLARES** that the terms of the Confidentiality Agreement are incorporated herein by reference and that each of the signatories to the Confidentiality Agreement are hereby bound by the terms of the Confidentiality Agreement.

7. **THIS COURT ORDERS AND DECLARES** that any breach of the Confidentiality Agreement shall constitute a breach of this Order.

VARIANCE AND AMENDMENT

8. **THIS COURT ORDERS** that any interested party (including the Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to any other party or parties likely to be affected by the Order sought or upon such other notice, if any, as this Court may order.

RECOGNITION AND ENFORCEMENT

9. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

The Honourable Mr. Justice C. Campbell

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

MAR 2 8 2011
NB

Schedule "A"

CONFIDENTIALITY AGREEMENT

THIS CONFIDENTIALITY AGREEMENT (the **"Agreement"**) is entered into as of March 2011, between Hollinger Inc. (**"Hollinger"**), the Honourable John D. Ground Q.C., as Litigation Trustee of Hollinger (the **"Litigation Trustee"**), KPMG LLP (**"KPMG"**), Torys LLP (Ontario) and Torys LLP (New York) (collectively **"Torys"**) and such of the various parties who have filed Notices of Appearance in accordance with the Service and Notice Procedure Order issued by the Ontario Superior Court of Justice (Commercial List) (**"Ontario Court"**) dated November 12, 2010 who agree to be bound by the terms of this Agreement (collectively **"Responding Parties"**, individually **"Responding Party"**) and who intend to respond to Hollinger's pending motions (the **"Settlement Approval Motions"**) before the Ontario Court for approval of the Release and Settlement Agreement entered into between KPMG, Hollinger and the Litigation Trustee dated October 1, 2010 (**"KPMG Settlement Agreement"**) and the Release and Settlement Agreement entered into between Torys, Hollinger and the Litigation Trustee dated March 26, 2010 (**"Torys Settlement Agreement"**) which Hollinger and the Litigation Trustee support and is subject to an Order of the Ontario Court approving this Agreement substantially in the form of the Order attached as **Schedule "A"** to this Agreement (**"Confidentiality Agreement Approval Order"**);

WHEREAS the Settlement Amount as defined in the KPMG Settlement Agreement (**"KPMG Settlement Amount"**) and the Settlement Amount as defined in the Torys Settlement Agreement (**"Torys Settlement Amount"**) (collectively, the **"Settlement Amounts"**) have been redacted from the copies of the KPMG Settlement Agreement and the Torys Settlement Agreement attached as **Exhibits "2B"** and **"2A"**, respectively, to the Affidavit of William E. Aziz, Hollinger's Chief Restructuring Officer, sworn November 24, 2010 filed by Hollinger in support of the Settlement Approval Motions;

WHEREAS certain of the Responding Parties have advised counsel for Hollinger that they require disclosure of the Settlement Amounts in order to respond to the Settlement Approval Motions;

WHEREAS the Responding Parties expressly represent that they will maintain the confidentiality of the Settlement Amounts and agree that other than as permitted by paragraph 1 below, they will not make any use whatsoever of the Settlement Amounts;

WHEREAS in consideration of the Responding Parties' agreement to maintain the confidentiality of the Settlement Amounts, Hollinger, the Litigation Trustee, KPMG and Torys have agreed to the disclosure to the Responding Parties of the KPMG Settlement Amount and the Torys Settlement Amount for the sole purpose of enabling the Responding Parties to respond to the Settlement Approval Motions and for no other or collateral purpose, subject to the terms and conditions of this Agreement and the Confidentiality Agreement Approval Order;

NOW THEREFORE in consideration of the premises and covenants contained herein, the parties hereto hereby agree as follows:

1. The Litigation Trustee and Hollinger shall be authorized to disclose the KPMG Settlement Amount and the Torys Settlement Amount to the Responding Parties for the sole purpose of enabling the Responding Parties to respond to the Settlement Approval Motions subject to the following limitations and restrictions:

(a) The Responding Parties acknowledge that they have a duty to maintain the confidentiality of the KPMG Settlement Amount and the Torys Settlement Amount and agree to maintain the confidentiality of the KPMG Settlement Amount and the Torys Settlement Amount, sharing such information only with their respective counsel on a confidential basis and with no one else;

(b) the Responding Parties shall be entitled to use the terms KPMG Settlement Amount and the Torys Settlement Amount in any written or oral submissions with the Ontario Court relating to the pending Settlement Approval Motions;

(c) the Responding Parties shall be expressly prohibited from referring to or otherwise suggesting the actual amount of money comprising the KPMG Settlement Amount and the Torys Settlement Amount in any written or oral submissions with the Ontario Court relating to the pending Settlement Approval Motions or from making any other use whatsoever of the KPMG Settlement Amount and the Torys Settlement Amount or the actual amount of money comprising the KPMG Settlement Amount and the Torys Settlement Amount until such time as the Settlement Approval Motions are approved by orders of the Ontario Court and such orders have become final, not subject to any outstanding appeals;

(d) the Responding Parties each expressly acknowledge and agree that a breach of this Agreement by a Responding Party or Responding Parties shall also constitute a breach of the Confidentiality Agreement Approval Order and that such breach may result in:

(i) the Responding Party, or the Responding Parties, being held in contempt of court and subject to sanction by the Ontario Court;

(ii) subject to obtaining an order of the Ontario Court so providing, the deemed withdrawal, release and forfeiture of any claim that a Responding Party may have filed with Ernst & Young Inc. the Court-appointed monitor of Hollinger (the **"Monitor"**) against or in respect of the applicants in Ontario Court file 07-CL-7120 (the **"Applicants"**), and including the release and forfeiture of any other claims, counterclaims or third party claims that might have been filed against or in respect of the Applicants, such claims having been barred by the Claims Bar Order, dated May 21, 2008;

(iii) subject to obtaining an order of the Ontario Court so providing, the deemed dismissal with prejudice of any actions, cross-claims, counterclaims, third party claims or any other such claims that Responding Party has asserted against KPMG and/or Torys, as set out in any of the pleadings included in the Omnibus Pleadings Brief filed by Hollinger with the Ontario Court and of any other direct or indirect claim asserted against KPMG and/or Torys by that Responding Party in any way relating to the subject matter of the **"Settled Claims"** as defined in the KPMG Settlement Agreement and the Torys Settlement Agreement with costs payable to KPMG and Torys on a substantial indemnity basis; and

(iv) such further and other relief as the Ontario Court may consider just.

2. The Litigation Trustee and Hollinger shall be authorized to disclose the KPMG Settlement Amount to Torys and the Torys Settlement Amount to KPMG for the sole purpose of enabling Torys and KPMG to participate in the Settlement Approval Motions subject to the following limitations and restrictions:

(a) Torys and KPMG acknowledge that they have a duty to and agree to maintain the confidentiality of the KPMG Settlement Amount and the Torys Settlement Amount, sharing such information only with their respective counsel and insurers on a confidential basis and with no one else;

(b) Torys and KPMG shall be entitled to use the terms KPMG Settlement Amount and the Torys Settlement Amount in any written or oral submissions with the Ontario Court relating to the pending Settlement Approval Motions; and

(c) Torys and KPMG shall be expressly prohibited from referring to or otherwise suggesting the actual amount of money comprising the KPMG Settlement Amount and the Torys Settlement Amount in any written or oral submissions with the Ontario Court relating to the pending Settlement Approval Motions or from making any other use whatsoever of the KPMG Settlement Amount and the Torys Settlement Amount or the actual amount of money comprising the KPMG Settlement Amount and the Torys Settlement Amount until such time as the Settlement Approval Motions are approved by orders of the Ontario Court and such orders have become final, not subject to any outstanding appeals.

3. The Litigation Trustee and Hollinger shall be authorized to disclose the entirety of sub-paragraphs 1(a), (b) and (c) and paragraph 7(b) of the Torys Settlement Agreement (the **"Torys Redacted Provisions"**) to the Responding Parties and KPMG subject to the following limitations and restrictions:

(a) The Responding Parties and KPMG acknowledge that they have a duty to maintain the confidentiality of the Torys Redacted Provisions and agree to maintain the confidentiality of the Torys Redacted Provisions, sharing such information only with their respective counsel on a confidential basis;

(b) The Responding Parties and KPMG shall be expressly prohibited from referring to the contents of the Torys Redacted Provisions in any written or oral submissions with the Ontario Court relating to the pending Settlement Approval Motions.

4. The Litigation Trustee, Hollinger, Torys, KPMG and the Responding Parties hereby acknowledge and agree that any party receiving confidential information under the terms of this Agreement may make unrestricted use of the confidential information once it enters the public domain otherwise than through a breach of this Agreement, and that such use of the confidential information will not constitute a breach of this Agreement. The Litigation Trustee, Hollinger, Torys and KPMG may make unrestricted use of the confidential information once it enters the public domain, otherwise than through a breach of this Agreement, and such use of the confidential information will not constitute a breach of this Agreement.

5. Any waiver, modification or amendment of any provision of this Agreement shall be effective only if in writing in a document that specifically refers to this Agreement and such document is signed by all parties to this Agreement.

6. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario. This Agreement shall enure to the benefit of and be binding upon each of the parties to this Agreement and their respective successors and permitted assigns.

7. This Agreement may be executed in any number of counterparts, each of which when executed and delivered, including any counterpart executed by a party and transmitted to the other parties by e-mail or facsimile transmission, is an original, and all of which when taken together constitute one and the same Agreement.

8. This Agreement shall be effective and binding on the parties hereto on the date the last party executes and delivers the Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

HOLLINGER INC. for itself and on behalf of all other CCAA Applicants and their subsidiaries other than Sun Times Media Group, Inc., and its subsidiaries

By: ______________________________
William E. Aziz
Chief Restructuring Officer

____
The Honourable John D. Ground
Litigation Trustee

KPMG LLP

By: ______________________________
Signature

____
Print Name

____
Title

TORYS LLP, a Ontario limited liability partnership

By: ______________________________
Signature

____
Print Name

____
Title

TORYS LLP, a New York limited liability partnership

By: ______________________________
Signature

____
Print Name

____
Title

RESPONDING PARTY

____

By: ______________________________
Signature

____
Print Name

____
Title

(*an authorized signing officer*)

RESPONDING PARTY

____

By: ______________________________
Signature

____
Print Name

____
Title

(*an authorized signing officer*)

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**

Court File No.: **07-CL-7120**

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at **Toronto**

ORDER
(Sealing and Confidentiality Agreement Approval Order)

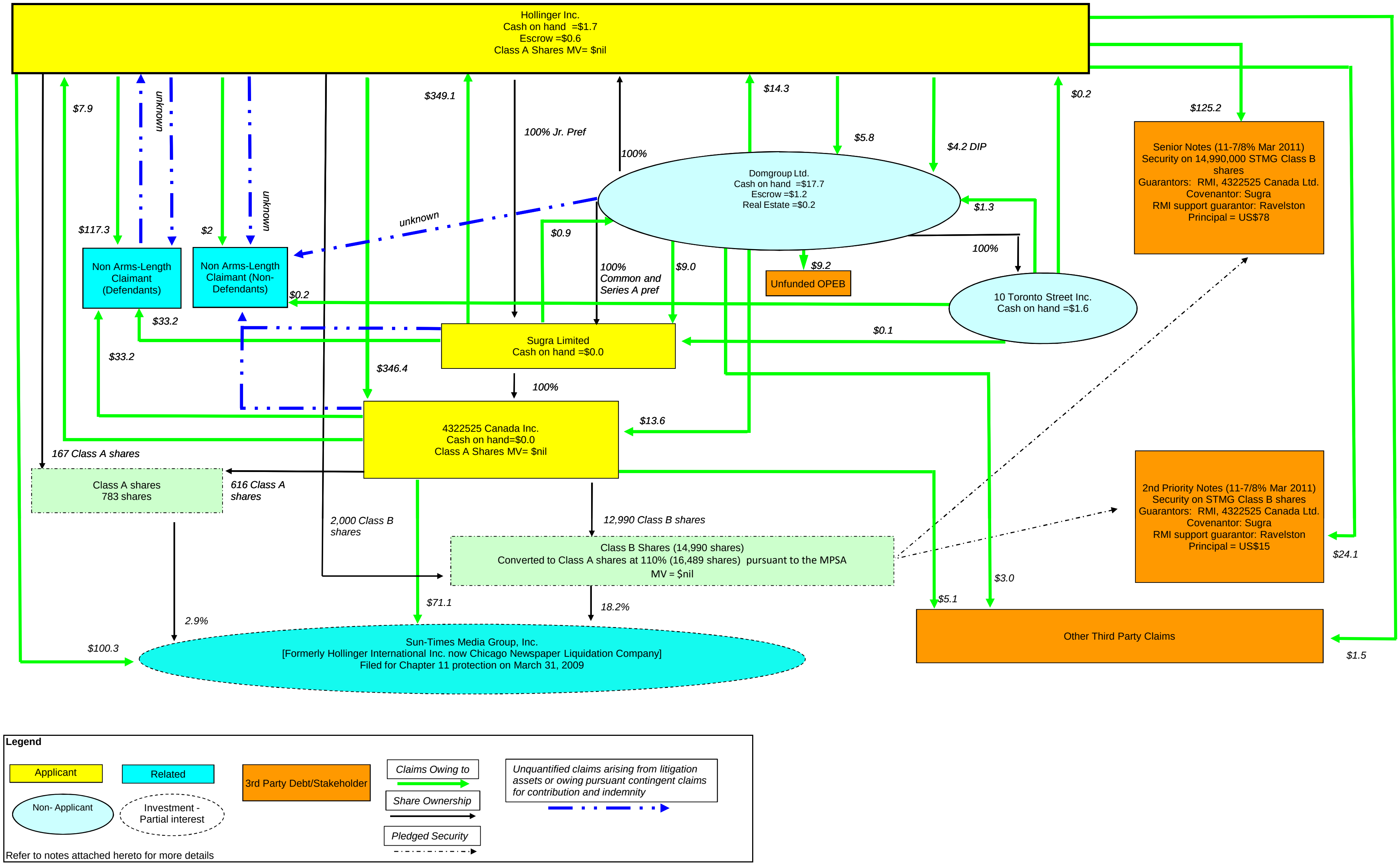
Thornton Grout Finnigan LLP
Barristers and Solicitors
Suite 3200, P.O. Box 329
Canadian Pacific Tower
Toronto-Dominion Centre
Toronto, Ontario
M5K 1K7

Michael E. Barrack (LSUC# **21941w**)
Tel: 416-304-1109
Megan Keenberg (LSUC# **53735G**)
Tel: 416-304-1127
Fax: 416-304-1313

Lawyers for the **Applicants**

APPENDIX G

Illustrative Waterfall Summary
As at February 28, 2011 (except as indicated in the accompanying notes)
CDN $ millions
Shares 000's



The accompanying notes are an integral part of this summary
Unaudited - Prepared based on information provided by the Applicants and the Non-Applicants.

08/04/2011

Notes to the Waterfall Summary

Overview

1. The “waterfall” analysis has been prepared based on unaudited information provided by the Applicants and the Non-Applicants with the assistance of the Monitor. and includes information relating to:

   - the Applicants, consisting of:
     - Hollinger;
     - Sugra; and
     - 432 Canada; as well as
   - certain non-Applicant subsidiaries (the “Non-Applicants”) comprised of:
     - Domgroup; and
     - 10 Toronto

2. The Waterfall Summary is based on the unaudited and unconsolidated financial information of the Applicants and the Non-Applicants, as well as certain supporting financial schedules, as at February 28, 2011. The Monitor has not performed an audit or other verification of such information.

3. All dollars amounts are expressed in Canadian dollars, except where otherwise noted, and are approximate.

4. The Waterfall Summary provides a summary of both the Applicants’ and the Non-Applicants’ significant assets and inter-company amounts receivable and payable between the Applicants and the Non-Applicants as of February 28, 2011.

5. Please refer to the Monitor’s Third Report for illustrative information pertaining to additional upstream inter-company amounts between related parties and the Applicants and Non-Applicants.

6. The Waterfall Summary reflects certain claims by Non Arms-Length creditors that are also defendants to actions commenced or threatened by the Litigation Trustee. However,

certain of these claims include provisions for contribution and indemnity claims which are not quantifiable as this time.

7. The Waterfall Summary presents the inter-company accounts receivable and inter-company accounts payable on a gross basis, before any management valuation allowance, except as explicitly stated.

8. For financial statement disclosure purposes, management historically made assessments of the collectability of the inter-company and third party accounts receivable and, in certain circumstances, applied a valuation allowance. These valuation allowances as of June 30, 2007 are shown in the schedules included in Appendix B of the Monitor's Third Report.

9. These Notes to the Waterfall Summary indicate potential priority claims that have been asserted by certain creditors.

10. Except with respect to claims by the Noteholders, neither the Applicants nor the Monitor have finally determined the ranking or validity of all claims or the validity and enforceability of any security, subordinations, trust or escrow agreements. Any references suggesting security or priority are those of the Applicants and have not been reviewed or verified.

11. The claim amounts shown herein reflect the current status as of February 28, 2011.

12. The Applicants advise that they and the Non-Applicants remain subject to audit and assessment/re-assessment by the relevant tax authorities for certain periods. The Monitor is advised that both the Applicants and the Non-Applicants are in the process of implementing a tax minimization strategy.

13. The Applicants believe that the resolution or determination of all of these contingent assets and liabilities will have a material impact on the recoveries to stakeholders.

14. The Monitor notes that certain assets and liabilities reflected in the Waterfall Summary are denominated in U.S. dollars (although translated to and reflected in Canadian dollars) and therefore are subject to foreign exchange volatility over time.

15. Pursuant to paragraph 18 (b) of the MPSA, the claims of the Indenture Trustees under the two debentures dated March 10, 2003 and September 30, 2003 continue to accrue interest

in accordance with the debentures at the contractual rate until they are paid in full. Consequently, the amounts included in the waterfall and the claims analysis reflect these claims valued as of February 28, 2011.

16. The following notes provide a summary of pertinent information and considerations for each of the Applicants and Non-Applicants and are to be read in conjunction with the Waterfall Summary.

<u>10 Toronto</u>

17. 10 Toronto is a wholly-owned subsidiary of Domgroup. 10 Toronto currently utilizes the services of two former employees of 10 Toronto on a contract basis.

18. At the outset of the *CCAA* proceedings 10 Toronto had several employees, all of whom have since been relieved of their duties as the need for their services diminished. The Non-Applicants advise that severance amounts were fully paid to these employees and they have released all claims against 10 Toronto.

19. The assets of 10 Toronto include $1.6 million of cash on hand as at February 28, 2011. The Company has completed the sale of its remaining artwork through auctions and the proceeds are included in the cash balance.

20. 10 Toronto has inter-company accounts payable due to the Applicants and Non-Applicants of:

- $0.3 million due to the Applicants, of which approximately $0.2 million is due to Hollinger (with the balance of $0.1 million due to Sugra). 10 Toronto had previously agreed to pay down its inter-company balance in order to fund the Applicants' on-going cash requirements (on an as-needed basis) during the *CCAA* proceedings, subject to approval from its board of directors and the Court. Since the date of filing 10 Toronto has funded $10.1 million thereby reducing the outstanding balance outstanding to the Applicants as at June 30, 2007, including interest, to $0.3 million; and
- $1.3 million is due to Domgroup.

21. Ravelston Corporation Limited ("RCL") filed a proof of claim against 10 Toronto in respect of an inter-company advance of $0.5 million. Based on information provided by

the Non-Applicants, the Monitor issued a Notice of Disallowance stating that amounts claimed by RCL in its Proof of Claim should be fully set off by the amounts owed to 10 Toronto in respect of management services performed and invoiced and which remain unpaid. RCL filed a Notice of Dispute. The Applicants and the Monitor are in discussions with counsel to RCL to discuss resolving the claim without the need for adjudication.

22. Domgroup and STMG are the only two secured creditors of RCL. Pursuant to the MPSA, any recoveries from RCL would be shared equally between STMG and Domgroup. The CRO of Domgroup agreed to waive its portion, representing 50% of the total claim, in exchange for which RCL reduced the amount of its Notice of Dispute with 10 Toronto from approximately $0.5 million to $0.2 million. Pursuant to the Non-Applicants' Claims Order, as a non-arm's length creditor, this claim will be referred to this Honourable Court for adjudication, if necessary.

<u>Domgroup</u>

23. The assets of Domgroup include:

- Cash of $17.7 million at February 28, 2011;
- Funds held in escrow in the amount of $1.2 million. The funds are held in escrow as security for funding certain defaults, should they occur, with respect to the unfunded group health and life insurance benefits plans for specified retirees of the former Dominion Stores. As approved by Order of this Honourable Court dated November 26, 2008, Koskie Minsky LLP was appointed Representative Counsel for these trust beneficiaries;
- Representative Counsel filed a claim in the amount of $9.2 million. The Non-Applicants believe that a final settlement should be closer to $6.3 million. The Monitor has observed good faith efforts by both parties to resolve the actuarial differences and to decide on a settlement mechanism. Over the course of the next few weeks Domgroup and Representative Counsel will continue to negotiate an agreement to be brought before this Honourable Court for approval. A settlement will permit Domgroup to continue to wind up its affairs and return any surplus

funds to the Applicants, after satisfying third party liabilities, as repayment of intercompany balances contemplated in the Non-Applicants' Claims Order and in accordance with the MPSA. If a resolution cannot be achieved, it may be necessary to have the matter addressed by this Honourable Court;

- Interest in real estate consisting of the following owned properties:
  - 528 Smythe Street, in Fredericton, New Brunswick. This property was sold on March 2, 2011 for $150,000; and
  - A small remnant strip of land, Plan 335 Sheet 21 PT LOT C11, King St W., in Oshawa, Ontario with little to no commercial value;
- Inter-company accounts receivable from the Applicants and Non-Applicants totalling $11.9 million, including:
  - $1.3 million due from 10 Toronto;
  - $0.9 million due from Sugra. The Monitor notes that Domgroup owes Sugra $9.0 million;
  - $5.8 million due from Hollinger. The amount due from Hollinger previously included accrued interest. Upon investigation of the books and records, management could not support the accrued interest obligation and in June 2008 the interest amount of $3.4 million was written off. The receivable is denominated in U.S. dollars and is revalued using the month-end noon rate from the Bank of Canada. The Monitor notes that Domgroup owes Hollinger $14.3 million;
  - As previously reported and as approved by an Order of this Honourable Court dated May 27, 2010 and subsequently amended on December 15, 2010, Domgroup entered into an agreement to provide a $5.2 million DIP loan facility to the Applicants, with interest to be charged to Hollinger at the Canadian Imperial Bank of Commerce's Prime Rate plus 3% per annum on any draws made on the loan and interest paid monthly. During the period from May 1, 2010 to February 28, 2011, Hollinger drew $4.2 million on the DIP facility.

- The Waterfall Summary does not reflect inter–company amounts owing to Domgroup's inactive Non-Applicants, including Safeguard Drugs, Quintana Sales, 021173 NB (formerly Willet Foods) and Highway Markets. The Non-Applicants have advised that these subsidiaries had minimal third party assets and liabilities and have been wound up.

24. Domgroup's inter-company liabilities due to the Applicants and Non-Applicants include:

- $14.3 million due to Hollinger relating to accumulated intercompany advances and repayments. As stated in the Monitor's Third Report issued September 7, 2007, Domgroup had inter-company liabilities due to Hollinger as of June 30, 2007 of $23.6 million. Domgroup subsequently agreed to pay down its inter-company balance owed to Hollinger, subject to approval from its board of directors and pursuant to Court approval. Since then, Domgroup has repaid $10.4 million, thereby reducing the outstanding balance, including interest, to $14.3 million. The remaining balance due is non-interest bearing. Domgroup also has a receivable of $5.8 million due from Hollinger;

- $9.0 million due to Sugra, consisting of principal of $4.0 million plus interest, pursuant to a promissory note. The promissory note indicates that it is secured by a General Security Agreement ("GSA"). Sugra has not been able to locate a signed GSA. The Applicants advise that no security has been registered at this time. Domgroup also has a non-interest bearing receivable of $0.9 million due from Sugra; and

- $13.6 million due to 432 Canada, including principal of $6.0 million plus interest evidenced in the form of a promissory note. The promissory note indicates that it is secured by a GSA. 432 Canada has not been able to locate a signed GSA. The Applicants advise that no security has been registered at this time.

25. RCL and Ravelston Management Inc., by its Receiver and Manager and Interim Receiver, RSM Richter Inc. (together hereinafter defined as "the Ravelston Group"), a Non Arms-Length creditor, asserted a contingent claim to preserve any claim for set-off, reimbursement, contribution, indemnity, costs and other relief against Domgroup on account of claims sought by Domgroup in an action commenced by Domgroup and

others against the Ravelston Group in the Ontario Superior Court of Justice as Court File No. 05-CL-5822. Based on information provided by the Non-Applicants, the Monitor issued a Notice of Disallowance for this claim. This notice was not disputed and the allowed time for dispute under the Non-Applicants' Claims Order has lapsed.

26. In addition, The Ravelston Group, Argus Corporation Limited, 509643 N.B. Inc., 509644 N.B. Inc., 509645 N.B. Inc., 506646 N.B. Inc. and 509647 N.B. Inc., asserted a contingent claim to preserve any set-off, reimbursement, contribution, indemnity, costs and other relief against Domgroup on account of claims sought by Domgroup and others against the Ravelston Group in the Ontario Superior Court of Justice as Court File No. 06-CL-6261. Based on information provided by Management, the Monitor issued a Notice of Disallowance for this claim. The Ravelston Group has filed a Notice of Dispute. The Applicants and the Monitor are in discussions with counsel to the Ravelston Group with a view to resolving the claim without the need to proceed to Court for adjudication.

27. Crystalline Investments Limited ("Crystalline") and Burnac Leaseholds Limited ("Burnac") filed claims against Domgroup totalling approximately $2.7 million relating to former real estate property leases held by Domgroup. In consultation with the CRO, the Monitor issued Notices of Disallowance reducing the claims to nil. Both Burnac and Crystalline filed Notices of Dispute. Given the size of these two claims, the Non-Applicants, in consultation with both the Monitor and its key stakeholders, sought to refer these claims to this Honourable Court for determination pursuant to the provisions of the Non-Applicants' Claims Process. In December 2010, this Honourable Court declined to hear the matter and directed that it be adjudicated by the Claims Officer. The hearing before the Claims Officer is in progress.

<u>Sugra</u>

28. Sugra is a wholly-owned subsidiary of Hollinger. Sugra's primary function was to manage the operations of the Hollinger group's private aircraft and related personnel until this function was transferred to Hollinger Aviation in February 2002.

29. Sugra is a covenantor under the senior and second lien notes.

30. Sugra's assets include inter-company accounts receivable from the Applicants and Non-Applicants totalling $9.1 million, including:

- $0.1 million due from 10 Toronto; and
- $9.0 million due from Domgroup, consisting of principal of $4.0 million plus interest, pursuant to a promissory note. The promissory note indicates that it is secured by a GSA. Sugra has not been able to locate a signed GSA. The Applicants advise that no security has been registered at this time. Sugra also has a non-interest bearing payable of $0.9 million due to Domgroup.

31. Sugra's liabilities consist primarily of $349.1 million due to Hollinger. The Monitor has not undertaken any review of the historical transactions that give rise to this inter-company payable.

32. The Ravelston Group, Argus Corporation Limited, 509643 N.B. Inc., 509644 N.B. Inc., 509645 N.B. Inc., 506646 N.B. Inc. and 509647 N.B. Inc., asserted a contingent claim to preserve any set-off, reimbursement, contribution, indemnity, costs and other relief against Sugra on account of claims sought by Sugra and others against the Ravelston Group in the Ontario Superior Court of Justice as Court File No. 06-CL-6261. Based on information provided by the Applicants, the Monitor issued a Notice of Disallowance for this claim. The Ravelston Group has filed a Notice of Dispute. The Applicants and the Monitor are in discussions with counsel to the Ravelston Group with a view to resolving the claim without the need to proceed to Court for adjudication.

33. A Non Arms-Length creditor who is also a defendant to actions commenced or threatened by the Litigation Trustee has filed a $33.2 million claim against Sugra in the Applicants' Claims Process.

<u>432 Canada</u>

34. 432 Canada is a wholly-owned subsidiary of Sugra. 432 Canada is a guarantor under the senior and second lien notes and has granted security over certain of its assets, including its shares of STMG.

35. 432 Canada's assets include:

- 14,904,944 Class A shares of STMG, which combined with the 2,366,979 shares held by Hollinger, comprise a total of 17.3 million Class A Shares and approximately 21.1% of the Class A shares of STMG. At the date of the *CCAA* filing, 432 Canada owned 12.99 million Class B shares of STMG, which combined with the 2.0 million shares held by Hollinger, comprised 100 percent of STMG's Class B shares. The STMG Class B shares possessed ten to one multiple voting rights, compared to the STMG Class A shares, which provided the Applicants with voting control of STMG. These shares were not publicly traded. Pursuant to paragraph 4 of the MPSA, STMG agreed to convert the Class B shares into Class A shares at a conversion rate of 1 to 1.1.;

- 615,944 of the Class A shares of STMG held in support of share exchange requests made by holders of the 1.7 million of Hollinger's Series II preference shares. These Class A shares were held pursuant to an escrow agreement with Computershare Trust Company of Canada ("Computershare"). The Applicants obtained an Order to terminate the Escrow Agreement and relieve Computershare of its obligation to hold the Class A shares of STMG. The STMG shares were returned to Hollinger. As a result of STMG's bankruptcy proceedings, the market value of the Applicants' Class A common shares in STMG declined to $nil.

- Inter-company accounts receivable from the Applicants and Non-Applicants totalling $359.8 million including:

  - $346.4 million due from Hollinger. The Monitor has not undertaken any review of the historical transactions that gave rise to this inter-company account receivable. 432 Canada also has $7.9 million in accounts payable to Hollinger. Pursuant to the MPSA, 50% of the net inter-company balance between Hollinger and 432 Canada will be recognized for the purposes of calculating a distribution; and

  - $13.6 million due from Domgroup, consisting of $6.0 million plus interest evidenced in the form of a demand promissory note. The promissory note indicates that it is secured by a GSA. 432 Canada has not been able to locate a signed GSA. The Applicants advise that no security has been registered at this time.

36. 432 Canada's liabilities include:

- $71.1 million due to STMG consisting of principal of US$20.4 million plus interest at 16.5 percent per annum, compounded quarterly, pursuant to a demand promissory note (the "432 Note"). The 432 Note is subject to a subordination agreement with respect to the principal and interest owing pursuant to the notes issued under the indentures. The 432 Note amount was confirmed in the MPSA. Interest continues to accrue;
- Claims by the Canada Revenue Agency and the Ministry of Revenue in the combined amount of $5.1 million, primarily related to the imposition of gross negligence penalties for the year ended December 31, 2004. Based on information provided by the Applicants, the Monitor issued Notices of Revision reducing the claims to $0.2 million. These creditors have filed Notices of Dispute. The claim, if not resolved, will be referred to the Claims Officer for adjudication;
- A non-arm's length creditor who is also a defendant to actions commenced or threatened by the Litigation Trustee has filed a $33.2 million claim against 432 Canada in the Applicants' Claims Process; and
- The Ravelston Group, Argus Corporation Limited, 509643 N.B. Inc., 509644 N.B. Inc., 509645 N.B. Inc., 506646 N.B. Inc. and 509647 N.B. Inc., asserted a contingent claim to preserve any set-off, reimbursement, contribution, indemnity, costs and other relief against 432 Canada on account of claims sought by 432 Canada and others against the Ravelston Group in the Ontario Superior Court of Justice as Court File No. 06-CL-6261. Based on information provided by the Applicants, the Monitor issued a Notice of Disallowance for this claim. The Ravelston Group has filed a Notice of Dispute. The Applicants and the Monitor are in discussions with counsel to the Ravelston Group with a view to resolving the claim without the need to proceed to Court for adjudication.

Hollinger

37. Hollinger and the other Applicants do not conduct any direct business operations of their own. One asset is their direct and indirect ownership interest in STMG referred to above.

38. Hollinger's other principal assets are:

- The Litigation Assets, including claims asserted or threatened against a number of parties in five principal proceedings, including in the threatened proceedings which are subject of the Settlements. The aggregate amount of damages claimed in all of these actions or threatened actions exceeds $1.5 billion. The Monitor notes that the aggregate value of these assets is uncertain at present but may be material. The Applicants have expressed their view to the Monitor that these assets have significant value. The Monitor has not conducted any assessment of the Litigation Assets;
- a direct or indirect interest in certain active and inactive Non-Applicants, including 10 Toronto and Domgroup;
- Cash of $1.7 million at February 28, 2011;
- Cash held in escrow in the amount of $0.6 million. The escrowed funds are in support of Hollinger's indemnities in respect of one current and one former officer. The Monitor has not evaluated and expresses no view on the enforceability of the escrow arrangement;
- Hollinger's share of the U.S. $24.5 million of insurance settlement proceeds from the fourth excess layer of directors' and officers' insurance previously held by the Applicants. An interpleader action was commenced in the Delaware Superior Court. Pursuant to the MPSA, STMG and Hollinger agreed to share any proceeds 85 percent and 15 percent, respectively;
- Hollinger has significant tax losses and is in the process of evaluating whether such losses can be monetized for the benefit of Hollinger's stakeholders;
- Intercompany accounts receivable from the Applicants and Non-Applicants totalling $371.3 million, including:

- $0.2 million due from 10 Toronto. 10 Toronto previously agreed to pay down its inter-company balance in order to fund the Applicants' ongoing cash requirements (on an as-needed basis) during the CCAA proceedings (subject to approval from its board of directors and the Court). To date, since the initiation of the CCAA proceedings, 10 Toronto has repaid $9.4 million to Hollinger;
- $349.1 million due from Sugra. The Monitor has not undertaken any review of the historical transactions that gave rise to this inter-company account receivable;
- $14.3 million due from Domgroup, relating to accumulated inter-company advances and repayments. There is no interest applied to this amount; and
- $7.9 million due from 432 Canada.

39. In addition to the indebtedness owing pursuant to the Applicants' Senior First Lien Notes in the amount of US $78 million and Senior Second Lien Notes in the amount of US $15 million, Hollinger's inter-company accounts payable due to the Applicants and Non-Applicants liabilities include:

- $346.4 million due to 432 Canada. The Monitor has not undertaken any review of the historical transactions that gave rise to this inter-company account payable. Hollinger also has receivables of $7.9 million due from 432 Canada. Pursuant to the MPSA, 50 percent of the net inter-company balance between Hollinger and 432 Canada will be recognized for the purposes of calculating a distribution;
- $5.8 million due to Domgroup. The amount due to Domgroup previously included accrued interest. Upon investigation of the books and records, management could not support the accrued interest obligation and in June 2008 the interest in the amount of $3.4 million was written off; and
- As previously reported and approved by an Order of this Honourable Court dated May 27, 2010 and subsequently amended on December 15, 2010, Domgroup provided a $5.2 million DIP loan facility to the Applicants, with interest to be charged to Hollinger at the Canadian Imperial Bank of Commerce's Prime Rate

plus 3 percent per annum on any draws made on the loan. During the period from May 1, 2010 to February 28, 2011, Hollinger drew $4.2 million on the DIP facility.

40. Hollinger executed a Limited Recourse Guarantee and a Security Agreement in favour of STMG on March 10, 2003 with respect to 432 Canada's obligations under the 432 Note. The Applicants advise that STMG's rights under the 432 Note and Security Agreement executed by Hollinger are limited to any recovery obtained under a guarantee executed by RCL in favour of Hollinger that was assigned and pledged by Hollinger to STMG. STMG filed claims totalling $100.3 million against Hollinger, including a $71.1 million claim under the guarantee. The Applicants believe that pursuant to the MPSA, STMG should not have claimed this $71.1 million against Hollinger.

41. The Ravelston Group, a Non Arms-Length creditor, asserted a contingent claim to preserve any set-off, reimbursement, contribution, indemnity, costs and other relief against Domgroup on account of claims sought by Domgroup in an action commenced by Domgroup and others against the Ravelston Group in the Ontario Superior Court of Justice as Court File No. 05-CL-5822. Based on information provided by the Non-Applicants, the Monitor issued a Notice of Disallowance for this claim. This notice was not disputed and the allowed time for dispute under the Non-Applicants Claim Order has lapsed.

42. In addition, The Ravelston Group, Argus Corporation Limited, 509643 N.B. Inc., 509644 N.B. Inc., 509645 N.B. Inc., 506646 N.B. Inc. and 509647 N.B. Inc., asserted a contingent claim to preserve any set-off, reimbursement, contribution, indemnity, costs and other relief against Hollinger on account of claims sought by Hollinger and others against the Ravelston Group in the Ontario Superior Court of Justice as Court File No. 06-CL-6261. Based on information provided by the Applicants, the Monitor issued a Notice of Disallowance for this claim. The Ravelston Group has filed a Notice of Dispute. The Applicants and the Monitor are in discussions with counsel to the Ravelston Group with a view to resolving the claim without the need to proceed to Court for adjudication.

43. Non Arms-Length creditors who are also defendants to actions commenced or threatened by the Litigation Trustee, have filed quantifiable claims of $117.3 million against Hollinger in the Applicants' Claims Process which include:

- a claim of $83.0 million plus an unknown contingent claim for contribution and indemnity;
- a claim of $0.9 million plus an unknown contingent claim for contribution and indemnity;
- a claim of $0.2 million plus an unknown contingent claim for contribution and indemnity;
- a claim of approximately $5,000 plus an unknown contingent claim for contribution and indemnity; and
- a claim of $33.2 million, including an estimated amount for contribution and indemnity.

44. As previously reported, Catalyst, a Non Arms-Length creditor, has recently asserted that its claim against Hollinger of approximately $2.0 million is a super-priority claim. In the Applicants' Claims Process, the claim was originally filed with the Monitor by Catalyst as an unsecured claim against Hollinger. This matter will be adjudicated by this Honourable Court.