Court File No. 07-CL-7120

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PROPOSED PLAN OF COMPROMISE OR ARRANGEMENT WITH RESPECT TO **HOLLINGER INC.**, **4322525 CANADA INC.** and **SUGRA LIMITED**

Applicants

MOTION RECORD
(Returnable May 27, 2010)

May 25, 2010

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Court File No. 07-CL-7120

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INDEX

TAB 1

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Applicants

NOTICE OF MOTION

THE APPLICANTS will make a motion before a judge presiding over the Commercial List on Thursday, May 27, 2010 at 10:00 o'clock in the morning or as soon after that time as the motion can be heard at 330 University Avenue, in the City of Toronto.

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

THE MOTION IS FOR:

1. An Order abridging the time for service of this Notice of Motion and the Motion Record herein, if necessary, and dispensing with any further service thereof, such that this motion is properly returnable on May 27, 2010;

2. An Order extending the stay of proceedings provided for in the Order of the Honourable Mr. Justice Morawetz dated August 1, 2007 (the "**Initial Order**") currently expiring on May 28, 2010 (the "**Stay Period**") to January 7, 2011;

3. An Order approving the DIP Financing provided by Domgroup Ltd. ("**Domgroup**") to Hollinger Inc. (the "**Borrower**") pursuant to a Commitment Letter dated May 25, 2010 (the "**Commitment Letter**") and the ancillary relief outlined in the draft Order attached hereto as Schedule "**A**";

4. An Order authorizing and directing the Borrower to distribute $2.2 million in accordance with the priorities and to the parties described in paragraph 18 of the Multi-Party Settlement dated May 14, 2008 with Sun-Times Media Group, Inc. and Davidson Kempner Capital Management LLC and certain of its affiliates (collectively, "**DK**"), which was approved by this Honourable Court by Order dated May 21, 2008 (the "**MPSA**");

5. An Order that Hollinger Inc. is not required to participate, seek standing to participate or otherwise take any action in respect of the Vue Appeal (as described herein); and

6. Such further and other relief as counsel may request and this Honourable Court may deem just.

THE GROUNDS FOR THE MOTION ARE:

1. On August 1, 2007, the Applicants applied for and were granted protection from their creditors under the *Companies' Creditors Arrangement Act* ("**CCAA**") pursuant to the Initial Order;

2. The Stay Period pursuant to the Initial Order has been extended by subsequent Orders of this Honourable Court and currently expires on May 28, 2010;

3. The Applicants entered into the MPSA which was approved by this Honourable Court on May 21, 2008;

4. Paragraph 18 of the MPSA contemplates that the following priority payments up to a maximum amount of $4,500,000 would be made:

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

(b) secondly, to pay the reasonable fees and disbursements, including reasonable legal fees and disbursements, of the indenture trustees up to and including Court approval of the MPSA; and

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

5. Pursuant to an Order of this Honourable Court dated May 21, 2008 (the "**Appointment Order**"), an entity controlled by William Aziz, CA, ("**Aziz**") BlueTree Advisors Inc. ("**BlueTree**"), was appointed to provide the services of Aziz as the Chief Restructuring Officer of the Applicants. BlueTree was also retained to provide the services of Aziz as Chief Restructuring Officer to Domgroup, 10 Toronto Street Inc. Holcay Holdings Ltd. and 021173 N.B. Limited A.K.A. Willett Foods F.K.A. Willett Food Company (collectively, the "**Non-Applicants**") pursuant to board resolutions passed by each of the Non-Applicants on June 16, 2008 (collectively, BlueTree and Aziz are referred to as the "**CRO**");

Claims Processes

6. Pursuant to a further Order of this Honourable Court dated May 21, 2008 (the "**Claims Order**"), the Applicants commenced a claims process which resulted in a total of 51 claims filed against the Applicants. The Monitor has issued 15 Notices of Revision or Disallowance and 6 claims have been consensually withdrawn;

7. Certain of the disputed claims filed against the Applicants have not yet been settled or adjudicated. The CRO and the Monitor are continuing to their efforts to resolve the remaining disputed claims;

8. Pursuant to the Order of this Honourable Court dated August 27, 2008 (the "Non-Applicants Claims Order"), the Non-Applicants commenced a claims process which resulted in a total of 40 claims filed against the Non-Applicants. The Monitor has issued 9 Notices of Revision or Disallowance and has received 6 Notices of Dispute. 7 claims against the Non-Applicants have been consensually withdrawn.

9. Former employees of Dominion Stores filed 18 claims against Domgroup relating to their post-retirement dental and health benefit plans, long term disability entitlements, pension top-up obligations and life insurance (collectively, the "**Domgroup OPEB Claims**");

10. Pursuant to the Representation Order dated November 26, 2008, this Honourable Court appointed Koskie Minsky LLP as Representative Counsel to act as a legal representative for persons holding Domgroup OPEB Claims (as this definition was amended by the Order dated November 26, 2008);

11. On February 27, 2009, Representative Counsel filed a new claim against Domgroup and withdrew 17 of the 18 Domgroup OPEB Claims. Representative Counsel, the CRO and the Monitor have continued to work to consensually resolve the quantum of the remaining Domgroup OPEB Claim;

Litigation

12. Pursuant to the Appointment Order, justice John D. Ground (retired) was appointed as an officer of the Court (the "**Litigation Trustee**") over and in respect of all claims and causes of action in favour of the Applicants (the "**Litigation Assets**"). The Applicants and the Litigation Trustee have continued to pursue the Litigation Assets for the benefit of the stakeholders of the Applicants;

13. Hollinger Inc. is a co-defendant in certain litigation in Alberta commenced by 783783 Alberta Ltd. carrying on business as Vue Weekly. An appeal has been brought by the Attorney General of Canada in that litigation (the "**Vue Appeal**"). Hollinger Inc. does not intend to participate in the appeal as any actions against Hollinger Inc. are stayed pursuant to the Initial Order.

DIP Financing

14. Domgroup is indebted to the Borrower and has agreed to provide the DIP Financing to the Borrower, in the maximum amount of $4.2 million, to assist the Applicants in the realization of their assets for the benefit of their stakeholders and to make a further distribution in accordance with the MPSA. The indebtedness of Domgroup to the Borrower exceeds the maximum amount of DIP Financing available to the Borrower. Pursuant to the terms of the

Commitment Letter, the Borrower is entitled to repay its indebtedness under the DIP Financing by way of set off against amounts owing or distributable to the Borrower by Domgroup;

15. The MPSA contemplates priority distributions to be made by the Applicants in respect of certain amounts up to a maximum of $4.5 million in accordance with the terms of the MPSA. Pursuant to the Order and Endorsement of this Honourable Court each dated November 10, 2009, the Applicants distributed $2.3 million in accordance with the terms of the MPSA;

16. The Applicants seek an Order permitting the Borrower to pay the remaining priority distributions in the amount of $2.2 million in accordance with the terms of the MPSA;

17. As at April 30, 2010, Domgroup was indebted to the Borrower in the amount of $8.302 million;

18. Domgroup has sufficient funds to pay all potential third party claims filed against it in full after advancing the total amount of the DIP Financing to the Borrower;

19. The DIP Financing is in the best interests of the Applicants and their stakeholders;

20. The Applicants and the Monitor have provided update reports to the key stakeholders as recently as May 21, 2010;

21. The Applicants require an extension of the Stay Period to allow them: (i) to complete the claims processes to determine the claims against the Applicants and the Non-Applicants; (ii) to complete the asset consolidation and the winding up of the Non-Applicants; (iii) to continue to pursue the Litigation Assets; and (iv) to develop a framework and structure of a plan of arrangement to be presented to their creditors, if advisable;

22. The Applicants have proceeded in good faith and with due diligence and will continue to do so;

23. The Monitor has advised that it recommends the relief being sought by the Applicants;

24. The provisions of the CCAA including Section 11.02;

25. Rules 2.03, 3.02 and 37 of the Rules of Civil Procedure (Ontario); and

26. Such further and other grounds as counsel may advise and this Honourable Court may deem just.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

1. The Affidavit of the CRO dated May 25, 2010;

2. The Thirteenth Report of the Monitor, to be filed; and

3. Such further and other material as counsel may advise and this Honourable Court may permit.

May 25, 2010

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TO: **THIS HONOURABLE COURT**

AND TO: **THE SERVICE LIST ATTACHED**

TAB 1A

SCHEDULE "A"

Court File No. 07-CL-7120

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE	)	**THURSDAY, THE 27TH**
	)	
MR. JUSTICE CAMPBELL	)	**DAY OF MAY, 2010**

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

(re: Stay Extension to January 7, 2011 and Approval of DIP Financing)

THIS MOTION brought by the Applicants for an Order extending the Stay Period as provided for and defined in the Order of the Honourable Mr. Justice Morawetz dated August 1, 2007 (the "**Initial Order**"), as subsequently extended by Orders and written endorsements of this Honourable Court, to January 7, 2011 and approving the DIP Financing provided by Domgroup Ltd. ("**Domgroup**") to Hollinger Inc. pursuant to the Commitment Letter dated May 25, 2010, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Applicants' Notice of Motion dated May 25 , 2010 (the "**Notice of Motion**"), the Affidavit of the Chief Restructuring Officer of the Applicants and the Non-Applicants dated May 25, 2010 and the Thirteenth Report of Ernst and Young Inc. in its capacity as Court-appointed Monitor of the Applicants (the "**Monitor**") and on hearing from counsel for the Applicants and the Monitor and such other counsel as were present and on being advised that the Service List as of May 25, 2010 was served electronically with the Notice of Motion,

Service

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and Motion Record herein be and is hereby abridged such that the motion is properly returnable today and further that service upon any interested party other than those parties served is hereby dispensed with.

Defined Terms

2. **THIS COURT ORDERS** that all capitalized terms not herein defined shall have the meanings set out in the Initial Order.

Extension of the Stay Period

3. **THIS COURT ORDERS** that the Stay Period in the Initial Order with respect to the Applicants is hereby extended to and including January 7, 2011.

4. **THIS COURT ORDERS** that the Trustees shall take such steps as may be necessary to ensure that the motion for adequate protection brought by the Trustees in the proceeding commenced by the Applicants pursuant to Chapter 15 of the *U.S. Bankruptcy Code*, which motion was originally scheduled to be heard before Judge Walsh on October 23, 2007 and was adjourned to facilitate various extensions of the Stay Period pursuant to the Orders of this Honourable Court, shall be further adjourned to such later date as may be available on the consent of the Applicants, the Monitor and the Trustees. The consent of the Trustees to the extension of the date by which the adequate protection motion is to be heard, if at all, shall not be

used against it by any of the parties. Nothing contained herein prevents the Trustees from bringing a motion for directions before this Honourable Court should they wish to seek leave of the Court to take steps to lift the standstill in connection with the adequate protection motion prior to the expiry of the Stay Period.

Dip Financing

5. **THIS COURT ORDERS** that Hollinger Inc. (the "**Borrower**") is hereby authorized and empowered to obtain and borrow under a credit facility from Domgroup Ltd. (the "**DIP Lender**") in order to finance the Borrower's working capital requirements and realization efforts, provided that borrowings under such credit facility shall not exceed $4.2 million unless permitted by further Order of this Court.

6. **THIS COURT ORDERS THAT** such credit facility shall be on the terms and subject to the conditions set forth in the commitment letter between the Borrower and the DIP Lender dated as of May 25, 2010 (the "**Commitment Letter**"), filed.

7. **THIS COURT ORDERS** that the Borrower is hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "**Definitive Documents**"), as are contemplated by the Commitment Letter or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Borrower is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Commitment Letter and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

8. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the '"**DIP Lender's Charge**") on the Property, which DIP Lender's Charge shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraph 12 hereof.

9. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

(a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;

(b) upon demand for payment by the DIP Lender, the DIP Lender may exercise any and all of its rights and remedies against the Borrower or the Property under or pursuant to the Commitment Letter, Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the Borrower and set off and/or consolidate any amounts owing by the DIP Lender to the Borrower against the obligations of the Borrower to the DIP Lender under the Commitment Letter, the Definitive Documents or the DIP Lender's Charge, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Borrower and for the appointment of a trustee in bankruptcy of the Borrower; and

(c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Borrower or the Property.

10. **THIS COURT ORDERS AND DECLARES** that the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicant under the CCAA, or any proposal filed by the Borrower under the *Bankruptcy and Insolvency Act* of Canada (the "**BIA**"), with respect to any advances made under the Commitment Letter.

11. **THIS COURT ORDERS** that the Borrower may set-off any amounts owing to the DIP Lender by the Borrower under the Commitment Letter against the obligations of the DIP Lender to the Borrower.

Validity and Priority of Charges Created by this Order

12. **THIS COURT ORDERS** that the priorities of the Directors' Charge, the Administration Charge and the DIP Lender's Charge, as among them, shall be as follows:

First – Administration Charge (to the maximum amount of $2,100,000);

Second – Directors' Charge (to the maximum amount of $500,000); and

Third – DIP Lender's Charge

13. **THIS COURT ORDERS** that the filing, registration or perfection of the DIP Lender's Charge shall not be required and that the DIP Lender's Charge shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the DIP Lender's Charge coming into existence, notwithstanding any such failure to file, register, record or perfect.

14. **THIS COURT ORDERS** that the DIP Lender's Charge shall constitute a charge on the Property and such DIP Lender's Charge shall rank in priority to all other Encumbrances.

15. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Borrower shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, the DIP Lender's Charge, unless the Borrower also obtains the prior written consent of the Monitor and the DIP Lender.

16. **THIS COURT ORDERS** that the Commitment Letter, the Definitive Documents and the DIP Lender's Charge shall not be rendered invalid or unenforceable and the rights and remedies of the DIP Lender thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Borrower, and notwithstanding any provision to the contrary in any Agreement:

(a) neither the creation of the DIP Lender's Charge nor the execution, delivery, perfection, registration or performance of the Commitment Letter or the Definitive Documents shall create or be deemed to constitute a breach by the Borrower of any Agreement to which it is a party;

(b) the DIP Lender shall have no liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Borrower entering into the Commitment Letter, the creation of the DIP Lender's Charge, or the execution, delivery or performance of the Definitive Documents; and

(c) the payments made by the Borrower pursuant to this Order, the Commitment Letter or the Definitive Documents, and the granting of the DIP Lender's Charge, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

17. **THIS COURT ORDERS** that the DIP Lender's Charge created by this Order over leases of real property in Canada shall only be a Charge in the Borrower's interest in such real property leases.

Payment of $2.2 million

18. **THIS COURT AUTHORIZES AND DIRECTS** the Borrower to borrow $2.2 million from the DIP Lender in accordance with the Commitment Letter and distribute such amount in accordance with the priorities and to the parties described in paragraph 18 of the Multi-Party Settlement Agreement dated May 14, 2008 between Sun-Times Media Group, Inc. and Davidson Kempner Capital Management LLC and certain of its affiliates, which was approved by this Honourable Court by Order dated May 21, 2008.

Vue Weekly

19. **THIS COURT ORDERS** that Hollinger Inc. is not required to participate, seek standing to participate or otherwise take any action in respect of the appeal being brought by the Attorney General of Canada scheduled to be heard by the Alberta Court of Appeal in the action styled *783783 Alberta Ltd. carrying on business as Vue Weekly v. The Attorney General of Canada et*

al. and identified as Court File No. 0503 18023 in the Court of Queen's Bench of Alberta, Judicial District of Edmonton.

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

Proceedings commenced at Toronto

ORDER
(re: Stay Extension to January 7, 2011 and Approval of DIP Financing)

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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

Proceedings commenced at Toronto

NOTICE OF MOTION

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TAB 2

Court File No. 07-CL-7120

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PROPOSED PLAN OF COMPROMISE OR ARRANGEMENT WITH RESPECT TO **HOLLINGER INC.**, **4322525 CANADA INC.** and **SUGRA LIMITED**

Applicants

AFFIDAVIT OF WILLIAM E. AZIZ

I, **WILLIAM E. AZIZ**, of the City of Oakville, in the Province of Ontario, **MAKE OATH AND SAY AS FOLLOWS:**

1. I am the President of Bluetree Advisors Inc., Court-appointed Chief Restructuring Officer of the Applicants and the Non-Applicants (the "**CRO**"). As such, I have personal knowledge of the matters to which I hereinafter depose, except where my knowledge is based on information and belief, in which case I believe such information to be true.

2. Pursuant to an Order of this Honourable Court dated May 21, 2008 (the "**Approval Order**"), as amended by the Order of this Honourable Court dated July 3, 2008 (the "**Order Amending the Approval Order**"), I or a company or entity owned or controlled by me was appointed as the Chief Restructuring Officer of the Applicants. BlueTree

Advisors Inc. ("**BlueTree**") is the entity owned or controlled by me that was appointed to provide my services as Chief Restructuring Officer of the Applicants.

3. BlueTree was also retained to provide the services of Chief Restructuring Officer of Domgroup Ltd. ("**Domgroup**"), 10 Toronto Street Inc. ("**10 Toronto**"), Holcay Holdings Ltd. and 021173 N.B. Limited a.k.a. Willett Foods f.k.a Willett Food Company (collectively, the "**Non-Applicants**") pursuant to board resolutions passed by each of the Non-Applicants on June 16, 2008 (collectively, BlueTree and myself are referred to as the "**CRO**").

4. All capitalized terms not herein defined shall have the meanings set out in the Initial Order dated August 1, 2007.

Purpose

5. The purpose of this Affidavit is to (i) supplement the Thirteenth Report of the Monitor; (ii) support the extension of the Stay of Proceedings; and (iii) support the approval of the DIP Financing and the distribution of $2.2 million in accordance with the priorities and to the parties described in the MPSA (as defined herein).

Claims Processes

6. Each of the Applicants and the Non-Applicants have commenced claims processes to determine and adjudicate related and non-related party claims. Notwithstanding that good progress has been made in determining arm's length claims against the Applicants', the non-arm's length claims remain significant and complicated. Certain of the issues are being prosecuted through complex litigation as a result of the commonality of interests

and of the legal principles underlying both the litigation against certain defendants and the adjudication of their claims against the estates.

7. In addition, pursuant to the endorsement of the Honourable Mr. Justice Campbell dated November 10, 2009, Catalyst Capital Fund I ("**Catalyst**") reserved its right to advance a super-priority claim against the Applicants, notwithstanding that the claim was filed as an unsecured claim against Hollinger Inc. To date, notwithstanding many requests for a written submission of its position, Catalyst has not amended its claim or provided the Applicants with the basis of its purported super-priority claim.

8. The Monitor and the CRO continue to correspond with counsel to Crystalline Investments Limited and Burnac Leaseholds Limited in respect of their claims against Domgroup relating to leases they entered into with a predecessor of Domgroup in 1979 and 1980, respectively. These claims are to be adjudicated before this Honourable Court, which is expected to occur before the end of 2010.

9. Counsel to Ravelston Management Inc., Ravelston Corporation Limited, Argus Corporation Limited and certain subsidiaries (collectively, "**Ravelston**") have advised that Ravelston's Receiver will not withdraw its Notices of Dispute against certain of the Applicants and Non-Applicants, including 10 Toronto, to preserve any set-off, off-set, reimbursement, contribution, indemnity, costs and other relief. Ravelston's claims will be adjudicated by this Honourable Court.

10. Certain retired and disabled former employees or their successors of Dominion Stores (the "**Former Employees**") filed 18 claims against Domgroup relating to their post-retirement dental and health benefit plans, long term disability entitlements, pension top-

up obligations and life insurance (collectively, the "**Domgroup OPEB Claims**"). Koskie Minsky LLP, in its capacity as Representative Counsel ("**Rep Counsel**"), withdrew 17 of the Domgroup OPEB Claims and filed a new claim on behalf of the Former Employees in accordance with the procedures set out in the Non-Applicant Claims Order dated August 27, 2008, as amended.

11. Domgroup has met with Rep Counsel on many occasions in an attempt to settle the Domgroup OPEB Claims and the CRO is continuing to work with Rep Counsel toward a consensual resolution of the actuarial differences and the settlement mechanisms. To this end, further meetings have been scheduled between Rep Counsel and the Non-Applicants.

<u>Interpleader Claim</u>

12. Hollinger Inc. ("**Hollinger**") and Sun Times Media Group, Inc., now known as Chicago Newspaper Liquidation Corporation ("**CNLC**"), jointly initiated a judicial allocation proceeding (the "**Allocation Proceeding**") in respect of $24.5 million being held in escrow as a result of the settlement of the Fourth Excess layer of directors' and officers' D&O insurance (the "**Fund**"). Hollinger and CNLC have entered into an agreement with Bouchard Margules & Friedlander, P.A. (a Delaware law firm) to serve as a disinterested "**Interpleader Plaintiff**" for purposes of allocating the Fund.

13. The Interpleader Plaintiff began the Allocation Proceeding in the Delaware Superior Court (the "**Delaware Court**") on October 16, 2009 by filing a complaint asking the Delaware Court to determine the lawful ownership of the Fund. Pursuant to the Order of the Delaware Court on January 12, 2010, all parties claiming an interest in the Fund,

including Hollinger and CNLC, were required to submit a claim form by February 26, 2010 specifying the amount of the Fund claimed. All those who failed to submit a claim by that date were barred from claiming against the Fund. The parties, including CNLC and Hollinger, making claims against the Fund are currently negotiating the manner in which the matter will be determined.

14. Pursuant to the terms of the MPSA (as defined below) and approved by this Honourable Court on May 21, 2008, CNLC and Hollinger agreed to cooperate to maximize recoveries from the Fund. The parties agreed that the proceeds from the Fund would be allocated such that CNLC would receive 85% and Hollinger would receive 15% of the total combined proceeds received by CNLC and Hollinger.

Litigation

15. The Applicants continue to work with John D. Ground (retired justice), in his capacity as Litigation Trustee of Hollinger, in an effort to prosecute and/or resolve the Applicants' litigation for the benefit of its estate.

16. 783783 Alberta Ltd., carrying on business as Vue Weekly ("**Vue Weekly**") commenced litigation against several defendants, including Hollinger in the Court of Queen's Bench of Alberta, Judicial District of Edmonton as Court File No. 0503 18023. I have been advised by my counsel that the Attorney General of Canada has appealed a decision not to strike the Statement of Claim filed against it by Vue Weekly. As all proceedings against Hollinger are stayed pursuant to the Initial Order dated August 1, 2007, Hollinger does not intend to participate, seek standing to participate or otherwise take any action in respect of the appeal being brought by the Attorney General of Canada.

Financing

17. The Applicants entered into a Multi-Party Settlement Agreement dated May 14, 2008 with Sun-Times Media Group, Inc. and Davidson Kempner Capital Management LLC and certain of its affiliates (collectively, "**DK**") that was approved by this Honourable Court by the Approval Order (the "**MPSA**").

18. The MPSA contemplates priority distributions to be made by the Applicants in respect of certain amounts up to a maximum of $4.5 million. Specifically, paragraph 18(a) of the MPSA states as follows:

> 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 of the Multi-Party Settlement Agreement; 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.

19. Pursuant to the Order of this Honourable Court dated November 10, 2009, the Court directed the Applicants to distribute $2.5 million in accordance with the priorities as set out in the MPSA. Pursuant to the Endorsement of this Honourable Court on the same date, the Applicants were not permitted to distribute $200,000 of the $2.5 million proposed distribution unless the claim filed by Ravelston against 10 Toronto was resolved or appropriate arrangements were made in respect of the claim. As noted above, the Ravelston claim has not been resolved and no arrangements in respect of same have been made. A copy of the Order and the Endorsement each dated November 10, 2009 are attached hereto as Exhibit "**A**".

20. The Applicants are now seeking to pay the $2.2 million balance of the priority payments as set out in the MPSA by utilizing the DIP facility provided by Domgroup to Hollinger as described below.

21. Pursuant to a commitment letter dated May 25, 2010 (the "**Commitment Letter**"), Domgroup agreed to provide Hollinger (the "**Borrower**") with funding, in the maximum amount of $4.2 million, in order to assist the Applicants in the realization of their assets for the benefit of their stakeholders. As illustrated by the updated cash flow projection for the period from May 1, 2010 to January 7, 2011, as appended to the Thirteenth Report of Ernst & Young Inc. in its capacity as Court-appointed Monitor of the Applicants (the "**Monitor**") as Appendix "**B**", the Applicants will require cash totalling approximately $4.0 million over the that period. The Applicants anticipate drawing on the DIP facility

in the amount of $4.0 during the Stay Period. Domgroup proposes to make $4.2 million available to Hollinger to ensure that sufficient funds are available through the Stay Period and beyond if required. A copy of the Commitment Letter dated May 25, 2010 is attached hereto as Exhibit "**B**".

22. As at April 30, 2010, Domgroup was indebted to the Borrower in the undisputed amount of $8.302 million. Pursuant to the terms of the Commitment Letter, the Borrower is entitled to repay its indebtedness under the DIP Financing by way of set off against amounts owing or distributable to the Borrower by Domgroup.

23. After advancing the full amount of the DIP Financing proposed under the Commitment Letter to the Borrower, Domgroup will continue to have sufficient funds to repay all of the third party claims filed against it to date, many of which are the subject of dispute. Domgroup will also have sufficient funds to pay the projected administration costs to complete the wind-up of its estate.

24. The DIP Financing is required by the Borrower to maximize value for the estates of the Applicants.

Conclusion

25. Based on the foregoing, the CRO recommends that this Honourable Court:

(a) Extend the Stay of Proceedings to January 7, 2011; and

(b) Approve the DIP Financing provided by Domgroup to the Borrower on the terms as set out in the Commitment Letter and the distribution of $2.2 million in accordance with the priorities and to the parties described in the MPSA.

SWORN before me at the City of Toronto, in the Province of Ontario, this 25th day of May, 2010.	
Commissioner for Taking Affidavits	WILLIAM E. AZIZ

Jesse Mikhael Razaqpur, a Commissioner, etc.,
Province of Ontario, while a Student-at-Law.
Expires January 25, 2013.

EXHIBIT A

EXHIBIT "A"

Court File No. 07-CL-7120

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE	)	**TUESDAY, THE 10TH**
	)	
MR. JUSTICE CAMPBELL	)	**DAY OF NOVEMBER, 2009**

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

(re: Stay Extension to May 28, 2010, Approval of Transfer and Distribution of $2.5 million and Direction regarding Burnac and Crystalline Claims)

THIS MOTION brought by the Applicants and Domgroup Ltd. ("**Domgroup**"), 10 Toronto Street Inc. ("**TSI**"), Holcay Holdings Ltd. ("**Holcay**") and 021173 N.B. Limited a.k.a. Willett Foods f.k.a Willett Food Company ("**Willett**") (Domgroup, TSI, Holcay and Willett collectively, the "**Non-Applicants**") for an Order: (i) extending the Stay Period as provided for and defined in the Order of the Honourable Mr. Justice Morawetz dated August 1, 2007 (the "**Initial Order**"), as subsequently extended by Orders and written endorsements of this Honourable Court, to May 28, 2010; (ii) approving the repayment of a total of $2.5 million of intercompany indebtedness from TSI to the Applicants, Hollinger Inc. ("**Hollinger**") and Sugra Limited ("**Sugra**"); (iii) authorizing and directing the Applicants to distribute the $2.5 million received from TSI in accordance with the priorities and to the parties described in the Multi-

Party Settlement dated May 14, 2008 with Sun-Times Media Group, Inc. and Davidson Kempner Capital Management LLC and certain of its affiliates (collectively, "**DK**"), which was approved by this Honourable Court by Order dated May 21, 2008 (the "**Multi-Party Settlement Agreement**"); and (iv) authorizing and directing Domgroup to have the claims of Burnac Leaseholds Limited ("**Burnac**) and Crystalline Investments Limited ("**Crystalline**") determined by the Supervising Judge, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Applicants' Notice of Motion dated November 4, 2009 (the "**Notice of Motion**"), the First Report of the Chief Restructuring Officer of the Applicants and the Non-Applicants dated November 4, 2009 and the Twelfth Report of Ernst and Young Inc. in its capacity as Court-appointed Monitor of the Applicants (the "**Monitor**") and on hearing from counsel for the Applicants, the Monitor, DK, Delaware Trust Company, National Association, in its capacity as collateral agent and as trustee under an indenture dated as of March 10, 2003 and HSBC Bank USA, National Association, in its capacity as trustee under an indenture dated as of September 30, 2004 (collectively, the "**Trustees**") and such other counsel as were present and on being advised that the Service List as of November 4, 2009 was served electronically with the Notice of Motion,

<u>Service</u>

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and Motion Record herein be and is hereby abridged such that the motion is properly returnable today and further that service upon any interested party other than those parties served is hereby dispensed with.

Defined Terms

2. **THIS COURT ORDERS** that all capitalized terms not herein defined shall have the meanings set out in the Initial Order.

Extension of the Stay Period

3. **THIS COURT ORDERS** that the Stay Period in the Initial Order with respect to the Applicants is hereby extended to and including May 28, 2010.

4. **THIS COURT ORDERS** that the Monitor shall report to this Honourable Court at such times and for such purposes as it deems appropriate or advisable, and shall provide information updates to the Service List as it considers advisable during the Stay Period.

5. **THIS COURT ORDERS** that the Trustees shall take such steps as may be necessary to ensure that the motion for adequate protection brought by the Trustees in the proceeding commenced by the Applicants pursuant to Chapter 15 of the *U.S. Bankruptcy Code*, which motion was originally scheduled to be heard before Judge Walsh on October 23, 2007 and was adjourned to facilitate various extensions of the Stay Period pursuant to the Orders of this Honourable Court, shall be further adjourned to such later date as may be available on the consent of the Applicants, the Monitor and the Trustees. The consent of the Trustees to the extension of the date by which the adequate protection motion is to be heard, if at all, shall not be used against it by any of the parties. Nothing contained herein prevents the Trustees from bringing a motion for directions before this Honourable Court should they wish to seek leave of the Court to take steps to lift the standstill in connection with the adequate protection motion prior to the expiry of the Stay Period.

Approval of Transfer and Distribution of $2.5 million

6. **THIS COURT APPROVES** the repayment of a total of $2.5 million of intercompany indebtedness from TSI to the Applicants, Hollinger and Sugra, as detailed in the First Report of the Chief Restructuring Officer of the Applicants and the Non-Applicants dated November 4, 2009.

7. **THIS COURT AUTHORIZES AND DIRECTS** the Applicants to distribute the $2.5 million received from TSI in accordance with the priorities and to the parties described in paragraph 18 of the Multi-Party Settlement Agreement.

Claims of Burnac and Crystalline to be determined by the Supervising Judge

8. **THIS COURT AUTHORIZES AND DIRECTS** Domgroup to have the claims of Burnac and Crystalline determined by the Supervising Judge.

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

NOV 10 2009

PER / PAR: TV

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

Proceedings commenced at Toronto

ORDER

(re: Stay Extension to May 28, 2010, Approval of Transfer and Distribution of $2.5 million and Direction regarding Burnac and Crystalline Claims)

ThorntonGroutFinnigan LLP
Barristers and Solicitors
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Robert I. Thornton (LSUC# 24266B)
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Fax: 416-304-1313

Solicitors for the Applicants and the Non-Applicants

Court File Number: 07-CL-7120

Superior Court of Justice
Commercial List

FILE/DIRECTION/ORDER

Hollinger
Plaintiff(s)

AND

Defendant(s)

Case Management ☐ Yes ☐ No by Judge: ____________

Counsel	Telephone No.:	Facsimile No.:

☐ Order ☐ Direction for Registrar **(No formal order need be taken out)**
☐ Above action transferred to the Commercial List at Toronto **(No formal order need be taken out)**

☐ Adjourned to: ____________
☐ Time Table approved (as follows):

The relief sought on this motion is granted as set out in endorsement approved & attached as Schedule "A" hereto

Nov. 10/09
Date

DHCampbell J.
Judge's Signature

☐ Additional Pages ________

RAO - Nov. 10/09 "Schedule A".

On motion by Applicants & Non-Applicants including [illegible]

Further to the Order granted today, TSI shall immediately repay $2.5 million to the Applicants, Hollinger and Sugra, and TSI shall not pay the remaining $200,000 unless either the claim filed by The Ravelston Corporation Limited against TSI in the amount of $492,500 is resolved or appropriate arrangements are made by the Applicants, the Non-Applicants, DK, the Indenture Trustees and the Receiver of The Ravelston Corporation Limited with the approval of the Monitor or as directed by this Honourable Court to address such claim.

Nothing in the making of the Order affects Catalyst Capital Fund 1's ability to try and assert a super priority claim against any remaining assets of the Applicants or the position of any party in these proceedings that no such priority claim exists or is time-barred.

Approval granted for appointment of additional claims officers by Monitor. Any such appointments to be included in Monitor's reports. RAO

EXHIBIT B

EXHIBIT "B"

COMMITMENT LETTER

May 25, 2010

Hollinger Inc.
100 King Street West
Suite 3700
Toronto, M5X 1C9

Attention: **William E. Aziz, Chief Restructuring Officer**

Domgroup Ltd. ("**Domgroup**") is a wholly-owned subsidiary of Hollinger Inc. ("**Hollinger**"). Hollinger applied for and was granted a stay of proceedings by Order dated August 1, 2007 (as extended and amended) (the "**Initial Order**") pursuant to the *Companies' Creditors Arrangement Act* (the "**CCAA**").

Hollinger has requested that Domgroup provide it with funding in order to assist Hollinger and its subsidiaries to realize on their assets for the benefit of their stakeholders.

Domgroup hereby offers its commitment to provide Hollinger and its subsidiaries with an aggregate of up to CDN $4.2 million of secured financing subject to and in accordance with the terms set out herein.

All capitalized terms used herein and not otherwise defined shall have the meaning ascribed to them in the Initial Order.

SUMMARY OF TERMS FOR DIP FACILITY

Borrower:	Hollinger Inc. (the "**Borrower**")
Lender:	Domgroup Ltd. (the "**Lender**").
Maximum DIP Facility:	CDN $4.2 million (the "**DIP Facility**").
Purpose:	To fund the day to day operating expenses of the Borrower necessary for the realization of the Borrower's assets (the "**Expenses**").
Availability Period:	The DIP Facility will be repayable on demand by the Lender.
Advances:	Advances under the DIP Facility shall be made in tranches of $100,000 as requested by the Borrower.
Repayment:	All outstanding Advances, together with all accrued and unpaid

interest thereon, are repayable on demand at any time. Without limiting the Lender's right to demand repayment at any time, all outstanding Advances may be repaid by the Borrower by way of set-off of amounts owing or distributable to the Borrower by the Lender.

Interest:	Interest shall accrue at Canadian Imperial Bank of Commerce's Prime Rate + 3% per annum.
DIP Security:	All sums at any time owing to the Lender in respect of the DIP Facility (including, without limitation, interest) shall be secured by a fixed and specific charge on all of the current and future assets, undertakings and properties of every nature and kind whatsoever, and wheresoever situate, and all proceeds thereof, of the Borrower pursuant to a court ordered charge in the CCAA Proceedings ranking subordinate only to the Administration Charge and the Directors' Charge (the "**DIP Charge**").
Funding Conditions:	Advances under the DIP Facility will be available to the Borrower, subject to all other terms and conditions of this Commitment Letter, after the Court issues an order approving the terms of this DIP Facility (in form and substance acceptable to the Lender in its sole and absolute discretion) (the "**DIP Order**"). *Provided, however*, that the Lender shall not be obligated to provide any Advances whatsoever if the Initial Order or the DIP Order has been vacated, stayed or otherwise caused to become ineffective or is amended in a manner not acceptable to the Lender (such consent not to be unreasonably withheld where any such amendment does not pertain to the DIP Facility).
The DIP Order:	The DIP Order shall be in form and substance satisfactory to the Lender and shall, without limitation, include: (i) provisions approving this Commitment Letter and the DIP Facility created herein; (ii) provisions granting to the Lender the DIP Charge; (iii) provisions authorizing the Lender to effect registrations, filings and recordings wherever in its discretion it deems appropriate regarding the DIP Charge; (iv) provisions providing that the DIP Charge shall be valid and effective to secure all of the obligations of the Borrower to the Lender without the necessity of the making of any registrations or filings and whether or not any other documents have been executed by the Borrowers;

(v) provisions declaring that the granting of the DIP Charge and all other documents executed and delivered to the Lender as contemplated herein, including, without limitation, all actions taken to perfect, record and register the DIP Charge, do not constitute conduct meriting an oppression remedy, settlements, fraudulent preferences, fraudulent conveyances or other challengeable or reviewable transactions under any applicable federal or provincial legislation; and

(vi) provisions restricting the granting of any additional liens or encumbrances on the assets of the Borrowers other than as permitted herein and in the Initial Order.

Covenants: During the Availability Period, the Borrower:

(a) will, promptly on the receipt by the Borrowers of the same, give the Lender a copy of any Notice of Motion or Application to vary, supplement, revoke, terminate or discharge the Initial Order, including (without limitation) any application to the Court for the granting of new security that will or may have priority over the DIP Charge or otherwise for the variation of the priority of the DIP Charge; and

(b) will not, without the prior written consent of the Lender, incur any borrowings or other secured indebtedness, obligations or liabilities, other than pursuant to the DIP Facility, or create or grant any security (other than the DIP Charge) over any of the Property, whether ranking in priority to or subordinate to the Security.

Further Assurances: The Borrower will, at its own expense and promptly on demand by the Lender at any time, do such acts and things and execute and deliver such deeds and documents as the Lender may request to give effect to any other provisions set out hereunder.

Assignment: Neither the Lender nor the Borrower shall not assign the benefit of any of the provisions set out herein.

Governing Law: The DIP Facility and the provisions set out herein shall be governed and construed in all respects in accordance with the laws of Ontario and the laws of Canada applicable therein.

Acceptance: The DIP Facility shall not become available to the Borrower until and unless the Borrower returns a copy of this Commitment Letter to the Lender (by facsimile or electronic transmission or personal delivery), countersigned by the Borrower pursuant to the authority granted to the Borrower by the DIP Order.

Dated this 25th day of May, 2010.

DOMGROUP LTD.

By:____

Name:

Title:

ACCEPTANCE

TO: DOMGROUP LTD.

We accept and agree to comply with and cause our subsidiaries to comply with the provisions of the Commitment Letter set out above.

Dated this 25th day of May, 2010.

HOLLINGER INC.

By: ______________________________

Name: William E. Aziz
Title: CRO

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**

AFFIDAVIT OF WILLIAM E. AZIZ

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Solicitors for the Applicants and the Non-Applicants

TAB 3

Court File No. 07-CL-7120

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE	)	**THURSDAY, THE 27TH**
	)	
MR. JUSTICE CAMPBELL	)	**DAY OF MAY, 2010**

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

(re: Stay Extension to January 7, 2011 and Approval of DIP Financing)

THIS MOTION brought by the Applicants for an Order extending the Stay Period as provided for and defined in the Order of the Honourable Mr. Justice Morawetz dated August 1, 2007 (the "**Initial Order**"), as subsequently extended by Orders and written endorsements of this Honourable Court, to January 7, 2011 and approving the DIP Financing provided by Domgroup Ltd. ("**Domgroup**") to Hollinger Inc. pursuant to the Commitment Letter dated May 25, 2010, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Applicants' Notice of Motion dated May 25 , 2010 (the "**Notice of Motion**"), the Affidavit of the Chief Restructuring Officer of the Applicants and the Non-Applicants dated May 25, 2010 and the Thirteenth Report of Ernst and Young Inc. in its capacity as Court-appointed Monitor of the Applicants (the "**Monitor**") and on hearing from counsel for the Applicants and the Monitor and such other counsel as were present and on being advised that the Service List as of May 25, 2010 was served electronically with the Notice of Motion,

Service

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and Motion Record herein be and is hereby abridged such that the motion is properly returnable today and further that service upon any interested party other than those parties served is hereby dispensed with.

Defined Terms

2. **THIS COURT ORDERS** that all capitalized terms not herein defined shall have the meanings set out in the Initial Order.

Extension of the Stay Period

3. **THIS COURT ORDERS** that the Stay Period in the Initial Order with respect to the Applicants is hereby extended to and including January 7, 2011.

4. **THIS COURT ORDERS** that the Trustees shall take such steps as may be necessary to ensure that the motion for adequate protection brought by the Trustees in the proceeding commenced by the Applicants pursuant to Chapter 15 of the *U.S. Bankruptcy Code*, which motion was originally scheduled to be heard before Judge Walsh on October 23, 2007 and was adjourned to facilitate various extensions of the Stay Period pursuant to the Orders of this Honourable Court, shall be further adjourned to such later date as may be available on the consent of the Applicants, the Monitor and the Trustees. The consent of the Trustees to the extension of the date by which the adequate protection motion is to be heard, if at all, shall not be

used against it by any of the parties. Nothing contained herein prevents the Trustees from bringing a motion for directions before this Honourable Court should they wish to seek leave of the Court to take steps to lift the standstill in connection with the adequate protection motion prior to the expiry of the Stay Period.

Dip Financing

5. **THIS COURT ORDERS** that Hollinger Inc. (the "**Borrower**") is hereby authorized and empowered to obtain and borrow under a credit facility from Domgroup Ltd. (the "**DIP Lender**") in order to finance the Borrower's working capital requirements and realization efforts, provided that borrowings under such credit facility shall not exceed $4.2 million unless permitted by further Order of this Court.

6. **THIS COURT ORDERS THAT** such credit facility shall be on the terms and subject to the conditions set forth in the commitment letter between the Borrower and the DIP Lender dated as of May 25, 2010 (the "**Commitment Letter**"), filed.

7. **THIS COURT ORDERS** that the Borrower is hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "**Definitive Documents**"), as are contemplated by the Commitment Letter or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Borrower is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Commitment Letter and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

8. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the '"**DIP Lender's Charge**") on the Property, which DIP Lender's Charge shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraph 12 hereof.

9. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

(a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;

(b) upon demand for payment by the DIP Lender, the DIP Lender may exercise any and all of its rights and remedies against the Borrower or the Property under or pursuant to the Commitment Letter, Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the Borrower and set off and/or consolidate any amounts owing by the DIP Lender to the Borrower against the obligations of the Borrower to the DIP Lender under the Commitment Letter, the Definitive Documents or the DIP Lender's Charge, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Borrower and for the appointment of a trustee in bankruptcy of the Borrower; and

(c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Borrower or the Property.

10. **THIS COURT ORDERS AND DECLARES** that the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicant under the CCAA, or any proposal filed by the Borrower under the *Bankruptcy and Insolvency Act* of Canada (the "**BIA**"), with respect to any advances made under the Commitment Letter.

11. **THIS COURT ORDERS** that the Borrower may set-off any amounts owing to the DIP Lender by the Borrower under the Commitment Letter against the obligations of the DIP Lender to the Borrower.

Validity and Priority of Charges Created by this Order

12. **THIS COURT ORDERS** that the priorities of the Directors' Charge, the Administration Charge and the DIP Lender's Charge, as among them, shall be as follows:

First – Administration Charge (to the maximum amount of $2,100,000);

Second – Directors' Charge (to the maximum amount of $500,000); and

Third – DIP Lender's Charge

13. **THIS COURT ORDERS** that the filing, registration or perfection of the DIP Lender's Charge shall not be required and that the DIP Lender's Charge shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the DIP Lender's Charge coming into existence, notwithstanding any such failure to file, register, record or perfect.

14. **THIS COURT ORDERS** that the DIP Lender's Charge shall constitute a charge on the Property and such DIP Lender's Charge shall rank in priority to all other Encumbrances.

15. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Borrower shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, the DIP Lender's Charge, unless the Borrower also obtains the prior written consent of the Monitor and the DIP Lender.

16. **THIS COURT ORDERS** that the Commitment Letter, the Definitive Documents and the DIP Lender's Charge shall not be rendered invalid or unenforceable and the rights and remedies of the DIP Lender thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Borrower, and notwithstanding any provision to the contrary in any Agreement:

(a) neither the creation of the DIP Lender's Charge nor the execution, delivery, perfection, registration or performance of the Commitment Letter or the Definitive Documents shall create or be deemed to constitute a breach by the Borrower of any Agreement to which it is a party;

(b) the DIP Lender shall have no liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Borrower entering into the Commitment Letter, the creation of the DIP Lender's Charge, or the execution, delivery or performance of the Definitive Documents; and

(c) the payments made by the Borrower pursuant to this Order, the Commitment Letter or the Definitive Documents, and the granting of the DIP Lender's Charge, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

17. **THIS COURT ORDERS** that the DIP Lender's Charge created by this Order over leases of real property in Canada shall only be a Charge in the Borrower's interest in such real property leases.

Payment of $2.2 million

18. **THIS COURT AUTHORIZES AND DIRECTS** the Borrower to borrow $2.2 million from the DIP Lender in accordance with the Commitment Letter and distribute such amount in accordance with the priorities and to the parties described in paragraph 18 of the Multi-Party Settlement Agreement dated May 14, 2008 between Sun-Times Media Group, Inc. and Davidson Kempner Capital Management LLC and certain of its affiliates, which was approved by this Honourable Court by Order dated May 21, 2008.

Vue Weekly

19. **THIS COURT ORDERS** that Hollinger Inc. is not required to participate, seek standing to participate or otherwise take any action in respect of the appeal being brought by the Attorney General of Canada scheduled to be heard by the Alberta Court of Appeal in the action styled *783783 Alberta Ltd. carrying on business as Vue Weekly v. The Attorney General of Canada et*

al. and identified as Court File No. 0503 18023 in the Court of Queen's Bench of Alberta, Judicial District of Edmonton.

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

Proceedings commenced at Toronto

ORDER

(re: Stay Extension to January 7, 2011 and Approval of DIP Financing)

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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)

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MOTION RECORD
(Returnable May 27, 2010)

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