

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

SUPPLEMENTARY MOTION RECORD OF THE APPLICANTS
for Settlement Approval and Related Motions
(returnable April 19, 2012)

March 7, 2012

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INDEX

I N D E X

TAB	DOCUMENT
1.	Initial Order of Mr. Justice Morawetz dated August 1, 2007
2.	Order of Mr. Justice Campbell dated May 21, 2008 (re Approval of Multi-Party Settlement and Cost Reduction/Asset Enhancement Program)
3.	Notice of Motion re Service and Notice Procedure dated November 1, 2010
A.	Draft Service and Notice Procedure Order
4.	Affidavit of William E. Aziz, sworn November 1, 2010
A.	Release and Settlement Agreement dated March 26, 2010 (redacted)
B.	Press Release dated July 15, 2010: "Settlement of Claims Against Torys LLP"
C.	Release and Settlement Agreement dated October 1, 2010
D.	Press Release dated October 6, 2010: "Settlement of Claims Against KPMG LLP"
E.	Draft Notice Concerning Hollinger Inc., 4322525 Canada Inc. and Sugra Limited
5.	Supplemental Affidavit of William E. Aziz, sworn November 5, 2010
6.	Order of Justice Campbell re Sealing and Confidentiality Agreement Approval, February 25, 2011
7.	Reasons of Justice Campbell re Sealing and Confidentiality Agreement Approval February 22, 2011
8.	Report of John D. Ground (retired justice) in his capacity as Litigation Trustee of the Applicants dated March 31, 2011
9.	Affidavit of William E. Aziz, sworn March 31, 2011
10.	Order of Justice Campbell re Outside Directors Sealing, Service and Notice, December 8, 2011
11.	Transcript of the Cross-Examination of William E. Aziz on February 8, 2012
12.	Answers to Questions Taken Under Advisement on the Cross-Examination of William E. Aziz dated February 17, 2012
13.	Answers to Questions for John D. Ground, Q.C. dated February 17, 2012

TAB	DOCUMENT
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A.	Seventeenth Report of the Monitor dated April 8, 2011
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TAB 1

THIS IS TO CERTIFY THAT THIS DOCUMENT, EACH PAGE OF WHICH IS STAMPED WITH THE SEAL OF THE SUPERIOR COURT OF JUSTICE AT TORONTO, IS A TRUE COPY OF THE DOCUMENT ON FILE IN THIS OFFICE

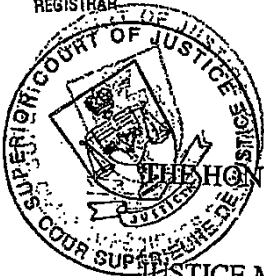
LA PRÉSENT ATTESTE QUE CE DOCUMENT, DONT CHACUNE DES PAGES EST REVÊTUE DU SCAU DE LA COUR SUPÉRIEURE DE JUSTICE À TORONTO, EST UNE COPIE CONFORME DU DOCUMENT CONSERVÉ DANS CE BUREAU

DATED AT TORONTO THIS 1st DAY OF August 20 07
FAIT À TORONTO LE

DAY OF August 20 07
JOUR DE

REGISTRAR

GREFFIER



THE HONOURABLE MR.

JUSTICE MORAWETZ

ONTARIO

SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Court File No. D7-CL-7120

WEDNESDAY, THE 1ST

DAY OF AUGUST, 2007

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF HOLLINGER INC., 4322525 CANADA INC.
AND SUGRA LIMITED (the "Applicants")

INITIAL ORDER

THIS APPLICATION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") was heard this day at 393 University Avenue, Toronto, Ontario.

ON READING the Notice of Application, the Affidavit of G. Wesley Voorheis sworn July 31, 2007 and the Exhibits thereto, on hearing the submissions of counsel for the Applicants and on reading the consent of Ernst & Young Inc. to act as the Monitor, and upon being advised that counsel for Sun-Times Media Group, Inc. ("STMG") and Davidson Kempner Partners have received very short notice of the commencement of this proceeding,

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application Record is hereby abridged so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. **THIS COURT ORDERS AND DECLARES** that the Applicants are companies to which the CCAA applies.

PLAN OF ARRANGEMENT

3. **THIS COURT ORDERS** that the Applicants shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "**Plan**") between, *inter alia*, the Applicants and one or more classes of their secured and/or unsecured creditors as they deem appropriate.

POSSESSION OF PROPERTY AND OPERATIONS

4. **THIS COURT ORDERS** that the Applicants shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, the Applicants shall continue to carry on business in a manner consistent with the preservation of their businesses (the "**Business**") and Property. The Applicants shall be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "**Advisors**") currently retained or employed by them, with liberty to retain such further Advisors as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. **THIS COURT ORDERS** that the Applicants shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

- (a) all outstanding and future wages, compensation, salaries, employee and pension benefits, vacation pay, retention or similar bonuses or payments, and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies, arrangements and agreements;

- (b) the fees and disbursements of any Advisors retained or engaged by the Applicants in respect of these proceedings or otherwise, at their standard rates and charges; and
- (c) the fees and disbursements of the Inspector appointed pursuant to an Order dated October 14, 2004 and amended October 26, 2004 under the *Canada Business Corporations Act* (Canada) in Action No. 04-CL-5441 in the Ontario Superior Court of Justice, Commercial List (the "**Inspector Action**"), the Inspector's counsel and any other service providers previously retained by the Inspector, at their standard rates and charges.

6. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the Applicants shall be entitled but not required to pay all reasonable expenses incurred by the Applicants in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to the Applicants following the date of this Order.

7. **THIS COURT ORDERS** that the Applicants shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, and (iii) income taxes;

- (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Applicant in connection with the sale of goods and services by the Applicant, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and
- (c) any amount payable to the Crown in right of Canada, any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicants.

8. **THIS COURT ORDERS** that, except as specifically permitted herein, the Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicants to any of their creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of the Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

9. **THIS COURT ORDERS** that the Applicants shall have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of their business or operations and to dispose of redundant or non-material assets not exceeding \$2,000,000 in any one transaction or \$5,000,000 in the aggregate;
- (b) terminate the employment of such of their employees or temporarily lay off such of their employees as they deems appropriate on such terms as may be agreed upon between the Applicants and such employee, or failing such agreement, to deal with the consequences thereof in the Plan;

- (c) repudiate such of their arrangements or agreements of any nature whatsoever, whether oral or written, as the Applicants deem appropriate on such terms as may be agreed upon between the Applicants and such counterparties, or failing such agreement, to deal with the consequences thereof in the Plan; and
- (d) pursue all avenues of refinancing and offers for material parts of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing or any sale (except as permitted by subparagraph (a) and (b), above),

all of the foregoing to permit the Applicants to proceed with an orderly restructuring of the Business (the "**Restructuring**").

NO PROCEEDINGS AGAINST THE APPLICANTS OR THE PROPERTY

10. **THIS COURT ORDERS** that until and including August 30, 2007, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

11. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, trustee, collateral agent, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicants to carry on any business which the Applicants are not lawfully entitled to carry on, (ii) exempt the Applicants from compliance with statutory or regulatory provisions

relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

12. **THIS COURT ORDERS** that during the Stay Period no exercise of rights by any Person, whether by way of enforcement or otherwise, and no proceeding, enforcement step or action of any kind shall be taken by any Person that could have the effect of or result in:

- (a) a sale, transfer or disposal of the shares of Class B common stock of STMG owned by any of the Applicants, to a party that is not a subsidiary or affiliate of Hollinger Inc.; or
- (b) the shares of Class B common stock of STMG being automatically converted into shares of Class A common stock of STMG,

including, without limitation, a transfer to or registration of the shares of Class B common stock of STMG in the name of such Person or its nominee(s). *R*

13. **THIS COURT ORDERS** that nothing herein *(ii) be R* shall be deemed *is intended* to be in breach of any law, regulation, rule, or order, or *(i) R* deemed to cause, create or enable economic or voting dilution, whether actual or potential, of the shares of Class B common stock of STMG or the shares of Class A common stock of STMG (the "STMG Shares"), or *(iii) be R* a dilution or reduction, whether actual or potential, of the voting rights attached to any of the STMG Shares, which are held directly or indirectly by Hollinger or an Applicant or a dilution or reduction, whether actual or potential of the voting rights attached to any of the STMG Shares or the diminution of any legal rights, whether actual or potential, currently attached to the STMG Shares, or a *R* default or change of control under any agreements, indentures or other instruments. *(iv) be*

NO INTERFERENCE WITH RIGHTS

14. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicants, except with the written consent of the Applicants and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

15. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Applicants or statutory or regulatory mandates for the supply of goods and/or services, including, without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation, services, utility or other services to the Business or the Applicants, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicants, and that the Applicants shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicants in accordance with normal payment practices of the Applicants or such other practices as may be agreed upon by the supplier or service provider and each of the Applicants and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

16. **THIS COURT ORDERS** that, notwithstanding anything else contained herein, no creditor of the Applicants shall be under any obligation after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

17. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.5(2) of the CCAA, no Proceeding may be commenced or continued against any of the current or future directors or officers of the Applicants with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicants or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

18. **THIS COURT ORDERS** that the Applicants shall indemnify their directors and officers from all claims, costs, charges and expenses relating to the failure of the Applicants, after the date hereof, to make payments of the nature referred to in subparagraphs 5(a), 7(a), 7(b) and 7(c) of this Order which they sustain or incur by reason of or in relation to their respective capacities as directors and/or officers of the Applicants except to the extent that, with respect to any officer or director, such officer or director has actively participated in the breach of any related fiduciary duties or has been grossly negligent or guilty of wilful misconduct.

19. **THIS COURT ORDERS** that the directors and officers of the Applicants shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of \$500,000.00, as security for the indemnity provided in paragraph 17 of this Order. The Directors' Charge shall have the priority set out in paragraphs 31 and 33 herein.

20. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicants' directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 17 of this Order.

APPOINTMENT OF MONITOR

21. **THIS COURT ORDERS** that Ernst & Young Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the Property and the Applicants' conduct of the Business, with the powers and obligations set out in the CCAA or set forth herein and that the Applicants and their shareholders, officers, directors, and Advisors shall advise the Monitor of all material steps taken by the Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations.

22. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicants' receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business and such other matters as may be relevant to the proceedings herein;
- (c) advise the Applicants in their preparation of the Applicants' cash flow statements;
- (d) advise the Applicants in their development of the Plan and any amendments to the Plan;
- (e) assist the Applicants, to the extent required by the Applicants, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (f) have full and complete access to the books, records, management, employees and advisors of the Applicants and to the Business and the Property to the extent required to perform its duties arising under this Order;
- (g) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;
- (h) consider, and if deemed advisable by the Monitor, prepare a report and assessment on the Plan; and
- (i) perform such other duties as are required by this Order or by this Court from time to time.

23. **THIS COURT ORDERS** that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

24. **THIS COURT ORDERS** that nothing contained herein shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or 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 (the "Environmental Legislation"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession of such Property.

25. **THIS COURT ORDERS** that the Monitor shall not be required or compelled to provide any information obtained by it in performing its role as Inspector pursuant to the Orders of the Honourable Justice Campbell in the Inspector Action as a result of its appointment herein as Monitor including, without limitation, by way of testimony in any proceeding in any court in Canada or the United States of America brought by or against any person or entity related to or affiliated in any way with the business of the Applicants.

26. **THIS COURT ORDERS** that the Monitor shall protect the confidentiality of such information not forming part of the public record in the Inspector Action, shall be subject to the direction of the Court supervising the Inspector Action with respect to any ongoing role as Inspector of the Applicant and that in the event of any uncertainty or conflict concerning the ongoing role of the Inspector, the Inspector shall apply to the Court supervising the Inspector Action, and to the Court supervising this proceeding where necessary, for advice and directions.

27. **THIS COURT ORDERS** that the Monitor shall provide any creditor of the Applicants with information provided by the Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicants may agree.
28. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.
29. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicants shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Applicants as part of the costs of these proceedings. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicants on a weekly basis and, in addition, the Applicants are hereby authorized to pay to (i) the Monitor and its counsel, and (ii) Canadian and U.S. counsel to the Applicants, retainers in the amounts of CDN\$150,000.00 and \$300,000.00, respectively, to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.
30. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

31. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and the Applicants' counsel and financial advisor shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$1,900,000.00, to be allocated among the beneficiaries of such charge as they may determine amongst themselves, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and all such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 31 and 33 hereof.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

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

First – Administration Charge (to the maximum amount of \$1,900,000.00); and

Second – Directors' Charge (to the maximum amount of \$500,000.00).

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

34. **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person.

35. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless the Applicants also obtain the prior written consent of the Monitor and the beneficiaries of the Charges, or further Order of this Court.

36. **THIS COURT ORDERS** that the Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "Chargees") 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 Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) the creation of the Charges shall not create or be deemed to constitute a breach by the Applicants of any Agreement to which they are a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges; and
- (c) the payments made by the Applicants pursuant to this Order and the granting of the Charges do not and will not constitute fraudulent preferences, fraudulent conveyances, oppressive conduct, settlements or other challengeable, voidable or reviewable transactions under any applicable law.

SERVICE AND NOTICE

37. **THIS COURT ORDERS** that the Applicants shall, within ten (10) business days of the date of entry of this Order, send a notice of the issuance of this Order to its known creditors, other than employees and creditors to which the Applicants owe less than \$1,000.00, at their addresses as they appear on the Applicants' records, and shall promptly send a copy of this Order (a) to all parties filing a Notice of Appearance in respect of this Application, and (b) to any other interested Person requesting a copy of this Order, and the Monitor is relieved of

its obligation under Section 11(5) of the CCAA to provide similar notice, other than to supervise this process.

38. **THIS COURT ORDERS** that the Applicants and the Monitor be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to the Applicants' creditors or other interested parties at their respective addresses as last shown on the records of the Applicants and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

39. **THIS COURT ORDERS** that the Applicants, the Monitor, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, in accordance with the E-filing protocol of the Commercial List to the extent practicable, and the Monitor may post a copy of any or all such materials on its website at: www.ey.com/ca/restructuring.

GENERAL

40. **THIS COURT ORDERS** that the Applicants or the Monitor may, from time to time, apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

41. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicants, the Business or the Property.

EFFECT, RECOGNITION, ASSISTANCE

42. **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 of America, the states and other subdivisions of the United States of America, including, without

limitation, the U.S. Bankruptcy Court, and other nations and 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 and any other Order in this proceeding. 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, to grant representative status to Hollinger Inc. and/or the Monitor in any foreign proceeding and to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order and any other Order in this proceeding, including without limitation recognizing the Applicants' CCAA proceeding as a foreign main proceeding under applicable law.

43. **THIS COURT ORDER** that each of the Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and this proceeding and for assistance in carrying out the terms of this Order and any other Order granted by this Court and to recognize or give effect to or otherwise further the Restructuring.

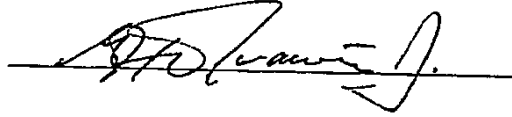
44. **THIS COURT ORDERS** that, for the purposes of seeking the aid and recognition of any court or any judicial, regulatory or administrative body outside of Canada and in particular in the U.S. Bankruptcy Court in respect of proceedings commenced under Chapter 15 of the *U.S. Bankruptcy Code* and any ancillary relief in respect thereto, Hollinger Inc. shall be appointed as and is hereby authorized and directed to act as the foreign representative of the Applicants and to seek such aid in recognition.

DIRECTIONS, FURTHER RELIEF AND VARIATION

45. **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.

EFFECTIVE TIME

46. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard Time on the date of this Order.

A handwritten signature in black ink, appearing to be "J. J. Leeming", written over a horizontal line.

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

AUG 01 2007

PER/PAR:

A small, stylized handwritten signature or mark.

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. C7-C4-712C

ONTARIO

SUPERIOR COURT OF JUSTICE
(Commercial List)

Proceeding Commenced at Toronto

INITIAL ORDER
DATED AUGUST 1, 2007

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 1B
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Kyla E.M. Mahar – 44182G

Tel: (416) 304-1616
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Solicitors for the Applicants

TAB 2



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 cooperate 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

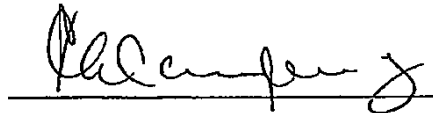
24. **THIS COURT ORDERS** that the Applicants be and are hereby authorized to purchase run-off insurance for the officers and directors of the Applicants as described in the Monitor's Seventh Report.

(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

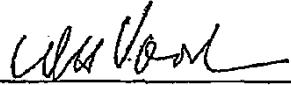
32. As part of the Court Approval order, justice John D. Ground shall be appointed as an officer of the Court to perform the role of litigation trustee (the "Litigation Trustee") of all claims and causes of action in favour of the Applicants (the "Litigation Assets") on such terms as may be agreed between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

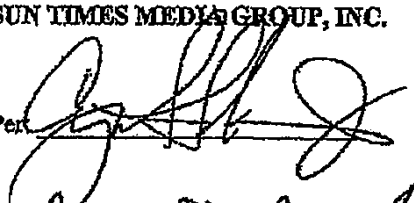
HOLLINGER INC., SUGRA LIMITED and

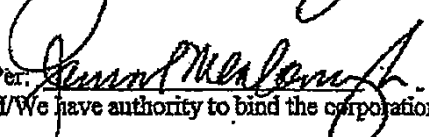
4322525 CANADA INC.

Per: 

(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: Av _____

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

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D.J. Miller – 34393P

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

Solicitors for the Applicants

TAB 3

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

NOTICE OF MOTION
(Re: Service and Notice Procedure)

THE APPLICANTS will make a motion before a judge presiding over the Commercial List on November 12, 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 substantially in the form of the draft Service and Notice Procedure Order contained in the Applicants' Motion Record:
 - (a) establishing a service and notice process in respect of a motion (the "**Settlement Approval Motion**") to be brought to approve certain settlements reached for the benefit of the Applicants and their stakeholders regarding certain claims and causes of action in favour of the Applicants including approving releases from third parties (collectively, the "**Settlements**"), including approval of a form of notice to be given (the "**Notice**");

- (b) establishing a procedure for filing of a notice of intent to appear in a prescribed form (a **"Notice of Appearance"**) and approval of such form;
 - (c) the setting of a bar date to file a Notice of Appearance (the **"Notice of Appearance Bar Date"**) in respect of the Settlement Approval Motion; and
 - (d) setting a date for the hearing of the Settlement Approval Motion.
2. 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 Order of this Honourable Court dated August 1, 2007 (the **"Initial Order"**) and Ernst & Young Inc. was appointed as monitor (the **"Monitor"**) in the CCAA proceedings;
2. Pursuant to an Order of this Honourable Court dated May 21, 2008, as amended by the Order of this Honourable Court dated July 3, 2008 (the **"Multi-Party Settlement Order"**), BlueTree Advisors Inc. ("**BlueTree**"), an entity controlled by William Aziz, CA, ("**Aziz**") 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 Ltd., 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”);

3. Pursuant to the Multi-Party Settlement Order, John D. Ground, Q.C. (retired judge) was appointed as an officer of this Honourable Court to be the litigation trustee (the “**Litigation Trustee**”) over and in respect of all claims and causes of action in favour of the Applicants (collectively, the “**Litigation Assets**”);
4. The Multi-Party Settlement Order empowered, authorized and directed the Litigation Trustee and the CRO to, among other things, initiate, prosecute and continue the prosecution of any and all proceedings and to defend proceedings with respect to the Applicants and any of their property and undertaking and to settle or compromise any such proceedings;
5. The Litigation Assets include claims and causes of actions asserted against a number of parties, including, without limitation, against:
 - (a) KPMG LLP Canada, KPMG LLP (U.S.) and all other member firms of KPMG International and their related or affiliated entities (collectively, “**KPMG**”); and
 - (b) Torys LLP (Ontario) and Torys LLP (New York) (collectively, “**Torys**”);
6. A settlement has been reached among Hollinger Inc. (“**Hollinger**”), the Litigation Trustee and Torys pursuant to a settlement agreement dated March 26, 2010 (the “**Torys Settlement Agreement**”). In addition to the settlement of the claims and causes of action referred to in paragraph 5(b) above, the Torys Settlement Agreement includes

Torys' agreement that it will not file any claims against the Applicants;

7. A settlement has also been reached among Hollinger, the Litigation Trustee and KPMG pursuant to a settlement agreement dated October 1, 2010 (the "**KPMG Settlement Agreement**") In addition to the settlement of the claims and causes of action referred to in paragraph 5(a) above, the KPMG Settlement Agreement includes the withdrawal and waiver of KPMG's claims against the Applicants;
8. The Applicants intend to seek this Honourable Court's approval of the Torys Settlement Agreement and the KPMG Settlement Agreement at the Settlement Approval Motion;
9. On the Settlement Approval Motion the Applicants will seek approval from this Honourable Court of the Torys Settlement Agreement and the KPMG Settlement Agreement including an order containing releases in favour of Torys and KPMG from third parties who are not parties to the Settlements;
10. The service and notice process proposed by the Applicants is intended to ensure that all persons who may have an interest in the Settlements or may be affected by the proposed Settlement Approval Orders (as defined in the Service and Notice Procedure Order) are provided with adequate notice of the Settlement Approval Motion and with the opportunity to appear and be heard on such motion, failing which such persons will, among other things, be bound by the terms of the Settlement Approval Orders;
11. The Litigation Trustee and the CRO continue to deal with other Litigation Assets including, without limitation, considering the possibility of settling or compromising proceedings relating to the Litigation Assets where appropriate;

12. Disclosure of the commercially sensitive terms contained in the Settlements could undermine the Litigation Trustee and the CRO's dealings with the other Litigation Assets including, without limitation, any possible settlements the Litigation Trustee may reach in respect of any of the remaining Litigation Assets. As a result, a sealing Order is being requested with respect to these commercially sensitive terms;
13. The Monitor has advised that it recommends the relief being sought by the Applicants;
14. Such other facts as are set out in the Affidavit of the CRO sworn on October 29, 2010 (the "CRO Affidavit") and the Fourteenth Report of the Monitor, to be filed;
15. The provisions of the CCAA;
16. Rules 2.03, 3.02 and 37 of the Rules of Civil Procedure (Ontario); and
17. 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 CRO Affidavit;
2. the Fourteenth Report of the Monitor, to be filed; and
3. Such further material as counsel may advise and this Honourable Court may permit.

November 1, 2010

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Solicitors for the Applicants and the Non-Applicants

TO: THIS HONOURABLE COURT

AND TO: THE SERVICE LIST ATTACHED

SERVICE LIST
(as at November 1, 2010)

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U.S. counsel for the Indenture Trustees, HSBC Bank USA, N.A. and Delaware Trust Company, National Association (formerly known as Wachovia Trust Company, National Association)

HSBC BANK USA, N.A.
Corporate Trust and Loan Agency
10 E. 40th Street, 14th Floor
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10016 U.S.A.

Sandra E. Horwitz
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ONTARIO SECURITIES COMMISSION
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M5H 3S8

Johanna Superina
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Solicitors for F. David Radler

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Solicitors for The Preference Shareholders, A. Joan Richardson, Mervin Richardson, Basil N. Seaton, Gillian J. Seaton, Alfred Shum, R.J. Stanford Estate and Ivan C.N. Tennant, in their several capacities as holders of Class "A" and Class "B" preference shares of Argus Corporation Limited

LERNERS LLP
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130 Adelaide Street West
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Solicitors for Catalyst Fund General Partner I Inc.

NATHANSON, SCHACHTER & THOMPSON LLP

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Solicitors for Representative Counsel

GLAHOLT LLP

141 Adelaide Street West, Suite 800
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M5H 3L5

Peter-Paul E. Du Vernet
Email: Peter-PaulDuVernet@glaholt.com

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Fax: (416) 368-3467

Solicitors for Burnac Leaseholds Ltd. and Crystalline Investments Ltd.

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)

Proceedings commenced at Toronto

NOTICE OF MOTION
(Re: Service and Notice Procedure)
(returnable on November 12, 2010)

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

Robert I. Thornton (LSUC# 24266B)
Kyla E.M. Mahar (LSUC# 44182G)
Tel: 416-304-0594
Fax: 416-304-1313

Solicitors for the Applicants and the Non-Applicants

TAB A

**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

Applicants

ON READING the Applicants' Notice of Motion dated October 29, 2010, the Affidavit of the Chief Restructuring Officer of the Applicants sworn on October 29, 2010 (the "**CRO Affidavit**"), filed, the Fourteenth Report of Ernst & Young Inc. in its capacity as Court-appointed monitor of the Applicants (the "**Monitor**") dated ►, 2010 (the "**Fourteenth Report**"), filed, and on hearing from counsel for the Applicants, the Monitor and such other

counsel as were present and on being advised that the Service List as of ►, 2010 was served electronically with the Applicants' Motion Record,

DEFINITIONS

1. **THIS COURT ORDERS** that for the purposes of this Order, in addition to the terms defined elsewhere in this Order, the following terms shall have the following meanings:
 - (a) **"Business Day"** means a day, other than a Saturday or a Sunday, on which banks are generally open for business in Toronto, Ontario;
 - (b) **"CCAA"** means the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended;
 - (c) **"Claims Order"** means the Order of this Court dated May 21, 2008, as amended by the Order of this Court dated November 26, 2008 and as further amended by the Order of this Court dated November 10, 2009 as such Order may be further supplemented, amended or varied from time to time by this Court;
 - (d) **"Court"** means the Ontario Superior Court of Justice (Commercial List);
 - (e) **"Creditor"** means any Person having a Claim (as defined in the Claims Order or the Non-Applicant Claims Order) for which they filed a proof of claim against one of the Applicants or Non-Applicants that has not been finally disallowed in full in accordance with those Orders and which term includes, without limitation, any transferee or assignee of a Claim or a trustee, liquidator, receiver, receiver and manager or other Person acting on behalf of such Person;
 - (f) **"CRO"** means the Chief Restructuring Officer of the Applicants which is BlueTree Advisors Inc., using the services of its sole officer and director, William

E. Aziz, appointed as an officer of this Court pursuant to the Multi-Party Settlement Order;

- (g) **"Defendants"** means all Persons against whom any of the Applicants have commenced legal proceedings or with whom any of the Applicants have entered into tolling agreements and which includes, without limitation, a trustee, liquidator, receiver and manager or other Person acting on behalf of such Person;
- (h) **"Indenture Trustees"** means HSBC Bank USA, National Association and Delaware Trust Company, National Association;
- (i) **"Initial Order"** means the Order of this Court dated August 1, 2007 as such Order may be supplemented, amended or varied from time to time by this Court;
- (j) **"KPMG Settlement"** means the settlement reached among the KPMG Settlement Parties pursuant to the KPMG Settlement Agreement;
- (k) **"KPMG Settlement Agreement"** means the Settlement Agreement dated October 1, 2010, among the KPMG Settlement Parties, a redacted copy of which is attached as Exhibit "C" to the CRO Affidavit;
- (l) **"KPMG Settlement Parties"** means, collectively, 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 LLP (U.S.), all other member firms of KPMG International and their related or affiliated entities and their respective past, present and future partners, officers, directors, employees,

servants, agents, assigns, insurers and counsel (collectively, the “KPMG Releasees”);

- (m) **“Litigation Trustee”** means John D. Ground, Q.C. (retired judge) appointed as an officer of this Court pursuant to the Multi-Party Settlement Order;
- (n) **“Motion Record”** means the Notice of Motion, the CRO Affidavit, including a redacted version of the KPMG Settlement Agreement and a redacted version of the Torys Settlement Agreement, and the draft Settlement Approval Orders;
- (o) **“Multi-Party Settlement Order”** means the Order of this Court dated May 21, 2008, as amended by the Order of this Court dated July 3, 2008 as such Order may be further supplemented, amended or varied from time to time by this Court;
- (p) **“Non-Applicant Claims Order”** means the Order of this Court dated August 27 2008, as amended by the Order of this Court dated November 26, 2008 and as further amended by the Order of this Court dated November 10, 2009 as such Order may be further supplemented, amended or varied from time to time by this Court;
- (q) **“Notice”** means the notice of the Settlement Approval Motion to the Creditors, the Defendants, the Shareholders and any other affected Person in substantially the form attached as Schedule “A”;
- (r) **“Notice of Appearance”** means the notice delivered by a Creditor or Shareholder to the Monitor and its counsel pursuant to paragraph 7, which shall be substantially in the form attached as Schedule “B”;
- (s) **“Notice of Appearance Bar Date”** means noon (EST) on December 3, 2010;

- (t) **"Person"** includes any individual, partnership, joint venture, trust, corporation, unlimited liability company, unincorporated organization, government body or agency or instrumentality thereof, or any other judicial entity howsoever designated or constituted;
- (u) **"Service List"** means the most current Service List in these proceedings;
- (v) **"Settlement Approval Motion"** means the motion for, among other things, Court approval of the KPMG Settlement Agreement and the Torys Settlement Agreement and all transactions and documents related thereto, which is anticipated to be heard by the Court on January 14, 2011 or such other date as may be agreed by the KPMG Settlement Parties and the Torys Settlement Parties;
- (w) **"Settlement Approval Orders"** means the Orders to be sought from the Court approving, among other things, the KPMG Settlement Agreement and the Torys Settlement Agreement and all transactions and documents relating thereto;
- (x) **"Settlement Document Package"** means a document package that includes a copy of the Notice, Notice of Appearance, Motion Record including a redacted copy of the KPMG Settlement Agreement and a redacted copy of the Torys Settlement Agreement, the draft Settlement Approval Orders, the Fourteenth Report, this Order and such other materials as the Monitor or the CRO may consider appropriate or desirable;
- (y) **"Shareholders"** means the past and present holders of all issued and outstanding shares in the capital stock of the Applicant, Hollinger Inc., whether common or preferred, and including any warrants, options or other rights therein;

- (z) **"Torys Settlement"** means the settlement reached among the Torys Settlement Parties pursuant to the Torys Settlement Agreement;
- (aa) **"Torys Settlement Agreement"** means the Settlement Agreement dated March 26, 2010, among the Torys Settlement Parties, a redacted copy of which is attached as Exhibit "A" to the CRO Affidavit;
- (bb) **"Torys Settlement Parties"** means Hollinger Inc., the Litigation Trustee, Torys LLP (Ontario) and Torys LLP (New York); and
- (cc) **"Website"** means the website of the Monitor at www.ey.com/ca/hollinger.

MONITOR'S ROLE

2. **THIS COURT ORDERS AND DIRECTS** that the Monitor, in addition to its duties under the CCAA, the Initial Order and any other Orders in these proceedings, is hereby empowered to take such other actions and fulfill such other roles as are authorized by this Order and the CCAA and that, in taking such other actions and in fulfilling such other roles, the Monitor shall have the protections given to it in the Initial Order and this Order, including without limitation the protections provided in paragraph 11 of this Order.

CRO'S ROLE

3. **THIS COURT ORDERS AND DIRECTS** that the CRO, in addition to its prescribed rights and obligations under the Multi-Party Settlement Order and any other Orders in these proceedings, is hereby empowered to take such other actions and fulfill such other roles as are authorized by this Order and that, in taking such other actions and fulfilling such other roles, the CRO shall have the protections given to it in the Multi-Party

Settlement Order and this Order, including without limitation, the protections provided in paragraph 12 of this Order.

NOTICE

4. THIS COURT ORDERS that:

- (a) as soon as practicable, but in any event no later than two (2) days following the making of this Order, the Monitor shall post a copy of the Settlement Document Package on its Website;
- (b) as soon as practicable, but in any event no later than seven (7) days following the making of this Order, the Monitor, with the assistance of the CRO, shall send a copy of the Notice to each of the Creditors to the address provided in their proof of claim filed in accordance with the Claims Order or Non-Applicant Claims Order, as applicable;
- (c) as soon as practicable, but in any event no later than seven (7) days following the making of this Order, the Monitor, with the assistance of the CRO shall send a copy of the Notice to each of the Defendants at their last known address, if any, according to the records of the Applicants;
- (d) as soon as practicable, but in any event no later than seven (7) days following the making of this Order, the Monitor shall cause the Notice to be published in *The Globe and Mail* (National Edition) and the *Wall Street Journal*;
- (e) the Applicants shall serve the Motion Record on the Service List by electronic service in a manner described in paragraph 10 herein;

5. **THIS COURT ORDERS** that service by the Applicants of the Motion Record on the Service List, by the Monitor of the Notice on the Creditors and the Defendants, posting of the Settlement Document Package on the Website and publication of the Notice in the manner set forth herein shall constitute good and sufficient service upon the Creditors, the Defendants, the Shareholders and all other affected Persons of notice of the Settlement Approval Motion, the Motion Record, the KPMG Settlement, the KPMG Settlement Agreement, the Torys Settlement, the Torys Settlement Agreement, the Settlement Approval Orders, this Order, the Notice of Appearance Bar Date and related deadlines and procedures set forth herein and that no other form of service or notice need be made by any of the Applicants, the CRO or the Monitor to any other Person and no other documents, or materials need be served on any Person in respect of the Settlement Approval Motion, except as provided in paragraph 10 of this Order.
6. **THIS COURT ORDERS** that the form and substance of each of the Notice and the Notice of Appearance, substantially in the forms as attached as Schedule "A" and "B", respectively, to this Order are hereby approved, subject to the Applicants, the CRO and the Monitor making such minor or non-material amendments to such forms as the Applicants, the CRO and the Monitor consider necessary or desirable.

NOTICE OF APPEARANCE BAR DATE

7. **THIS COURT ORDERS** that any Person intending to file a Notice of Appearance must do so by sending it to the Monitor, with a copy to the Monitor's counsel, Lenczner Slaght Royce Smith Griffin LLP, so that such Notice of Appearance is received by the Monitor and its counsel on or before the Notice of Appearance Bar Date, as provided for by the terms of the Notice of Appearance.

8. **THIS COURT ORDERS** that, if a Notice of Appearance is sent to the Monitor, with a copy to its counsel, and such Notice of Appearance is received by the Monitor and its counsel on or before the Notice of Appearance Bar Date:
- (a) the parties by so sending the Notice of Appearance may appear in person or through such party's own counsel at such party's own expense with respect to the Settlement Approval Motion;
 - (b) upon receipt of each Notice of Appearance, the Monitor shall send the submitting party a receipt acknowledging the filing of such Notice of Appearance;
 - (c) within two (2) days following the Notice of Appearance Bar Date, the Monitor shall, by way of a Monitor's Report or otherwise at the discretion of the Monitor, provide the Service List with a list of the Notices of Appearance received in accordance with this Order that have not been withdrawn; and
 - (d) the Monitor shall send copies of the Notices of Appearance received in accordance with this Order that have not been withdrawn to the Applicants and counsel for the KPMG Settlement Parties, counsel for the Torys Settlement Parties and counsel for the Indenture Trustees.
9. **THIS COURT ORDERS** that any Person that does not send a Notice of Appearance as provided for herein which is received by the Monitor and its counsel on or before the Notice of Appearance Bar Date:
- (a) shall not be entitled to appear or be heard at the Settlement Approval Motion, or to receive any further notice of, or materials or documentation relating to, arising out of, or in conjunction with, the Settlement Approval Motion;

- (b) shall be bound by the terms of the Settlement Approval Orders and all other related Orders as may be subsequently made in these proceedings; and
 - (c) shall be forever barred and enjoined from making any objection or opposition to, disputing in any manner whatsoever or appealing or moving to set aside or vary the Settlement Approval Orders, the KPMG Settlement, the KPMG Settlement Agreement, the Torys Settlement, the Torys Settlement Agreement or any other documents, Orders or proceedings with respect to, arising out of, or in connection with the Settlement Approval Motion, the Settlement Approval Orders, the KPMG Settlement, the KPMG Settlement Agreement, the Torys Settlement and the Torys Settlement Agreement.
10. **THIS COURT ORDERS** that the Applicants shall be required to serve the motion materials relating to the Settlement Approval Motion on the Service List on or before November 26, 2010 and shall be required to serve the motion materials relating to the Settlement Approval Motion on any Person who has filed a Notice of Appearance as provided for herein which was received by the Monitor and its counsel on or before the Notice of Appearance Bar Date, unless such Person has withdrawn the Notice of Appearance within two days of receipt of the Notice of Appearance and in any event on or before December 3, 2010.

PROTECTIONS FOR THE MONITOR AND CRO

11. **THIS COURT ORDERS** that (i) in carrying out the terms of this Order, the Monitor shall have all of the protections provided for it by the CCAA and the Initial Order or as an officer of this Court, including the stay of proceedings in its favour, (ii) the Monitor shall incur no liability or obligation as a result of the carrying out of its duties under this

Order, (iii) the Monitor shall be entitled to rely on the books and records of the Applicants, the Proof of Claim filed in accordance with the Claims Order, and any other information provided by the Applicants, all without independent investigation, and (iv) the Monitor shall not be liable for any claims or damages resulting from any errors or omissions in such books, records, Proofs of Claim or information.

12. **THIS COURT ORDERS** that (i) in carrying out the terms of this Order, the CRO shall have all the protections provided for it by the Multi-Party Settlement Order, (ii) the CRO shall incur no liability or obligation as a result of assisting the Monitor in the carrying out of the provisions of this Order, (iii) the CRO shall be entitled to rely on the books and records of the Applicants, the Proofs of Claim filed in accordance with the Claims Order and any other information provided by the Applicants, all without independent investigation, and (iv) the CRO shall not be liable for any claims or damages resulting from any errors or omissions in such books, records, Proofs of Claim or information.

DIRECTIONS

13. **THIS COURT ORDERS** that any Applicant, the CRO or the Monitor may, at any time, and with such notice to the KPMG Settlement Parties, the Torys Settlement Parties, the Indenture Trustees or other Persons as this Court may require, seek directions from the Court with respect to this Order and the process set out herein, including the forms attached as Schedules hereto.

SERVICE AND NOTICE

14. **THIS COURT ORDERS** that the Monitor, the CRO or the Applicants, as the case may be, are at liberty to deliver the Notice and any letters, notices or other documents to interested Persons by forwarding true copies thereof by pre-paid ordinary mail, courier,

personal delivery or electronic or digital transmission. Any such service or notice by courier, personal delivery or electronic or digital transmission shall be deemed to be received on the next business day following the date sent or, if sent by pre-paid ordinary mail, on the fourth business day after mailing.

15. **THIS COURT ORDERS** that the Notice of Appearance to be given under this Order by any Person to the Monitor shall be in writing in substantially the form provided for in this Order and will be sufficiently given only if given by pre-paid ordinary mail, courier, personal delivery or electronic or digital transmission and addressed to and received by:

Ernst & Young Inc.
Court-appointed Monitor of Hollinger Inc. and others
222 Bay Street
Toronto, ON M5K 1J7

Attention: Christopher Mediratta
Email: christopher.mediratta@ca.ey.com
Fax: (416) 943-3300

With a copy to:

Lenczner Slaght Royce Smith Griffin LLP
Lawyers for the Monitor of Hollinger Inc. and others
130 Adelaide Street West, Suite 2600
Toronto, Ontario M5H 3P5

Attention: Peter Griffin
Email: pgriffin@litigate.com
Fax: 416-865-9010

Any such notice or other communication by any Person shall be deemed received only upon actual receipt thereof during normal business hours on a Business Day.

TIMETABLE FOR SETTLEMENT APPROVAL MOTION

16. **THIS COURT ORDERS** that the following timetable be established for the exchange of materials prior to the Settlement Approval Motion:

- (a) responding motion materials to be delivered to the Service List on or before December 10, 2010;
- (b) reply motion materials to be delivered to the Service List on or before December 20, 2010;
- (c) applicants' factum to be delivered to the Service List on or before January 5, 2011;
- (d) responding factum to be delivered to the Service List on or before January 10, 2011; and
- (e) reply factum to be delivered to the Service List on or before January 12, 2011.

SEALING ORDER

- 17. **THIS COURT ORDERS** that the Applicants be and are hereby authorized, *nunc pro tunc*, to post on the Website and serve upon any Person, other than the Court, a version of the CRO Affidavit that has been redacted to remove certain confidential references in the Torys Settlement Agreement and the KPMG Settlement Agreement attached thereto as Exhibits "A" and "C", respectively.
 - 18. **THIS COURT ORDERS** that the unredacted version of the CRO Affidavit filed with the Court, including Exhibits "A" and "C" thereto, shall be sealed from the public record until further Order of the Court.
-

- 14 -

SCHEDULE "A"
(NOTICE FORM ATTACHED)

**NOTICE CONCERNING HOLLINGER INC., 4322525 CANADA INC.
AND SUGRA LIMITED
(hereinafter collectively referred to as the "Applicants")**

RE: NOTICE OF SETTLEMENT OF CLAIMS AND CAUSES OF ACTIONS IN FAVOUR OF THE APPLICANTS INVOLVING KPMG LLP CANADA (THE "KPMG SETTLEMENT"), TORYS LLP (ONTARIO) AND TORYS LLP (NEW YORK) (THE "TORYS SETTLEMENT"), AND NOTICE OF A BAR DATE RELATING TO THE KPMG SETTLEMENT AND THE TORYS SETTLEMENT AND AN ORDER APPROVING THESE SETTLEMENTS

The Applicants and the Court-appointed Litigation Trustee have entered into two settlement agreements (collectively, the "Settlements") in respect of which Court Orders will be sought.

The KPMG Settlement Agreement settles all claims and causes of action advanced by Hollinger Inc. on its own behalf and on behalf of all other CCAA applicants and their subsidiaries other than Chicago Newspaper Liquidation Corp. (formerly known as Sun-Times Media Group) and its subsidiaries. In return for payment by KPMG of the settlement amount and withdrawal of KPMG's claims against the Applicants, Hollinger is seeking a Court ordered release in favour of KPMG LLP Canada, KPMG LLP (U.S.), all other member firms of KPMG International and their related or affiliated entities and their respective past, present and future partners, officers, directors, employees, servants, agents, assigns, insurers and counsel (collectively, the "KPMG Releasees"). The intent of the release is to eliminate any basis for any direct or indirect claim by any Person against the KPMG Releasees in any way relating to the subject matter of the KPMG Settlement, save and except claims based on a final judgment that a plaintiff suffered damages or, if under civil law, prejudice as a direct result of the plaintiff's reliance on express fraudulent misrepresentation made by any or all of the KPMG Releasees or their agents when any or all the KPMG Releasees had actual knowledge that the misrepresentation was false.

The Torys Settlement Agreement settles all claims and causes of action advanced by Hollinger Inc. on its own behalf and on behalf of all other CCAA applicants and their subsidiaries other than Chicago Newspaper Liquidation Corp. (formerly known as Sun-Times Media Group) and its subsidiaries. In return for payment by Torys of the settlement amount and Torys agreement that it will not file any claims against the estates of any of the Applicants, Hollinger is seeking a Court ordered release in favour of Torys and its past, present and future partners, employees, directors, officers, affiliates, agents, advisors, insurers and their predecessors, successors and assigns (collectively, the "Torys Releasees"). The intent of the release is to eliminate any basis for any direct or indirect claim by any Person against the Torys Releasees in any way relating to the subject matter of the Torys Settlement, save and except claims based on a final judgment that a plaintiff suffered damages or, if under civil law, prejudice as a direct result of the plaintiff's reliance on express fraudulent misrepresentation made by any or all of the Torys Releasees or their agents when any or all the Torys Releasees had actual knowledge that the misrepresentations was false.

The Settlements and the Settlement Approval Orders sought contain terms and provisions that may compromise, limit or release certain of your rights. Please consult the Settlement Document Package for more details at the Monitor's website www.ey.com/ca/hollinger.

This Notice is being published pursuant to an Order of the Superior Court of Justice (the "Court") made ►, 2010 (the "Service and Notice Procedure Order"). This Notice has been approved by the Court pursuant to the Service and Notice Procedure Order. A copy of this Notice will be sent to Creditors and Defendants (as defined in the Service and Notice Procedure Order) on or before ►, 2010 in accordance with the Service and Notice Procedure Order. Persons may obtain a Settlement Document Package, including the forms of the Settlement Approval Orders, further details of the KPMG Settlement Agreement and the Torys Settlement Agreement and a form of Notice of Appearance (the "Notice of Appearance"), from the Monitor's website at www.ey.com/ca/hollinger.

Motions for approval and implementation of the Settlements including for the barring and release of certain claims (the "Settlement Approval Motions") have been scheduled with the Court in Toronto to be heard on ►, 2010. If you wish to attend and be heard at the Settlement Approval Motions on ►, 2010, a Notice of Appearance must be submitted by pre-paid ordinary mail, courier, email or fax to the Monitor and its counsel, Lenczner Slaght Royce Smith Griffin LLP, at the following addresses:

Ernst & Young Inc.
Court-appointed Monitor of Hollinger Inc. and
others
222 Bay Street
Toronto, ON M5K 1J7

Attention: Christopher Mediratta
Email: christopher.mediratta@ca.ey.com
Fax: (416) 943-3300

Lenczner Slaght Royce Smith Griffin LLP
Lawyers for the Monitor of Hollinger Inc. and
others
130 Adelaide Street West, Suite 2600
Toronto, Ontario M5H 3P5

Attention: Peter Griffin
Matthew Lerner
Email: pgriffin@litigate.com
mlerner@litigate.com
Fax: 416-865-9010

All Notices of Appearance must be received by the Monitor and its counsel by noon (EST) on ►, 2010 (the "Notice of Appearance Bar Date"). It is your responsibility to ensure that the Monitor and its counsel receive your Notice of Appearance by the Notice of Appearance Bar Date if you wish to appear and be heard. If you file a Notice of Appearance by the Notice of Appearance Bar Date you must be represented in person or through legal counsel at your own expense with respect to the Settlement Approval Motion and any other proceedings regarding the Settlements in which you wish to participate.

PERSONS WILL BE BOUND BY ALL TERMS OF THE SETTLEMENT APPROVAL ORDERS AND WILL BE BARRED AND ENJOINED FROM OBJECTING TO, DISPUTING IN ANY MANNER WHATSOEVER, APPEALING OR MOVING TO SET ASIDE OR VARY THE SETTLEMENTS OR THE SETTLEMENT APPROVAL

ORDERS IF A NOTICE OF APPEARANCE IS NOT RECEIVED BY THE MONITOR AND ITS COUNSEL ON OR BEFORE THE NOTICE OF APPEARANCE BAR DATE AND SUCH PERSON DOES NOT ATTEND IN PERSON OR BY LEGAL COUNSEL AT THE SETTLEMENT APPROVAL MOTION TO BE HEARD ON ►, 2010 AT THE COURTHOUSE, 8TH FLOOR, 330 UNIVERSITY AVENUE, TORONTO, ONTARIO.

DATED at Toronto this ► day of ►, 2010.

- 15 -

SCHEDULE "B"

(NOTICE OF APPEARANCE FORM ATTACHED)

**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

NOTICE OF APPEARANCE

TO: ERNST & YOUNG INC.
Court-appointed Monitor of Hollinger Inc, and
others
222 Bay Street
Toronto, Ontario
Canada M5K 1J7

AND TO: LENCZNER SLAGHT ROYCE
SMITH GRIFFIN LLP
Lawyers for the Monitor of Hollinger Inc. and
others
130 Adelaide Street West
Suite 2600
Toronto, Ontario
Canada M5H 3P5

Attention: Christopher Mediratta
Phone: 1-888-788-9099
Email: christopher.mediratta@ca.ey.com
Fax: (416) 943-3300

Attention: Peter Griffin
Matthew Lerner
Email: pgriffin@litigate.com
mlerner@litigate.com
Fax: (416) 865-9010

I, _____ (please check at least one of the following boxes as applicable: (insert name))

- ☐ am a Creditor of the Applicants or the Non-Applicants;
- ☐ am an officer of a Creditor.
- ☐ am a current or former Shareholder of Hollinger Inc.;
- ☐ am a Defendant; or
- ☐ am another affected Person;

Under the Order of Mr. Justice Campbell dated ►, 2010, Persons who wish to appear and be heard on the motions currently scheduled for ►, 2010 (the "Settlement Approval Motions") to approve the settlements described in the Notice sent to such parties (the "Settlements") may do so by filing this Notice of Appearance with the Monitor and Lenczner Slaght Royce Smith Griffin LLP by way of fax/email/regular mail/courier provided that such Notice of Appearance is received by the Monitor and its counsel on or before noon (EST) on December 3, 2010.

I hereby notify the Monitor that: (a) I intend to appear at the Settlement Approval Motions; and (b) I will appear in person or through my own counsel at my own expense at the Settlement Approval Motions and to the extent I wish to appear in any other proceedings relating to the Settlements.

Failure to file a Notice of Appearance with the Monitor and its counsel on or before noon (EST) on December 3, 2010 will result in you being bound by all terms of the Settlement Approval Orders and in you being forever barred and enjoined from objecting to, opposing, disputing in any manner whatsoever, appealing or moving to set aside or vary the Settlements, the KPMG Settlement Agreement and the Torys Settlement Agreement and the Settlement Approval Orders.

Date

Signature

My contact information for service is as follows:

My lawyer's address for service is as follows:

(please insert an email address for service or a street address if you do not have an email address)

(please complete the above information for the lawyer, if any, you have retained to represent you at the Settlement Approval Motion)

My contact phone number is as follows:

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)

Proceedings commenced at Toronto

SERVICE AND NOTICE PROCEDURE ORDER
(NOVEMBER 12, 2010)

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

Robert I. Thornton (LSUC# 24266B)
Kyla E.M. Mahar (LSUC# 44182G)
Tel: 416-304-0594
Fax: 416-304-1313

Solicitors for the Applicants and the Non-Applicants

TAB 4

**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
(Sworn on November 1, 2010)**

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., Chief Restructuring Officer of the Applicants and the Non-Applicants (as defined herein). 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, as amended by the Order of this Honourable Court dated July 3, 2008, (the "**Multi-Party Settlement 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., 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 myself are referred to herein as the “CRO”.

Purpose

4. I swear this Affidavit in support of this motion to approve, among other things:
 - (a) a service and notice process in respect of a motion (the “**Settlement Approval Motion**”) to be brought to approve certain settlements reached for the benefit of the Applicants and their stakeholders regarding certain claims and causes of action in favour of the Applicants and certain claims and possible claims against the Applicants (collectively, the “**Settlements**”), including approval of a form of notice to be given (the “**Notice**”);
 - (b) establishing a procedure for filing of a notice of intent to appear in a prescribed form (a “**Notice of Appearance**”) and approval of such form;
 - (c) the setting of a bar date to file a Notice of Appearance (the “**Notice of Appearance Bar Date**”) in respect of the Settlement Approval Motion; and
 - (d) setting a hearing date for the hearing of the Settlement Approval Motion.

Litigation Assets

5. Pursuant to the Multi-Party Settlement Order, John D. Ground, Q.C. (retired judge) was appointed as an officer of this Honourable Court to be the Litigation Trustee (the “**Litigation Trustee**”) over and in respect of all claims and causes of action in favour of the Applicants (collectively, the “**Litigation Assets**”).
6. The Multi-Party Settlement Order empowered, authorized and directed the Litigation Trustee and myself to, among other things, initiate, prosecute and continue the prosecution of any and all proceedings and to defend, then pending or thereafter instituted, proceedings with respect to the Applicants and any of their property and undertaking and to settle or compromise any such proceedings.
7. The Litigation Assets include claims and causes of actions asserted against a number of parties, including, without limitation, against:
 - (a) KPMG LLP Canada, KPMG LLP (U.S.) and all other member firms of KPMG International and their related or affiliated entities (collectively, “**KPMG**”); and
 - (b) Torys LLP (Ontario) and Torys LLP (New York) (collectively, “**Torys**”).

Settlements

8. A settlement has been reached among Hollinger Inc. (“**Hollinger**”), the Litigation Trustee and Torys pursuant to a settlement agreement dated March 26, 2010 (the “**Torys Settlement Agreement**”). In addition to the settlement of the claims and causes of action referred to in paragraph 7(b) above, the Torys Settlement Agreement includes Torys’ agreement that it will not file any claims against the Applicants. A redacted copy of the Torys Settlement Agreement is attached hereto as Exhibit “A”. An unredacted

copy of the Torys Settlement Agreement is attached to the Affidavit being provided to this Honourable Court and a sealing Order is being sought in respect thereof.

9. Hollinger issued a press release announcing the Torys Settlement Agreement on July 15, 2010. A copy of the press release issued by Hollinger on July 15, 2010 is attached hereto as Exhibit "B".
10. A settlement has also been reached among Hollinger, the Litigation Trustee and KPMG pursuant to a settlement agreement dated October 1, 2010 (the "**KPMG Settlement Agreement**"). In addition to the claims and possible claims referred to in paragraph 7(a) above, the KPMG Settlement Agreement includes the withdrawal and waiver of KPMG's claims against the Applicants. A redacted copy of the KPMG Settlement Agreement is attached hereto as Exhibit "C". An unredacted copy of the KPMG Settlement Agreement is attached to the Affidavit being provided to this Honourable Court and a sealing Order is being sought in respect thereof.
11. Hollinger issued a press release announcing the KPMG Settlement Agreement on October 6, 2010. A copy of the press release issued by Hollinger on October 6, 2010 is attached hereto as Exhibit "D".

Service and Notice Process

12. The service and notice process proposed by the Applicants is intended to ensure that all persons who may have an interest in the Settlements or who may be affected by the proposed Settlement Approval Orders are provided with adequate notice of the Settlement Approval Motion and with the opportunity to appear and be heard on such

motion, failing which such persons will, among other things, be bound by the terms of the Settlement Approval Orders.

Notice

13. The process contemplates that a Notice in the form attached hereto as Exhibit "E" will be distributed and published in the following manner:
 - (a) A copy of the Notice will be posted by the Monitor on its website at www.ev.com/ca/hollinger along with a copy of the Notice of Appearance, the Applicants' Motion Record, including a redacted copy of the KPMG Settlement Agreement and a redacted copy of the Torys Settlement Agreement, the draft Settlement Approval Orders, the Fourteenth Report of the Monitor, the Service and Notice Procedure Order and such other materials as the Monitor or I may consider appropriate or desirable (collectively, the "**Settlement Document Package**") as soon as practicable but in any event within two days following the making of the Service and Notice Procedure Order;
 - (b) The Monitor, with my assistance, will send a copy of the Notice to each of the Creditors (as defined in the Service and Notice Procedure Order) to the address provided in their proof of claim filed in accordance with the Claims Order or Non-Applicant Claims Order, as applicable, as soon as practicable but in any event no later than seven days following the making of the Service and Notice Procedure Order;
 - (c) The Monitor, with the assistance of the CRO, will send a copy of the Notice to each of the Defendants (as defined in the Service and Notice Procedure Order) at

their last known address, if any, according to the records of the Applicants as soon as practicable but in any event no later than seven days following the making of the Service and Notice Procedure Order; and

- (d) The Monitor will publish the Notice in *The Globe and Mail* (National Edition) and the *Wall Street Journal* as soon as practicable but in any event no later than seven days following the making of the Service and Notice Procedure Order.

- 14. I am of the view that the distribution and the publication of the Notice in the manner set out above will provide sufficient and timely notice to any person who may have an interest in the Settlements or who may be affected by the proposed Settlement Approval Orders to submit their intention to appear and be heard at the Settlement Approval Motion by the Notice of Appearance Bar Date described below.

Notice of Appearance Bar Date

- 15. The process proposed requires that any person wishing to appear at the Settlement Approval Motion must deliver a Notice of Appearance to the Monitor with a copy to the Monitor's counsel.
- 16. The Applicants have proposed a Notice of Appearance Bar Date of noon (EST) on December 3, 2010 for the delivery of Notices of Appearance to the Monitor. This provides two weeks from the date the Notice is published in the newspapers and sent out to the Creditors and Defendants for interested persons to file a Notice of Appearance if they wish to attend and be heard at the Settlement Approval Motion.

17. Within two days following the Notice of Appearance Bar Date, the Monitor will provide the Service List with a list of Notices of Appearance received that have not been withdrawn.
18. If a person does not deliver a Notice of Appearance to the Monitor on or before the Notice of Appearance Bar Date, that person: (a) shall not be entitled to appear or be heard at the Settlement Approval Motion or to receive any further notice of, or materials or documentation relating to, arising out of, or in conjunction with, the Settlement Approval Motion; (b) shall be bound the terms of the Settlement Approval Orders, if granted, and all other related Orders as may be subsequently made in these proceedings; and (c) shall be forever barred and enjoined from making any objection or opposition to, disputing in any manner whatsoever or appealing or moving to set aside or vary the Settlement Approval Orders, the KPMG Settlement Agreement, the Torys Settlement Agreement or any other documents, Orders or proceedings with respect to, arising out of, or in connection with the Settlement Approval Motion, the Settlement Approval Orders, the KPMG Settlement Agreement and the Torys Settlement Agreement.

Settlement Approval Motion

19. The Applicants propose that the Settlement Approval Motion be scheduled to be heard by this Honourable Court on January 14, 2011 subject to confirmation of the Honourable Justice Campbell's availability.

Sealing Order Requested

20. The Litigation Trustee and I continue to deal with other Litigation Assets including, without limitation, considering the possibility of settling or compromising proceedings

relating to the Litigation Assets where appropriate.

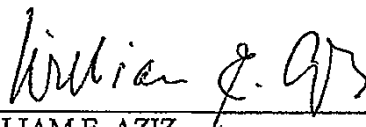
21. A sealing order is being requested with respect to my unredacted Affidavit filed with this Honourable Court which includes unredacted copies of the Torys Settlement Agreement and the KPMG Settlement Agreement at Exhibits "A" and "C", respectively.
22. In my view, disclosure of the commercially sensitive terms contained in the Settlements could undermine the Litigation Trustee and my dealings with the remaining Litigation Assets including, without limitation, any possible settlements the Litigation Trustee may reach in respect of any of the remaining Litigation Assets.

Conclusion

23. In my view, the proposed notice and service process provides a simplified and streamlined process for notification of the Settlements to any person who may possibly be affected by the Settlement Approval Orders being sought and for such person to appear and be heard at the Settlement Approval Motion if they desire to do so.
24. Based on the foregoing, the CRO recommends that this Honourable Court grant the relief sought as particularized in the draft Service and Notice Procedure Order contained in the Applicants' Motion Record.

SWORN before me at the City of Toronto,
in the Province of Ontario, this 1st day of
November, 2010.


Commissioner for Taking Affidavits


WILLIAM E. AZIZ

TAB A

RELEASE AND SETTLEMENT AGREEMENT

THIS RELEASE AND SETTLEMENT AGREEMENT (this "Agreement") made as of the 26th day of March, 2010 between Torys LLP, an Ontario limited liability partnership, Torys LLP, a New York limited liability partnership (collectively, along with any predecessor partnerships "Torys") and Hollinger Inc. ("Hollinger") a corporation incorporated under the *Canada Business Corporations Act*, R.S. 1985 c.C-44 (together, the "Parties"); and

WHEREAS, in or about December 2005, Hollinger advised Torys of an intention to commence legal proceedings against Torys, in respect of Torys having given advice and conducted legal work for Hollinger and related persons and entities (the "Intended Action"); and

WHEREAS, pursuant to an agreement to mediate dated as of December 8, 2005 and subsequently extended by agreements dated November 30, 2006, November 22, 2007 and December 12, 2008 (collectively the "Mediation Agreement") the Parties agreed, *inter alia*, to mediate the Intended Action; and

WHEREAS, pursuant to an order of the Ontario Superior Court of Justice, Commercial List, (the "Court") dated August 1, 2007 (the "Initial CCAA Order") Hollinger, 432525 Canada Inc. and Sugra Limited (together the "CCAA Applicants"), were authorized to commence a proceeding pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 as amended ("CCAA") wherein the CCAA Applicants may file a plan of compromise and arrangement (a "Plan"); and

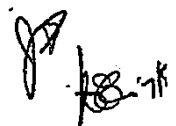
WHEREAS, pursuant to an order of the Court dated May 21, 2008 the CCAA Applicants obtained approval of a multi-party settlement and a cost reduction/asset enhancement program (the "MPS Order") wherein John D. Ground (retired Justice) was appointed as an officer of the Court to be the Litigation Trustee over and in respect of all claims and causes of action in favour of the CCAA Applicants, including the Intended Action; and

WHEREAS, pursuant to the MPS Order, the Litigation Trustee was empowered to initiate, prosecute and continue the prosecution of any and all proceedings then pending or thereafter instituted with respect to the CCAA Applicants including, *inter alia*, the power to settle or compromise any such proceeding, including the Intended Action; and

WHEREAS, the Parties engaged in a mediation process before George W. Adams (retired Justice) on March 23 and 24, 2010 (the "Mediation"); and

WHEREAS Torys denies that it has liability to Hollinger or has engaged in any wrongdoing; and

WHEREAS Torys has agreed to enter into this Agreement to resolve any potential liability to Hollinger and to reduce further expense, inconvenience and the distraction of burdensome and protracted litigation,

Handwritten signature and initials, possibly "JA" and "18-11", in the bottom right corner of the document.

NOW THEREFORE IN CONSIDERATION OF THE COVENANTS SET OUT BELOW AND OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH ARE ACKNOWLEDGED, AND SUBJECT TO THE PROVISIONS SET OUT HEREIN RESPECTING COURT APPROVAL OF THIS SETTLEMENT AND ITS MATERIAL TERMS, the Parties agree as follows:

1. *Payment by Torys of the Settlement Amount:* Torys shall pay, or cause to be paid by its agents, the sum of [REDACTED] (the "Settlement Amount") to Hollinger for the benefit of the Litigation Trustee. The Settlement Amount shall be paid as follows:

(a)

(b)

(c)

2. *Full and Final Release of Torys by the Hollinger Releasors:* Upon payment in full of the Settlement Amount, Hollinger, its past, present and future subsidiaries and divisions (including, without limiting the foregoing, 432525 Canada Inc., Sugra Limited, DomGroup Ltd. and 10 Toronto Street Ltd., but not including the Sun Times Media Group, Inc. and its subsidiaries (collectively referred to as "STMG"), all partnerships in which Hollinger or a wholly-owned subsidiary of Hollinger is the general partner and any corporation owned by such partnership, for

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themselves, their employees, servants, agents, heirs, administrators, successors, assigns and on behalf of any party or parties who claim a right or interest through them (collectively, the "Hollinger Releasors") do hereby fully, finally and forever, release, remise, acquit and forever discharge, without qualification or limitation, Torys and its past, present and future partners, employees, directors, officers, affiliates, agents, advisors, insurers and reinsurers, and their predecessors, successors and assigns (collectively the "Torys Releasees"), separately and jointly, of and from any and all rights, interests, obligations, debts, dues, sums of money, accounts, reckonings, damages, claims, actions, allegations, causes of action, counterclaims or demands whatsoever, whether known or unknown, in law or in equity, of whatever kind or character, suspected, fixed or contingent (collectively "Claims") that have been, that could be, or that could have been asserted by the Hollinger Releasors from the beginning of time through the date hereof (including without limitation any claim for contribution, indemnification, reimbursement or any other forms of claims over related to the subject matter of the Settled Claims that could be asserted on or after the date hereof by the Hollinger Releasors based on events occurring prior to and through the date hereof) against the Torys Releasees concerning (i) Torys' representation of the Hollinger Releasors or (ii) any allegations of injury to the Hollinger Releasors caused by Torys including, without limiting the generality of the foregoing all claims raised or which could have been raised in the Intended Action (collectively the "Settled Claims").

3. *Unknown Claims:* Without limiting the generality of paragraph 2 above, the Hollinger Releasors declare that the intent of the full and final release set out therein is to conclude all issues arising from the Settled Claims and it is understood and agreed that the release is intended to cover, and does cover, not only all known injuries, losses and damages, but all injuries, losses and damages not now known or anticipated but which may later develop or be discovered, including all the effects and consequences thereof. In addition, Torys agrees that it has not filed, and will not file, any claims against the estates of any of the Hollinger Releasors.

4. *Full and Final Releases of Torys by Third Parties:* It is the intent of the Parties that this Agreement and the terms of the Release Order will eliminate any basis for (i) any other party against whom any of the Hollinger Releasors has brought or in the future brings any Claims relating in any way to the subject matter of the Settled Claims; and (ii) any past or present shareholder, officer, director, creditor or subsidiary (other than STMG) of the Hollinger

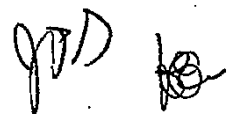
[Handwritten signatures]

Releasors (together the "Third Party Releasors"), from being able to claim contribution, indemnification, reimbursement or other forms of claims over from the Torys Releasees for such party's liability to the Hollinger Releasors or from bringing claims against the Torys Releasees relating in any way to the subject matter of the Settled Claims (the "Third Party Releases").

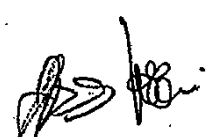
5. *Excepted Claims:* The Third Party Releases set out in paragraph 4 of this Agreement do not apply to an Excepted Claim (and only an Excepted Claim as defined herein) by a Third Party Releasor against Torys for damages. An "Excepted Claim" means a claim that is based on a final judgment that a Third Party Releasor suffered damages, or if civil law applies to an Excepted Claim, prejudice, as a direct result and solely as a result of such Third Party Releasor's reliance on an express fraudulent misrepresentation made by Torys or its agents to such Third Party Releasor when Torys had actual knowledge that the misrepresentation was false. For greater certainty an "Excepted Claim" does not include a claim by a Third Party Releasor against Torys for contribution and indemnity for such party's liability to the Hollinger Releasors.

6. *Release Order:* The Parties agree and acknowledge that the Third Party Releases are a material and integral term of this Agreement and that this Agreement is contingent upon the issuance of a Release Order that will give legal effect to the Third Party Releases as against the Third Party Releasors.

- (a) As soon as practicable after execution of this Agreement, Hollinger shall apply to the Court for approval of this Settlement ("Settlement Approval") and, subject to the consent of Torys acting reasonably, shall seek a Release Order as part of the Settlement Approval.
- (b) If a release order is not sought as part of the Settlement Approval or if the Court in its discretion declines to grant a Release Order in favour of Torys pursuant to a Settlement Approval, then Hollinger agrees to submit a Plan to its creditors, the terms of which shall include provisions to give effect to the Release Order and, as part of any Court approval of such plan ("Plan Approval"), shall seek a Release Order.



- (c) Any application to the Court for either Settlement Approval or Plan Approval pursuant to which a Release Order is sought, shall be brought on notice to all those against whom the Third Party Releases are intended to be effective, including but not limited to the following Third Party Releasers: Conrad M. Black, Barbara Amiel-Black, Peter Y. Atkinson, John A. Boulton, F. David Radler, Charles G. Cowan, Daniel W. Colson, Peter G. White, Maureen J. Sabia, Douglas G. Bassett, Allan E. Gottlieb, Henry Ketcham III, Fredrik S. Eaton, Ralph M. Barford, R. Donald Fullerton, KPMG LLP, the Canadian Imperial Bank of Commerce, the Toronto Dominion Bank, and the Bank of Nova Scotia.
- (d) The timing of any application to the Court for either Settlement Approval or Plan Approval pursuant to which a Release Order is sought shall be within the discretion of Hollinger and the Litigation Trustee acting reasonably with a view to giving the Third Party Releasers a reasonable opportunity to participate in the CCAA settlement process. If thought necessary or appropriate by Torys or the Litigation Trustee and Hollinger, all acting reasonably, Hollinger and the Litigation Trustee shall seek prior Court approval of any service and notice protocol in respect of obtaining any Release Order.
- (e) If an application for a Release Order has not been brought by December 31, 2010 (the "Application Deadline") then Torys may, within fifteen (15) days after the expiry of the Application Deadline, at its sole discretion, either (i) terminate this Agreement or (ii) select and notify Hollinger and the Litigation Trustee of an amended Application Deadline (the "Amended Application Deadline"). If Torys elects to select an Amended Application Deadline, that Amended Application Deadline shall replace the Application Deadline for all purposes of this Agreement.
- (f) If the Court declines to grant a Release Order pursuant to a Plan Approval then Torys may, at its sole discretion, terminate this Agreement within fifteen (15) days following the Court's decision becoming Final.
- (g) If Torys elects to terminate this Agreement pursuant to subparagraphs 6 (e) or (f), the Agreement shall, subject to the continuing obligations of the parties in respect of confidentiality, as set out in paragraph 7 of this Agreement, become null and void.



7. *Confidentiality and Publicity:* Except to the extent necessary to obtain a Release Order pursuant to Settlement Approval or Plan Approval, the terms of this Agreement including the Settlement Amount and the materials filed or disclosed in the Mediation (the "Mediation Materials") shall remain confidential and shall not be disclosed by either Party other than in communications with outside auditors, insurers, taxing authorities, regulatory or governmental agencies, in Torys' case to partners and former partners of Torys, in Hollinger's case to creditors that have signed binding and applicable confidentiality agreements, or as otherwise may be required by law.

For greater certainty, the Parties agree that:

- (a) for the purposes of enabling the Litigation Trustee to carry out his mandate by allowing the Third Party Releasers the opportunity to participate in the CCAA settlement process, Hollinger may disclose to such Third Party Releasers, on a confidential basis, (i) the fact of this Agreement (but not of the Settlement Amount), (ii) the identities of the Parties and (iii) the fact that Third Party Releases are being sought as a condition of this Agreement; and

(b)



Subject to the foregoing, Hollinger further agrees that it shall not publicize or comment upon any allegations against Torys related to the Settled Claims and shall not express any views as to the actions of Torys related to the Settled Claims. Any press release issued by either party announcing this Agreement will be written in accordance with this paragraph and will be subject to the consent of the other party, such consent not to be unreasonably withheld. This provision respecting confidentiality shall survive any termination of this Agreement.

8. *No Admission of Liability:* This Agreement does not in any manner constitute Torys' admission of liability, wrongdoing or any other matter and any and all liability and wrongdoing on the part of Torys is specifically denied.

997 10

9. *Remedies Upon Breach of this Agreement:* The Parties agree that a breach by either Party of any of its obligations hereunder would cause irreparable harm to the other non-breaching party for which money damages would not be an adequate remedy. Accordingly, the Parties agree that the non-breaching party shall be entitled to specific performance and injunctive and other equitable relief in the event the other party breaches any of its obligations hereunder.

10. *Governing Law:* This Agreement and any claim related directly or indirectly to this Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario.

11. *Counterparts and Delivery:* This Agreement may be signed in any number of counterparts, all of which together shall constitute one and the same instrument. This Agreement may be executed and delivered by fax transmission or by transmission in PDF or similarly electronic document format.

12. *Admissibility:* This Agreement may be filed and used in any action or proceeding as may be necessary to consummate, enforce or seek relief with respect to the Agreement. The Parties, and any predecessors or successors in interest may file and use this Agreement in any action to support a defence of res judicata, collateral estoppel, issue estoppel, release, good faith settlement, judgment bar, reduction, or any other theory of claim preclusion, issue preclusion, or similar defence or counterclaim. However, Hollinger agrees to redact all indications of amounts payable hereunder from any public filings and agrees to seek a sealing order in respect of the redacted information.

13. *Successors and Assigns:* Unless otherwise stated to the contrary elsewhere in this Agreement, this Agreement shall be binding upon, apply to, and inure to the benefit of the Parties, the Hollinger Releasers, the Torys Releasees and their respective successors and assigns.

14. *No Waiver:* Any failure by any party to insist upon the strict performance by the other party of any of the provisions of this Agreement shall not be deemed a waiver of any of the provisions hereof, and such party, notwithstanding such failure, shall have the right thereafter to insist upon strict performance of any and all of the provisions of this Agreement to be performed by such other party.



15. *Further Assurances*: The Parties shall take such further and other steps and execute such further and other documents as may reasonably be required to give effect to the terms of this Agreement.

16. *Notice*: Any notices required to be given under this Agreement shall be in writing and shall be made by fax transmission or email transmission to the fax numbers and e-mail addresses set out below:

Justice J. Ground
Litigation Trustee of Hollinger Inc. and Hollinger Inc.
c/o Thornton Grout Finnigan LLP
Suite 3200, Canadian Pacific Tower
100 Wellington Street West
Toronto-Dominion Centre
Toronto, Ontario M5K 1K7

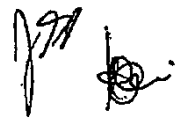
Attention: Robert I. Thornton, Michael Barrack or Megan Keenberg
Fax: (416) 304-1313
Email: mbarrack@tgf.ca or Mkeenbergt@tgf.ca

Torys LLP
Suite 3000, 79 Wellington St. W.
Box 270, TD Centre
Toronto, Ontario, M5K 1N2 Canada

Attention: Les M. Viner
Fax: (416) 865-7380
E-mail: lviner@torys.com

With a copy to: Borden Ladner Gervais LLP
Scotia Plaza, 40 King St. W.
Toronto, Ontario, M5H 3Y4

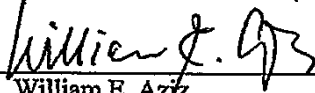
Attention: Ronald Foerster
Fax: 416-361-7055
Email: rfoerster@blgcanada.com

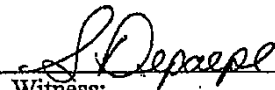
Handwritten signature and initials, possibly "JG" and "MK", in black ink.

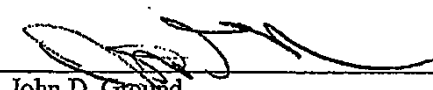
17. *Amendments:* This Agreement supersedes and replaces any and all prior negotiations, understandings, promises, representations, inducements and discussions, whether written or oral. This Agreement may not be changed or modified except in writing signed by both Torys and Hollinger.

18. *Authority to Enter into the Agreement:* The undersigned parties represent that they have the full authority necessary to execute this Agreement.

HOLLINGER INC.


Per: William E. Aziz
Chief Restructuring Officer


Witness: Seana Deprepe


John D. Ground
Litigation Trustee

Torys LLP (Ontario)

Per: Les M. Viner
Managing Partner

Torys LLP (New York)

Per: Les M. Viner
Managing Partner

17. *Amendments:* This Agreement supersedes and replaces any and all prior negotiations, understandings, promises, representations, inducements and discussions, whether written or oral. This Agreement may not be changed or modified except in writing signed by both Torys and Hollinger.

18. *Authority to Enter into the Agreement:* The undersigned parties represent that they have the full authority necessary to execute this Agreement.

HOLLINGER INC.

Per: William E. Aziz
Chief Restructuring Officer

Witness:

John D. Ground
Litigation Trustee

Torys LLP (Ontario)

Per: Les M. Viner
Managing Partner

Torys LLP (New York)

Per: Les M. Viner
Managing Partner

TAB B

Hollinger Inc.

Settlement of Claims Against Torys LLP

TORONTO, Ontario, July 15, 2010 – Hollinger Inc. ("Hollinger") announced today that it has entered into a settlement agreement with Torys LLP to resolve all claims against Hollinger's former law firm. The settlement entails no admission of liability on the part of Torys LLP. The terms of the settlement include releases in favour of Torys LLP from Hollinger and its subsidiaries, as well as from third parties involved in related Hollinger litigation. The settlement and the releases are subject to court approval, which will be sought on notice to other affected parties. The rest of the terms of the settlement agreement are confidential.

Hollinger and its subsidiaries, Sugra Ltd. and 4322525 Canada Inc., are currently subject to proceedings in Canada under the *Companies' Creditors Arrangement Act* (Canada) and in the United States under Chapter 15 of the U.S. *Bankruptcy Code*.

The securities of Hollinger are subject to a cease trade order issued by the Ontario Securities Commission on July 23, 2008. Hollinger's common shares and Series II preference shares were delisted from the Toronto Stock Exchange on August 22, 2008.

CONTACT INFORMATION

Media contact:

William E. Aziz
Chief Restructuring Officer
416.640.7122
baziz@hollingerinc.com

TAB C

October 1, 2010

RELEASE AND SETTLEMENT AGREEMENT

THIS RELEASE AND SETTLEMENT AGREEMENT (this "**Agreement**") is made as of the 1st of October, 2010, between KPMG LLP Canada, a limited liability partnership in Ontario, and Hollinger Inc., a corporation incorporated under the *Canada Business Corporations Act*, R.S.C. 1985 c. C-44 (together, the "**Parties**") and is subject to an Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") approving this Agreement substantially in the form of Order attached as Schedule "A" to this Agreement ("**Settlement Approval Order**");

WHEREAS, in or about November 2005, Hollinger Inc. advised KPMG LLP Canada of an intention to commence legal proceedings against KPMG LLP Canada in respect of KPMG LLP Canada having performed, *inter alia*, audit, tax and consulting services on behalf of Hollinger Inc. and related persons and entities (the "**Intended Action**"); and

WHEREAS, pursuant to an agreement to mediate dated as of November 25, 2005 (the "**Mediation Agreement**") a copy of which is attached to this Agreement as Schedule "B", the Parties agreed, *inter alia*, to mediate the Intended Action, the Mediation Agreement having expressly stated that the Intended Action was in respect of KPMG LLP Canada having given advice and conducted audit, tax and transaction advisory services work for Hollinger Inc. and related persons and that the Intended Action included any and all actions, suits, claims, causes of action, or demands, whether in Canada or elsewhere, whether known or unknown, which may be brought on behalf of Hollinger Inc., arising out of KPMG LLP Canada's aforementioned client relationship with Hollinger Inc., which claims include, without limiting the generality of the foregoing, breach of contract, breach of fiduciary duty and negligence; and

WHEREAS, pursuant to an Order of the Court dated August 1, 2007, (the "**Initial CCAA Order**") Hollinger, 4322525 Canada Inc. and Sugra Limited (together, the "**CCAA Applicants**"), were authorized to commence a proceeding pursuant to the *Companies'*

Creditors Arrangement Act, R.S.C. 1985 c. C-36 as amended (the "**CCAA**") wherein the CCAA Applicants may file a plan of compromise and arrangement (a "**Plan**"); and

WHEREAS, pursuant to an Order of the Court dated May 21, 2008, the CCAA Applicants obtained approval of a multi-party settlement and a cost reduction / asset enhancement program (the "**MPS Order**"), a copy of which is attached to this Agreement as Schedule "C", wherein the Honourable John D. Ground Q.C. (retired Justice) was appointed as an officer of the Court to be the Litigation Trustee over and in respect of all claims and causes of action in favour of the CCAA Applicants, including the Intended Action; and

WHEREAS, pursuant to the MPS Order, the Litigation Trustee was empowered to initiate, prosecute and continue the prosecution of any and all proceedings then pending or thereafter instituted with respect to the CCAA Applicants, including, *inter alia*, the power to settle or compromise any such proceeding, including the Intended Action; and

WHEREAS, the Parties engaged in a mediation process before the Honourable George W. Adams Q.C. on March 29 and March 30, 2010 (the "**Mediation**") with respect to the claims set out in the Mediation Agreement and Hollinger Inc.'s Mediation Brief and any and all other claims that Hollinger Inc. advanced on its own behalf and/or on behalf of any of its subsidiaries, affiliated and related entities, including, without limiting the generality of the foregoing, Sun Times Media Group Inc., its subsidiaries, predecessors and successors (collectively referred to as "**STMG**") that Hollinger ever had or may have against KPMG LLP Canada ("**Intended Claims**"); and

WHEREAS, KPMG LLP Canada denies that it has any liability to Hollinger Inc. and/or any of its subsidiaries, including, without limiting the generality of the foregoing, STMG, or has engaged in any wrongdoing;



NOW THEREFORE IN CONSIDERATION OF THE COVENANTS SET OUT BELOW AND THE REPRESENTATIONS IN THE RECITALS AND OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH ARE ACKNOWLEDGED, AND SUBJECT TO THE PROVISIONS SET OUT HEREIN RESPECTING COURT APPROVAL OF THIS SETTLEMENT AND ITS MATERIAL TERMS, the Parties agree as follows:

1. **Payment by KPMG LLP Canada of the Settlement Amount.** KPMG LLP Canada shall pay or cause to be paid by its agents, the sum of [REDACTED] (the "Settlement Amount") to Hollinger Inc. for the benefit of the Litigation Trustee (a) within thirty (30) business days following the issuance of the Settlement Approval Order, or (b) in the event of any appeal of the Settlement Approval Order, within thirty (30) business days following the determination of any appeals or the expiration of any appeal periods in relation to the Settlement Approval Order at which time the Settlement Approval Order shall, for the purposes hereof, be considered "Final", or (c) in the event the Court, in its discretion, declines to issue the Settlement Approval Order, within thirty (30) business days of the issuance of an order approving a Plan which order (the "Plan Approval Order") must contain protections substantially similar to, and not less than, those in favour of the KPMG Releasees (as defined below) in the Settlement Approval Order, or (d) in the event of any appeal of the Plan Approval Order, within thirty (30) business days following the determination of any appeals or the expiration of all appeal periods in relation to the Plan Approval Order at which time the Plan Approval Order shall, for the purposes hereof, be considered Final.
2. **Withdrawal of KPMG LLP Canada's claims against the CCAA Applicants:** Contemporaneously upon payment of the Settlement Amount, the KPMG Releasees, as defined below, shall and do hereby withdraw and waive any and all claims they have filed against the estates

of any of the CCAA Applicants, and the KPMG Releasees further agree that they shall not file any further claims against the estates of any of the CCAA Applicants or any of their subsidiaries.

3. **Hollinger Release:** Upon payment of the Settlement Amount, Hollinger Inc., its existing subsidiaries and divisions including, without limiting the generality of the foregoing, 4322525 Canada Inc., Sugra Limited, Domgroup Ltd., and 10 Toronto Street Ltd. (but not including STMG and its affiliated and related entities), all partnerships in which Hollinger Inc. or a subsidiary of Hollinger Inc. is the general partner and any corporation owned by such partnership, and in respect of each of the foregoing, their respective current officers, directors, employees, servants, agents, heirs, administrators, successors, assigns and on behalf of any person (as defined in the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c.B-3, as amended to the date hereof, "Person") who claims a right or interest through them, (collectively, "Hollinger") does hereby fully, finally and forever release, remise, acquit and forever discharge, without qualification or limitation, KPMG LLP Canada, KPMG LLP (U.S.), all other member firms of KPMG International and their related or affiliated entities and their respective past, present and future partners, officers, directors, employees, servants, agents, assigns, insurers and counsel (collectively, the "KPMG Releasees"), separately and jointly, of and from any and all rights, interests, obligations, debts, dues, sums of money, accounts, reckonings, damages, claims, actions, allegations, causes of action, counterclaims or demands whatsoever, whether known or unknown, in law or equity, of whatever kind or character, suspected, fixed or contingent (collectively "Claims") that have been, that could be, or that could have been asserted by Hollinger through to the date hereof (including without limitation any claim for contribution, indemnification, reimbursement or any other forms of claims over related to the subject matter of the Settled Claims (defined below) that could be asserted on or after the date hereof by Hollinger based on events occurring prior to and through the date



hereof) against the KPMG Releasees concerning (i) any and all professional services provided by KPMG LLP Canada including, but not limited to, audit, tax and consultation work on behalf of Hollinger, (ii) allegations of injury to Hollinger caused by KPMG LLP Canada, (iii) with respect to the Intended Claims (as set out in the Mediation Agreement and Hollinger Inc.'s Mediation Brief) and (iv) any and all other claims that Hollinger ever had or may have against the KPMG Releasees, including, but not limited to, any claims that may not have been set out in the Mediation Agreement or Hollinger Inc.'s Mediation Brief (collectively, the "Settled Claims").

4. **Unknown Claims:** Without limiting the generality of paragraph 3 above, Hollinger declares that the intent of the full and final release set out therein is to conclude all issues arising from the Settled Claims and it is understood and agreed that the Hollinger Release is intended to cover, and does cover, not only all known injuries, losses and damages, but all injuries, losses and damages not now known or anticipated but which may later develop or be discovered, including all the effects and consequences thereof.
 5. **Third Party Release and Bar Order in Favour of the KPMG Releasees:** It is the intent of the Parties that this Agreement and the terms of the Settlement Approval Order and / or the Plan Approval Order, as the case may be, will eliminate any basis for any direct or indirect claim by all former and present shareholders, former officers and directors, and all creditors, parents, subsidiaries, affiliates, and related parties of Hollinger, and including, without limitation, STMG and its past and present shareholders, and any other Person against the KPMG Releasees in any way relating to the subject matter of the Settled Claims or to Hollinger, in accordance with paragraphs 6 and 8 of the Settlement Approval Order (the "Release and Bar Provisions").
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6. **Excepted Claims:** The Release and Bar Provisions set out in paragraph 5 of this Agreement do not apply to an Excepted Claim (and only an Excepted Claim as defined herein) by a potential plaintiff against the KPMG Releasees for damages. An "Excepted Claim" means a claim that is based on a Final judgment that the plaintiff suffered damages, or if civil law applies to an Excepted Claim, prejudice, as a direct result of the plaintiff's reliance on express fraudulent misrepresentations made by any or all the KPMG Releasees or their agents when any or all the KPMG Releasees had actual knowledge that the misrepresentations were false.
7. **Additional Assurances:** The Parties agree and acknowledge that the Release and Bar Provisions of the Settlement Approval Order are material and integral terms of this Agreement and that this Agreement is contingent upon the issuance of the Settlement Approval Order or the Plan Approval Order as the case may be.
8. **Application for Court Approval:**
Within the six month period referred to below, Hollinger Inc. will apply to the Court for the Settlement Approval Order.

Hollinger Inc. will use its best efforts to secure the Release and Bar Provisions in any Plan Approval Order in the event an order approving a Plan is sought in respect of any of the CCAA Applicants. Any Plan proposed by any or all of the CCAA Applicants shall include provisions to give effect to the Release and Bar Provisions.

Any application to the Court for either the Settlement Approval Order or the Plan Approval Order shall be brought on notice to all those on the Service List in the CCAA Applicants' CCAA proceeding, and on notice to all the parties against whom the Release and Bar Provisions are intended to be effective, including but not limited to: Conrad M. Black, Barbara Amiel-Black, Peter Y. Atkinson, John A. Boulbee, F. David Radler, Charles G. Cowan, Daniel W. Colson, Peter G. White, Maureen J. Sabia,

10

Douglas G. Bassett, Allan E. Gottlieb, Henry Ketcham III, Fredrik S. Eaton, Ralph M. Barford, R. Donald Fullerton, Torys LLP, the Canadian Imperial Bank of Commerce, the Toronto Dominion Bank, the Bank of Nova Scotia, and STMG, its predecessors and successors.

The timing of the application to the Court for either the Settlement Approval Order or the Plan Approval Order is sought shall be within the discretion of Hollinger Inc. and the Litigation Trustee acting reasonably with a view to giving all interested parties a reasonable opportunity to participate in the CCAA settlement process, but in any event shall be made within six (6) months of the execution date of this Agreement or such longer period of time as the Parties may agree to. If thought necessary or appropriate by KPMG LLP Canada, the Litigation Trustee and Hollinger Inc., all acting reasonably, Hollinger Inc. and the Litigation Trustee shall seek prior Court approval of any service and notice protocol in respect of obtaining the Settlement Approval Order.

If the Court declines to grant the Settlement Approval Order and the Plan Approval Order, then KPMG may, in its sole discretion, terminate this Agreement within ten (10) days following the Court's decision becoming Final. If KPMG elects to terminate this Agreement pursuant to this paragraph, the Agreement shall, subject to the continuing obligations of the Parties in respect of confidentiality, as set out in paragraph 8 of this Agreement, become null and void.

9. **Confidentiality and Publicity:** Except to the extent necessary to obtain a the Settlement Approval Order or the Plan Approval Order, as the case may be, the terms of this Agreement including the Settlement Amount and the materials filed or disclosed in the Mediation (the "**Mediation Materials**") shall remain confidential and shall not be disclosed by either Party other than in communications with outside auditors, insurers, taxing authorities, regulatory or governmental agencies, in KPMG LLP Canada's

case to partners and former partners of KPMG LLP Canada, in Hollinger Inc.'s case to creditors that have signed binding and applicable confidentiality agreements, or as otherwise may be required by law.

For greater certainty, the Parties agree that, for the purposes of enabling the Litigation Trustee to carry out his mandate by allowing interested parties the opportunity to participate in the CCAA settlement process, Hollinger Inc. may disclose to such parties, on a confidential basis, (i) the fact of this Agreement (but not of the Settlement Amount), (ii) the identities of the Parties and (iii) the fact that the Release and Bar Provisions are being sought as a condition of this Agreement.

Subject to the foregoing, Hollinger Inc. further agrees that it shall not publicize or comment upon any allegations against KPMG LLP Canada related to the Settled Claims and shall not express any views as to the actions of KPMG LLP Canada related to the Settled Claims. Any press release issued by any Party hereto announcing this Agreement will be written in accordance with this paragraph and will be subject to the consent of the other Party, such consent not to be unreasonably withheld.

In the event KPMG LLP Canada in its sole discretion determines that it is necessary and/or appropriate to comment in a public forum with respect to any issue relating in any manner to the claims advanced against KPMG LLP Canada by the Litigation Trustee on behalf of Hollinger Inc., arising out of any press initiated by any Person relating to Hollinger Inc. or any of its subsidiaries, including STMG, KPMG LLP Canada will be at liberty to do so after consulting with the Litigation Trustee.

The provisions of this paragraph 9 respecting confidentiality shall survive any termination of this Agreement.

10. **No Admission of Liability.** This Agreement does not in any manner constitute KPMG LLP Canada's admission of liability, wrongdoing or any



other matter and any and all liability and wrongdoing on the part of KPMG LLP Canada or any KPMG Releasee is specifically denied.

11. **Remedies Upon Breach of this Agreement.** The Parties hereto agree that a breach by either Party of any of its obligations hereunder would cause irreparable harm to the other non-breaching Party for which money damages would not be an adequate remedy. Accordingly, the Parties agree that the non-breaching Party shall be entitled to specific performance and injunctive and other equitable relief in the event the other Party breaches any of its obligations hereunder.
12. **Governing Law.** This Agreement and any claim related directly or indirectly to this Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario.
13. **Counterparts and Delivery.** This Agreement may be signed in any number of counterparts, all of which together shall constitute one and the same instrument. This Agreement may be executed and delivered by fax transmission or by transmission in PDF or similarly electronic document format. However, Hollinger Inc. agrees to redact all indicators of amounts payable hereunder from any public filings and agrees to seek a sealing order in respect of the redacted information.
14. **Admissibility.** This Agreement may be filed and used in any action or proceeding as may be necessary to consummate, enforce or seek relief with respect to the Agreement. The Parties, and any predecessors or successors in interest may file and use this Agreement in any action to support a defence of *res judicata*, collateral estoppel, issue estoppel, release, good faith settlement, judgment bar, reduction, or any other theory of claim preclusion, issue preclusion, or similar defence or counterclaim.

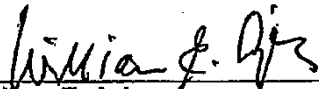


15. **Successors and Assigns:** Unless otherwise stated to the contrary elsewhere in this Agreement, this Agreement shall be binding upon, apply to, and inure to the benefit of the CCAA Applicants, the KPMG Releasees and their respective successors and assigns.
16. **No Assignments:** Hollinger Inc. has not assigned or otherwise transferred any of or part of the Intended Claims to any of its parents, subsidiaries, affiliated and related entities or any person or entity including, without limiting the generality of the foregoing, STMG.
17. **No Waiver:** Any failure by any Party hereto to insist upon the strict performance by the other Party of any of the provisions of this Agreement shall not be deemed a waiver of any of the provisions hereof, and such Party, notwithstanding such failure, shall have the right thereafter to insist upon strict performance of any and all of the provisions of this Agreement to be performed by such other Party.
18. **Further Assurances:** The Parties shall take such further and other steps and execute such further and other documents as may reasonably be required to give effect to the terms of this Agreement.
19. **Notice:** Any notices required to be given under this Agreement shall be in writing and shall be made by fax transmission or e-mail transmission to the fax numbers and e-mail addresses set out below:

The Honourable John D. Ground, Litigation Trustee of Hollinger Inc., and Hollinger Inc.	KPMG LLP Canada
c/o Thornton Grout Finnigan LLP Attention: Robert I. Thornton, Michael Barrack and Megan Keenberg	c/o Fraser Milner Casgrain LLP Attention: John Lorn McDougall or Norm Emblem
E-mail: rthornton@tgf.ca mbarrack@tgf.ca and mkeenberga@tgf.ca	E-mail: john.lorn.mcdougall@fmc-law.com and norm.emblem@fmc-law.com
Fax: (416) 304-1313	Fax: (416) 863-4592

20. **Amendments:** This Agreement supersedes and replaces any and all prior negotiations, understandings, promises, representations, inducements and discussions, whether written or oral. This Agreement may not be changed or modified except in writing signed by both KPMG LLP Canada and Hollinger Inc.
21. **Authority to Enter into the Agreement:** The undersigned Parties represent that they have the full authority necessary to execute this Agreement.

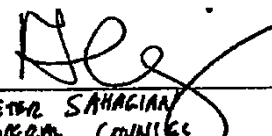
HOLLINGER INC. FOR ITSELF AND ON BEHALF
OF ALL OTHER CCAA APPLICANTS AND THEIR
SUBSIDIARIES OTHER THAN SUN TIMES
MEDIA GROUP, INC., AND ITS SUBSIDIARIES

Per: 
Name: William E. Aziz
Title: Chief Restructuring Officer

The Honourable John D. Ground
Litigation Trustee

Witness to the signature of The
Honourable John D. Ground

KPMG LLP CANADA

Per: 
Name: Peter Sahagian
Title: General Counsel
I am an authorized signatory

20. **Amendments:** This Agreement supersedes and replaces any and all prior negotiations, understandings, promises, representations, inducements and discussions, whether written or oral. This Agreement may not be changed or modified except in writing signed by both KPMG LLP Canada and Hollinger Inc.
21. **Authority to Enter into the Agreement:** The undersigned Parties represent that they have the full authority necessary to execute this Agreement.

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

Per: William E. Aziz
Name: William E. Aziz
Title: Chief Restructuring Officer

The Honourable John D. Ground
Litigation Trustee

Witness to the signature of The
Honourable John D. Ground

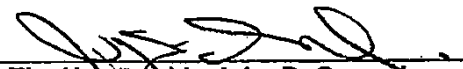
KPMG LLP CANADA

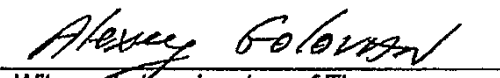
Per: _____
Name: _____
Title: _____
I am an authorized signatory

20. **Amendments:** This Agreement supersedes and replaces any and all prior negotiations, understandings, promises, representations, inducements and discussions, whether written or oral. This Agreement may not be changed or modified except in writing signed by both KPMG LLP Canada and Hollinger Inc.
21. **Authority to Enter into the Agreement:** The undersigned Parties represent that they have the full authority necessary to execute this Agreement.

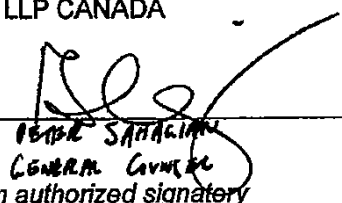
HOLLINGER INC. FOR ITSELF AND ON BEHALF
OF ALL OTHER CCAA APPLICANTS AND THEIR
SUBSIDIARIES OTHER THAN SUN TIMES
MEDIA GROUP, INC., AND ITS SUBSIDIARIES

Per: _____
Name: **William E. Aziz**
Title: **Chief Restructuring Officer**


The Honourable John D. Ground
Litigation Trustee


Witness to the signature of The
Honourable John D. Ground

KPMG LLP CANADA

Per: 
Name: **PETER SAHAGIAN**
Title: **GENERAL COUNSEL**
I am an authorized signatory

- 12 -

SCHEDULE "A"

Settlement Approval Order

A handwritten signature or mark, possibly a stylized 'S' or a similar symbol, located in the bottom right corner of the page.

Schedule "A"

September 3, 2010 Draft

Court File No. 07-CL-7120

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE

MR. JUSTICE CAMPBELL

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)
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the th

DAY OF , 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
(KPMG Settlement Approval)**

THIS MOTION brought by the Applicants for an Order approving the release and settlement agreement between Hollinger Inc. and KPMG LLP Canada dated September 3, 2010 (the "KPMG Release and Settlement Agreement") and for Orders releasing and barring claims against the released parties (the "KPMG Releasees" as more particularly defined below) was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Motion Record of the Applicants dated 3, 2010, and on hearing the submissions of counsel for the Applicants, KPMG LLP Canada and 3,



1. **THIS COURT ORDERS AND DECLARES** that the Service Protocol Order, dated September 1, 2010, respecting the service protocol for this motion has been complied with.

Approval of the KPMG Release and Settlement Agreement

2. **THIS COURT ORDERS** that the KPMG Release and Settlement Agreement is hereby approved in its entirety and that the parties thereto (the "Parties") are hereby bound by this Order and by the KPMG Release and Settlement Agreement and are authorized and directed to comply with their obligations thereunder, including, without limitation, to make the payment provided for therein.
3. **THIS COURT DECLARES** that the compromises, arrangements, exculpations, releases, discharges and injunctions contemplated in the KPMG Release and Settlement Agreement and, in particular, those granted by and for the benefit of the KPMG Releasees, are integral components of the settlement between Hollinger Inc. and KPMG LLP Canada and the KPMG Release and Settlement Agreement and are necessary for, and vital to, the success of the settlement between Hollinger Inc. and KPMG LLP Canada and that, effective on the release of this Settlement Approval Order, all such compromises, arrangements, exculpations, releases, discharges and injunctions as set out in the KPMG Release and Settlement Agreement and this Settlement Approval Order are hereby sanctioned, approved and given full force and effect in accordance with and subject to their respective terms and conditions as approved by this Settlement Approval Order.

Release by KPMG Releasees

4. **THIS COURT ORDERS AND DECLARES** that any and all claims filed by the KPMG Releasees in these proceedings be and are hereby extinguished and that the KPMG Releasees are hereby forever barred from asserting or advancing any claim in this proceeding, directly or indirectly against the Applicants or any of their subsidiaries and all such claims are hereby waived.

Release by Hollinger

5. **THIS COURT ORDERS AND DECLARES** that each of the Applicants and their past, present and future subsidiaries and divisions including, without limitation, (a) 4322525 Canada Inc., Sugra Limited, Domgroup Ltd. and 10 Toronto Street Ltd. (but not including the Sun Times Media Group, Inc. and its subsidiaries, collectively, "STMG"), (b) all partnerships in which any of the Applicants or any subsidiary thereof is the general partner and any corporation owned by such partnership, and (c) in respect of each of the foregoing, their respective current officers, directors, employees, servants, agents, assigns, successors, heirs, administrators, insurers and any person (as defined in the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-1, as amended to the date hereof, "Person") who claims a right or interest through any of them ((a) to (c) collectively, "Hollinger") does hereby irrevocably and unconditionally fully and finally release, remise, acquit and forever discharge, without qualification or limitation, KPMG LLP Canada, KPMG LLP (U.S.), all other member firms of KPMG International and their related or affiliated entities and their respective past, present and future partners, officers, directors, employees, servants, agents, assigns, insurers and counsel (collectively, the "KPMG Releasees") separately and jointly, of and from all

8

rights, interests, obligations, debts, dues, sums of money, accounts, reckonings, damages, claims, actions, allegations, causes of action, counterclaims or demands whatsoever, whether known or unknown, in law or equity, of whatever kind or character, suspected, fixed or contingent, that have been, that could be, or that could have been asserted by Hollinger through to and including the date of the KPMG Release and Settlement Agreement (including, without limitation, any claim for contribution, indemnification, reimbursement or any other form of claim over related to the subject matter of the Settled KPMG Claims (as defined below) that could be asserted on or after the date of the KPMG Release and Settlement Agreement by Hollinger based on events occurring prior to and through the date thereof) against the KPMG Releasees concerning (i) any and all professional services provided by the KPMG Releasees including but not limited to audit, tax and consultation work on behalf of Hollinger; (ii) allegations of injury to Hollinger caused by the KPMG Releasees; (iii) any Settled Claims, as defined in the KPMG Release and Settlement Agreement; and (iv) any and all other claims that Hollinger ever had or may have against the KPMG Releasees ((i) and (iv) collectively the "Settled KPMG Claims").

Third Party Releasees

6. **THIS COURT ORDERS AND DECLARES** that all former and present shareholders, former officers and directors, and all creditors, parents, subsidiaries, affiliates, and related parties of Hollinger, and including, without limitation, STMG and its past and present shareholders, and any other Person (collectively, the "Third Party Releasees") hereby release, remise, acquit and forever discharge, without qualification or limitation, the KPMG Releasees, separately and jointly, of and from any and all direct and indirect claims

(contingent, liquidated or unliquidated, proven or unproven, known or unknown, in the nature of damages or otherwise, whether or not asserted and whether arising by contract, agreement, under statute, civil law, common law, or in equity, or otherwise in any jurisdiction) including, without limitation, for contribution, indemnification, reimbursement or other form of claim over against the KPMG Releasees for any liability to or in favour of any party against whom Hollinger has brought or in the future brings any claims against the KPMG Releasees relating in all cases in any way to the subject matter of the KPMG Settled Claims or to Hollinger.

Restriction

7. **THIS COURT ORDERS AND DECLARES** that notwithstanding the foregoing, the releases provided for in paragraphs 3, 4, 5 and 6 do not apply to a claim based on a final judgment that a plaintiff suffered damages, or if civil law applies to such claim, prejudice, as a direct result of such plaintiff's reliance on express fraudulent misrepresentations made by KPMG or its agents, when KPMG had actual knowledge that the misrepresentations were false.

Bar Orders

8. **THIS COURT ORDERS** that, without limiting the effect or validity of any provision of this Settlement Approval Order, all Third Party Releasers are permanently and forever barred, estopped, stayed and enjoined from commencing, conducting or continuing in any manner, directly or indirectly, any action, suits or demands, including without limitation, by way of contribution or indemnity or other relief, in common law, or in equity, or under the provisions of any statute or regulation, or other proceedings of any nature or kind whatsoever



(including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against the KPMG Releasees or any of them in relation to or otherwise in connection with the subject matter of the KPMG Settled Claims or Hollinger. Without limiting the foregoing and for greater certainty, the provisions of this paragraph apply to the claims against the KPMG Releasees or any of them that have been brought in the following proceedings:

- (a) Ontario Superior Court of Justice (Commercial List) Court File No. CV-08-00007549-00CL, entitled *Moffat Management Inc. et al. v. Sun-Times Media Group, Inc. et al.*; and
- (b) Ontario Superior Court of Justice (Commercial List) Court File No. 06-CL-6259, entitled *Conrad M. Black et al. v. Atlas Corporation Limited et al.*

9. **THIS COURT ORDERS AND DECLARES** that each and every Third Party Releasor is hereby permanently and forever barred, stopped, stayed and enjoined, as of the date of this Order, from: (i) enforcing, seeking, attaching, collecting or otherwise recovering or enforcing by any manner or means, directly or indirectly, any judgment, award, decree, or order against the KPMG Releasees or their property in respect of any claims relating in any way to the KPMG Settled Claims; or (ii) taking any action to interfere with the implementation and consummation of the KPMG Release and Settlement Agreement.

Recognition and Enforcement

10. **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

DRAFT

102

Schedule "A"

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
(KPMG Settlement Approval)

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

Robert I. Thornton (LSUC #24266B)
D.J. Miller (LSUC #34393P)

Tel: (416) 304-1616

Fax: (416) 304-1313

Solicitors for the Applicants

- 13 -

SCHEDULE "B"

Mediation Agreement

A handwritten signature or set of initials, possibly "J. B.", located in the bottom right corner of the page.

IN THE MATTER OF A MEDIATION TO BE CONDUCTED, PURSUANT TO SECTION 11, OF
THE *Limitations Act*, 2002, S.O. 2002, c.24, Sch. B.

BETWEEN:

HOLLINGER INC.

INTENDED PLAINTIFF

-and-

KPMG LLP

INTENDED DEFENDANT

AGREEMENT TO MEDIATE

1. PARTIES and INTENDED ACTION

- (a) The parties, Hollinger Inc. (the "Intended Plaintiff") and KPMG LLP Canada ("KPMG" or the "Intended Defendant") agree to enter into an agreement (the "Agreement") pursuant to section 11 of the *Limitations Act* 2002, S.O. 2002 c. 24, Sch.B, (the "*Limitations Act*");
- (b) The terms of this Agreement arise out of acknowledgement by KPMG of an intention expressed by Hollinger Inc. to commence legal proceedings (the "Intended Action") against KPMG, in respect of KPMG having given advice and conducted audit, tax and transaction advisory services work for Hollinger Inc. and related persons;
- (c) Hollinger Inc. has advised KPMG that, the Intended Action includes any and all actions, suits, claims, causes of action, or demands, whether in Canada or elsewhere, whether known or unknown, which may be brought on behalf of Hollinger Inc., arising out of KPMG's aforementioned client relationship with Hollinger Inc., which claims include, without limiting the generality of the foregoing, breach of contract, breach of fiduciary duty and negligence.

2. LIMITATIONS

- (a) The parties herein wish to arrive at a mutually acceptable resolution of the Intended Action in a co-operative manner, and accordingly, wish to conduct a mediation pursuant to section 11 of the *Limitations Act*. The parties agree that the execution of this Agreement evidences a bona fide intention to mediate the issues arising out of the Intended Action;
- (b) The parties agree that this Agreement will toll any limitation periods applicable to the Intended Action immediately upon the execution of this Agreement by all parties hereto, pursuant to section 11 of the *Limitations Act*;

- (c) The parties agree to forthwith appoint a mutually acceptable Mediator to commence the mediation referred to herein;
- (d) The parties agree that following the appointment of a Mediator, if a change of Mediator is agreed or becomes necessary for any reason, the appointment of a subsequent Mediator will not bring this Agreement to an end;
- (e) The parties agree to conduct the mediation contemplated by this Agreement in good faith, in a forthright and expeditious manner, and to make a serious attempt to settle the Intended Action.

3. MEDIATION

- (a) It is understood that in order for mediation to work, open and good faith communications are essential. Accordingly, all written and oral communications, negotiations, and statements made in the course of the mediation will be treated as privileged settlement discussions and absolutely confidential and without prejudice. Therefore:
 - (i) the parties agree that all communications and documents shared, which are not otherwise discoverable, shall be without prejudice and shall be kept confidential as against the outside world, and shall not be used for any purpose other than the mediation under this Agreement;
 - (ii) the Mediator, as a condition to his/her appointment, must agree to preserve the confidentiality of the mediation and all information disclosed in connection with the mediation;
 - (iii) the Mediator shall not be compellable as a witness in any civil proceeding, and the Mediator's notes and records are inadmissible before the court in any civil proceeding;
 - (iv) this Agreement to Mediate shall be kept confidential save for any reporting obligation Hollinger Inc. or KPMG may have to an insurer, the O.S.C., or other authority. In the event that disclosure of this Mediation Agreement is required, the form and extent of disclosure will be subject to the prior review of the parties.
- (b) The mediation will be attended by representatives of the parties empowered to negotiate on their behalf;
- (c) The mediation will be private, and will be held on dates to be mutually agreed upon by the parties in conjunction with the Mediator appointed pursuant to the terms of this Agreement;
- (d) The mediation shall be conducted pursuant to the laws of Ontario and the laws of Canada;
- (e) While both parties intend to continue with mediation until a settlement agreement is reached, it is understood that either or both parties may, for any reason and in their sole discretion, withdraw in writing from mediation at any time, the effect of which will be to recommence the running of any limitation periods applicable to the Intended Action;

- (f) The parties agree that, in the event of the failure of the mediation and the inability of the parties to reach any settlement, all rights, causes of action and defences that they may have against each other arising from facts existing up to the present time are preserved and may be fully asserted as if the mediation had never occurred.

4. MEDIATOR

- (a) The Mediator:
 - (i) shall be independent from the parties and does not act as legal counsel for either party during the mediation and therefore shall not be required to offer legal advice and shall have no duty to assert or protect the legal rights of any party, to raise any issue not raised or to determine who should participate in the mediation;
 - (ii) shall be a neutral facilitator who will assist the parties to reach their own settlement; and
 - (iii) has no duty to ensure the enforceability or validity of any agreement reached.
- (b) The Mediator may disclose to any party any information provided by the other party which the Mediator believes to be relevant to the issues being mediated, unless a party has specifically requested the Mediator to keep particular information confidential;
- (c) The parties jointly and severally agree to indemnify and save the Mediator harmless from any and all liability, costs, claims, demands, proceedings and causes of action, howsoever arising under this Agreement or as a result of the conduct of the mediation and its consequences, provided that the Mediator has carried out his or her duties honestly;
- (d) The Mediator will not be liable to the parties for any act or omission in connection with the duties of the Mediator under this Agreement;
- (e) The appointment of the Mediator and any rights arising out this Agreement are personal to the Mediator and may not be assigned without the prior written consent of the parties herein.

5. MEDIATION BRIEFS

- (a) Each side will file a Mediation Brief with the Mediator appointed pursuant to the terms of this Agreement, and serve at least one copy thereof on the other side. The parties will agree, with due consideration to the scheduled mediation, on an appropriate timetable for serving their respective materials. The materials to comprise the Brief shall be in accordance with the directions of the Mediator.

6. ENTIRE AGREEMENT

- (a) This Agreement constitutes the entire agreement among the parties and except as herein stated, contains all of the representations and warranties of the respective parties. There are no oral representations or warranties among the



parties of any kind. This Agreement may not be amended or modified in any respect, except by written instrument signed by all the parties;

- (b) This Agreement may be executed in several counterparts, each of which so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument. Delivery of this Agreement may be made by facsimile transmission. A copy of this Agreement, duly executed in counterparts by the parties hereto and delivered by facsimile transmission shall constitute a valid and binding Agreement.

7. **SUCCESSORS and ASSIGNS**

- (a) This Agreement shall enure to the benefit of, and be binding upon, the parties hereto, their respective heirs, personal legal representatives, successors and assigns.

IN WITNESS WHEREOF the INTENDED PLAINTIFF has duly executed this Agreement as of the _____ day of November, 2005.

HOLLINGER INC.

Per: RC Benson
Name: Randall C. Benson
Title: Chief Restructuring Officer
I have the authority to bind the corporation

IN WITNESS WHEREOF the INTENDED DEFENDANT has duly executed this Agreement as of the _____ day of November, 2005.

KPMG LLP

Per: _____
Name: _____
Title: _____
I have the authority to bind the corporation



parties of any kind. This Agreement may not be amended or modified in any respect, except by written instrument signed by all the parties;

- (b) This Agreement may be executed in several counterparts, each of which so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument. Delivery of this Agreement may be made by facsimile transmission. A copy of this Agreement, duly executed in counterparts by the parties hereto and delivered by facsimile transmission shall constitute a valid and binding Agreement.

7. SUCCESSORS and ASSIGNS

- (a) This Agreement shall enure to the benefit of, and be binding upon, the parties hereto, their respective heirs, personal legal representatives, successors and assigns.

IN WITNESS WHEREOF the INTENDED PLAINTIFF has duly executed this Agreement as of the _____ day of November, 2005.

HOLLINGER INC.

Per: _____

Name: _____

Title: _____

I have the authority to bind the corporation

IN WITNESS WHEREOF the INTENDED DEFENDANT has duly executed this Agreement as of the 25th day of November, 2005.

KPMG LLP

Per: _____

Name: PETER SAHAGIAN

Title: GENERAL COUNSEL

I have the authority to bind the corporation partnership

-14-

SCHEDULE "C"

MPS Order





Court File No. 07-CL-7120

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE)
MR. JUSTICE CAMPBELL) WEDNESDAY, THE
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

- (e) 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

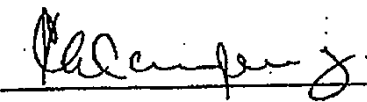
24. **THIS COURT ORDERS** that the Applicants be and are hereby authorized to purchase run-off insurance for the officers and directors of the Applicants as described in the Monitor's Seventh Report.

(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.


RECEIVED 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 proceeds. 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" heretofore 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**

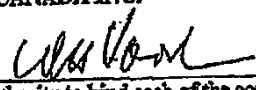
32. As part of the Court Approval order, Justice John D. Ground shall be appointed as an officer of the Court to perform the role of litigation trustee (the "Litigation Trustee") of all claims and causes of action in favour of the Applicants (the "Litigation Assets") on such terms as may be agreed between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

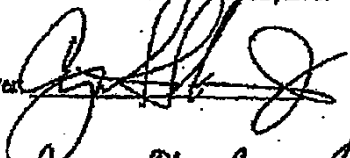
HOLLINGER INC., SUGRA LIMITED and

4322525 CANADA INC.

Per: 

(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: Av _____

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

④

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., 432525 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 L. Thornton - 24266B
D.J. Miller -- 34393P

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

Solicitors for the Applicants

TAB D

Hollinger Inc.

Settlement of Claims Against KPMG LLP

TORONTO, Ontario, October 6, 2010 – The Litigation Trustee of Hollinger Inc. ("Hollinger") announced today that he has entered into a settlement agreement with KPMG LLP to resolve all claims against Hollinger's former advisor advanced by the Litigation Trustee on behalf of Hollinger. The settlement entails no admission of liability on the part of KPMG LLP. The terms of the settlement include releases in favour of KPMG LLP from Hollinger and its subsidiaries, as well as from third parties involved in related Hollinger litigation. The settlement and the releases are subject to court approval, which will be sought on notice to other affected parties. The rest of the terms of the settlement agreement are confidential.

Hollinger previously issued a news release on July 15, 2010 regarding the settlement agreement entered into with Torys LLP.

Hollinger and its subsidiaries, Sugra Ltd. and 4322525 Canada Inc., are currently subject to proceedings in Canada under the *Companies' Creditors Arrangement Act* (Canada) and in the United States under Chapter 15 of the U.S. *Bankruptcy Code*.

The securities of Hollinger are subject to a cease trade order issued by the Ontario Securities Commission on July 23, 2008. Hollinger's common shares and Series II preference shares were delisted from the Toronto Stock Exchange on August 22, 2008.

CONTACT INFORMATION

Media contact:

William E. Aziz
Chief Restructuring Officer
416.640.7122
baziz@hollingerinc.com

TAB E

**NOTICE CONCERNING HOLLINGER INC., 4322525 CANADA INC.
AND SUGRA LIMITED
(hereinafter collectively referred to as the "Applicants")**

RE: NOTICE OF SETTLEMENT OF CLAIMS AND CAUSES OF ACTIONS IN FAVOUR OF THE APPLICANTS INVOLVING KPMG LLP CANADA (THE "KPMG SETTLEMENT"), TORYS LLP (ONTARIO) AND TORYS LLP (NEW YORK) (THE "TORYS SETTLEMENT"), AND NOTICE OF A BAR DATE RELATING TO THE KPMG SETTLEMENT AND THE TORYS SETTLEMENT AND AN ORDER APPROVING THESE SETTLEMENTS

The Applicants and the Court-appointed Litigation Trustee have entered into two settlement agreements (collectively, the "Settlements") in respect of which Court Orders will be sought.

The KPMG Settlement Agreement settles all claims and causes of action advanced by Hollinger Inc. on its own behalf and on behalf of all other CCAA applicants and their subsidiaries other than Chicago Newspaper Liquidation Corp. (formerly known as Sun-Times Media Group) and its subsidiaries. In return for payment by KPMG of the settlement amount and withdrawal of KPMG's claims against the Applicants, Hollinger is seeking a Court ordered release in favour of KPMG LLP Canada, KPMG LLP (U.S.), all other member firms of KPMG International and their related or affiliated entities and their respective past, present and future partners, officers, directors, employees, servants, agents, assigns, insurers and counsel (collectively, the "KPMG Releasees"). The intent of the release is to eliminate any basis for any direct or indirect claim by any Person against the KPMG Releasees in any way relating to the subject matter of the KPMG Settlement, save and except claims based on a final judgment that a plaintiff suffered damages or, if under civil law, prejudice as a direct result of the plaintiff's reliance on express fraudulent misrepresentation made by any or all of the KPMG Releasees or their agents when any or all the KPMG Releasees had actual knowledge that the misrepresentation was false.

The Torys Settlement Agreement settles all claims and causes of action advanced by Hollinger Inc. on its own behalf and on behalf of all other CCAA applicants and their subsidiaries other than Chicago Newspaper Liquidation Corp. (formerly known as Sun-Times Media Group) and its subsidiaries. In return for payment by Torys of the settlement amount and Torys agreement that it will not file any claims against the estates of any of the Applicants, Hollinger is seeking a Court ordered release in favour of Torys and its past, present and future partners, employees, directors, officers, affiliates, agents, advisors, insurers and their predecessors, successors and assigns (collectively, the "Torys Releasees"). The intent of the release is to eliminate any basis for any direct or indirect claim by any Person against the Torys Releasees in any way relating to the subject matter of the Torys Settlement, save and except claims based on a final judgment that a plaintiff suffered damages or, if under civil law, prejudice as a direct result of the plaintiff's reliance on express fraudulent misrepresentation made by any or all of the Torys Releasees or their agents when any or all the Torys Releasees had actual knowledge that the misrepresentations was false.

The Settlements and the Settlement Approval Orders sought contain terms and provisions that may compromise, limit or release certain of your rights. Please consult the Settlement Document Package for more details at the Monitor's website www.ey.com/ca/hollinger.

This Notice is being published pursuant to an Order of the Superior Court of Justice (the "Court") made ►, 2010 (the "Service and Notice Procedure Order"). This Notice has been approved by the Court pursuant to the Service and Notice Procedure Order. A copy of this Notice will be sent to Creditors and Defendants (as defined in the Service and Notice Procedure Order) on or before ►, 2010 in accordance with the Service and Notice Procedure Order. Persons may obtain a Settlement Document Package, including the forms of the Settlement Approval Orders, further details of the KPMG Settlement Agreement and the Torys Settlement Agreement and a form of Notice of Appearance (the "Notice of Appearance"), from the Monitor's website at www.ey.com/ca/hollinger.

Motions for approval and implementation of the Settlements including for the barring and release of certain claims (the "Settlement Approval Motions") have been scheduled with the Court in Toronto to be heard on ►, 2010. If you wish to attend and be heard at the Settlement Approval Motions on ►, 2010, a Notice of Appearance must be submitted by pre-paid ordinary mail, courier, email or fax to the Monitor and its counsel, Lenczner Slaght Royce Smith Griffin LLP, at the following addresses:

Ernst & Young Inc. Court-appointed Monitor of Hollinger Inc. and others 222 Bay Street Toronto, ON M5K 1J7	Lenczner Slaght Royce Smith Griffin LLP Lawyers for the Monitor of Hollinger Inc. and others 130 Adelaide Street West, Suite 2600 Toronto, Ontario M5H 3P5
Attention: Christopher Mediratta Email: christopher.mediratta@ca.ey.com Fax: (416) 943-3300	Attention: Peter Griffin Matthew Lerner Email: pgriffin@litigate.com mlerner@litigate.com Fax: 416-865-9010

All Notices of Appearance must be received by the Monitor and its counsel by noon (EST) on ►, 2010 (the "Notice of Appearance Bar Date"). It is your responsibility to ensure that the Monitor and its counsel receive your Notice of Appearance by the Notice of Appearance Bar Date if you wish to appear and be heard. If you file a Notice of Appearance by the Notice of Appearance Bar Date you must be represented in person or through legal counsel at your own expense with respect to the Settlement Approval Motion and any other proceedings regarding the Settlements in which you wish to participate.

PERSONS WILL BE BOUND BY ALL TERMS OF THE SETTLEMENT APPROVAL ORDERS AND WILL BE BARRED AND ENJOINED FROM OBJECTING TO, DISPUTING IN ANY MANNER WHATSOEVER, APPEALING OR MOVING TO SET ASIDE OR VARY THE SETTLEMENTS OR THE SETTLEMENT APPROVAL

ORDERS IF A NOTICE OF APPEARANCE IS NOT RECEIVED BY THE MONITOR AND ITS COUNSEL ON OR BEFORE THE NOTICE OF APPEARANCE BAR DATE AND SUCH PERSON DOES NOT ATTEND IN PERSON OR BY LEGAL COUNSEL AT THE SETTLEMENT APPROVAL MOTION TO BE HEARD ON ►, 2010 AT THE COURTHOUSE, 8TH FLOOR, 330 UNIVERSITY AVENUE, TORONTO, ONTARIO.

DATED at Toronto this ► day of ►, 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 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)**

Proceedings commenced at Toronto

AFFIDAVIT OF WILLIAM E. AZIZ
(Sworn on November 1, 2010)

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

Robert I. Thornton (LSUC# 24266B)
Kyla E.M. Mahar (LSUC# 44182G)
Tel: 416-304-0594
Fax: 416-304-1313

Solicitors for the Applicants and the Non-Applicants

TAB 5

**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

**SUPPLEMENTAL AFFIDAVIT OF WILLIAM E. AZIZ
(Sworn on November 5, 2010)**

**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., Chief Restructuring Officer of the Applicants and the Non-Applicants (as defined herein). 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, as amended by the Order of this Honourable Court dated July 3, 2008, 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., 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 myself are referred to herein as the “**CRO**”.

Purpose

4. I swear this Affidavit to supplement my Affidavit sworn November 1, 2010 (the “**November 1st Affidavit**”) in support of in support of the motion (the “**Service and Procedure Motion**”) to approve, among other things:
 - (a) a service and notice process in respect of a motion (the “**Settlement Approval Motion**”) to be brought to approve certain settlements reached for the benefit of the Applicants and their stakeholders regarding certain claims and causes of action in favour of the Applicants and certain claims and possible claims against the Applicants (collectively, the “**Settlements**”), including approval of a form of notice to be given (the “**Notice**”);
 - (b) establishing a procedure for filing of a notice of intent to appear in a prescribed form (a “**Notice of Appearance**”) and approval of such form;
 - (c) the setting of a bar date to file a Notice of Appearance (the “**Notice of Appearance Bar Date**”) in respect of the Settlement Approval Motion; and
 - (d) setting a hearing date for the hearing of the Settlement Approval Motion.
5. All capitalized terms contained herein and not otherwise defined shall have the meanings ascribed to them in the November 1st Affidavit.

Sealing Order No Longer being Requested

6. At paragraphs 8 and 10 of my November 1st Affidavit, I indicated that an unredacted copy of the Torys Settlement Agreement and of the KPMG Settlement Agreement were attached to the Affidavit to be provided to this Honourable Court and that a sealing order would be sought in respect of the unredacted Settlements.
7. Since serving the Service and Procedure Motion Record on November 1, 2010, certain stakeholders have raised concerns over the sealing order to be sought with respect to the Settlements.
8. The Motion Record including my November 1st Affidavit has not yet been filed with the Court. The Applicants have considered the concerns raised by the stakeholders and have determined that filing unredacted copies of the Settlements with the Court is not necessary at this juncture of the proceeding. As a result, the November 1st Affidavit to be filed with the Court will be identical to the one served on the Service List on November 1, 2010 and will not include unredacted Settlements.
9. Therefore, the Applicants will not be seeking a sealing order at the hearing of the Service and Procedure Motion at this time. A revised draft Service and Procedure Order will be circulated to the Service List with this Affidavit.

SWORN before me at the City of Toronto,
in the Province of Ontario, this 5th day of
November, 2010.



Commissioner for Taking Affidavits



WILLIAM E. AZIZ

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)

Proceedings commenced at Toronto

AFFIDAVIT OF WILLIAM E. AZIZ
(Sworn on November 5, 2010)

Thornton Grout Finnigan LLP
Barristers and Solicitors
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Canadian Pacific Tower
Toronto-Dominion Centre
Toronto, Ontario
M5K 1K7

Robert I. Thornton (LSUC# 24266B)
Kyla E.M. Mahar (LSUC# 44182G)
Tel: 416-304-0594
Fax: 416-304-1313

Solicitors for the Applicants and the Non-Applicants

TAB 6



Court File No. 07-CL-7120

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**THE HONOURABLE
MR. JUSTICE CAMPBELL**

)
)
)

**FRIDAY, the 25th DAY
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.

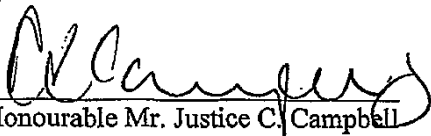
RECOGNITION AND ENFORCEMENT

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.

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

MAR 28 2011

NB


The Honourable Mr. Justice C. Campbell

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
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Canadian Pacific Tower
Toronto-Dominion Centre
Toronto, Ontario
M5K 1K7

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

Lawyers for the Applicants

TAB 7

CITATION: Hollinger Inc. (Re), 2011 ONSC 1205
Court File No. 07-CL-7120
Date: 20110222

**SUPERIOR COURT OF JUSTICE
ONTARIO
Commercial List**

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

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

HOLLINGER INC., KPMG LLP CANADA and TORYS LLP (Applicants)

HEARD: February 18, 2011

BEFORE: C. Campbell J.

COUNSEL: *Michael Barrack, Megan Keenberg* for Hollinger Inc.
Matthew B. Lerner for the Monitor, Ernst & Young Inc.
Peter White, David Moore for Catalyst Fund General Partner I Inc.
J.L. McDougall, Q.C., Norm Emblem for KPMG LLP
Ronald Foerster for Torys LLP
G. Benchetrit for the Indenture Trustees
Kenneth Kraft, Lisa C. Munro for Conrad Black and Conrad Black Capital Corporation
Kathryn Podrebarac for Ralph Barford
R.M. Slattery for Mrs. Black
Luisa Ritacca for R. Donald Fullerton and Canadian Imperial Bank of Commerce
Paul Guy, Faren Bogach for Daniel W. Colson
Harry R. Burkman for Argus Corporation

ENDORSEMENT

[1] The motion of the Applicant seeks a time-limited Sealing Order¹ of the terms of two settlements which by their terms and the context of the CCAA process, will require Court approval that if granted will allow for the expiry of the Order.

[2] The terms of the Order are either agreed to or unopposed by most of the parties to whom notice has been given of this motion. It is noted that the Indenture Trustee, which has first

¹ Often the term "protective" rather than "scaling" is used to describe an order that is intended to be time limited.

priority security in excess of \$150 million, supports the Order sought on this motion as well as settlement approval.

[3] The Order sought is a compromise achieved by protracted and difficult negotiations and agreement among the Applicants, and various parties will be directly affected in ongoing litigation or settlements by the third party releases that are contemplated when the settlement motion comes before the Court.

[4] The Order sought is opposed by Conrad Black, Barbara Amiel-Black, Black Corporation, and two former directors and one corporation closely associated with Conrad Black, each of whom was represented by separate counsel.

[5] The opposing parties each take the position that the Applicants have not provided evidence to the Court that it is in the public interest that a sealing order be granted within the guidelines set out by the Supreme Court of Canada in *Sierra Club of Canada v. Canada (Minister of Finance)*, [2002] 2 S.C.R. 522. Those principles may be systemically stated as follows:

53. Applying the rights and interests engaged in this case to the analytical framework of *Dagenais*² and subsequent cases discussed above, the test for whether a confidentiality order ought to be granted in a case such as this one should be framed as follows:

A confidentiality order under Rule 151 should only be granted when:

- a) such an order is necessary in order to prevent a serious risk to an important interest, including a commercial interest, in the context of litigation because reasonably alternative measures will not prevent the risk; and
- b) the salutary effects of the confidentiality order, including the effects on the right of civil litigants to a fair trial, outweigh its deleterious effects, including the effects on the right to free expression, which in this context includes the public interest in open and accessible court proceedings.

54. As in *Mentuck*³, I would add that three important elements are subsumed under the first branch of this test. First, the risk in question must be real and substantial, in that the risk is well grounded in the evidence, and poses a serious threat to the commercial interest in question.

55. In addition, the phrase "important commercial interest" is in need of some clarification. In order to qualify as an "important commercial interest", the interest in question cannot merely be specific to the party requesting the order; the interest must be one which can be expressed in terms of a public interest in confidentiality. For example, a private company could not argue simply that the existence of a particular contract should not be made public because to do so would cause the company to lose business, thus harming its commercial interests. However, if, as in this case, exposure of

² *Dagenais v. Canadian Broadcasting Corp.*, 1994 CanLII 39 (S.C.C.), [1994] 3 S.C.R. 835
³ *R. v. Mentuck*, 2001 SCC 76 (CanLII), [2001] 3 S.C.R. 442, 2001 SCC 76

information would cause a breach of a confidentiality agreement, then the commercial interest affected can be characterized more broadly as the general commercial interest of preserving confidential information. Simply put, if there is no general principle at stake, there can be no "important commercial interest" for the purposes of this test. Or, in the words of Binnie J. in *F.N. (Re)*, 2000 SCC 35 (CanLII), [2000] 1 S.C.R. 880, 2000 SCC 35, at para. 10, the open court rule only yields "where the public interest in confidentiality outweighs the public interest in openness" (emphasis added.)

[6] I fully accept the general statement of the principles. The question now is appropriately applying those in this case and balancing the competing interests. At the outset of submissions I inquired of counsel for the Applicants whether there would be any objection to the inclusion in the draft Order, if granted, of a "comeback" clause such that if any party who would be directly affected by the settlement motion was of the view that the Order sought operated in a manner that would prevent that party making full submissions on the settlement itself, they could request further relief.

[7] No counsel who supported or did not oppose the original draft Order objected to the inclusion of the suggested term.

[8] I am satisfied that the time-limited provisions and other conditions to meet the *Sierra* test in the context of this case. There is in my view a commercially important issue at stake with no reasonable measures available to alleviate the harm from lack of confidentiality at this stage.

[9] Claims against former directors, officers and advisors represent the major asset of the Applicant Hollinger. Those parties will be granted access to the full terms of the proposed settlement subject only to certain terms of confidentiality which they have now agreed to apart from those opposing.

[10] I am satisfied that, in the context of a litigation privilege which arises from a protracted mediated settlement that is consistent with the public interest, the full terms not be placed on the public record at least until the settlement motion itself comes before the Court or other good reason is shown for removing the sealing.

[11] The proposition advanced on behalf of the Blacks and those supporting their position is that the above stated principles from the Supreme Court of Canada decision in *Sierra* represent direction to judges not to be departed from except in the most extraordinary of circumstances, which do not exist here. They urged that it is appropriate and in the public interest that the full terms be known now.

[12] Counsel were unable to advise me of a single decision where, in the context of a litigation settlement in which the affected parties would have access to the full terms and in the context of a CCAA restructuring, the public interest of immediate disclosure of the settlement terms would trump all other considerations.

[13] I accept that the onus to establish confidentiality for the present purposes rests on the Applicants. I am satisfied that in the context of this case the onus has been met.

[14] Litigation settlement privilege in my view of applies in this case at least until the Court either accepts or rejects the settlement that those parties directly affected will be able and entitled to review with the conditions proposed.

[15] Dealing with litigation privilege, Swinton J speaking for her colleagues in the Divisional Court decision in *Inter-Leasing Inc. v. Ontario (Minister of Finance)*, [2009] O. J. No. 4714 at paragraphs 10 and 21:

10. Communications, whether oral or written, made in furtherance of the settlement of a litigious dispute are subject to privilege. According to Bryant, Lederman and Fuerst, *The Law of Evidence in Canada* (at para. 14.322), three conditions must be present for settlement privilege to apply:

1. A litigious dispute must be in existence or within contemplation.
2. The communication must be made with the express or implied intention it would not be disclosed in a legal proceeding in the event negotiations failed.
3. The purpose of the communication must be to attempt to effect a settlement.

21. Moreover, the applicant has not satisfied the necessity test. To satisfy this test, the applicant must demonstrate a compelling or overriding interest of justice that outweighs the public interest in protecting settlement discussions from disclosure. While the applicant argues that disclosure of this information will not affect the issue of its tax liability, settlement privilege exists not only to protect a party against disclosure of information that may affect its position on liability. It extends, as well, to protect other statements against interest made in the course of settlement negotiations that a party may wish to remain confidential.

[16] The draft Order as revised is approved.

[17] The issue of costs raised by the Applicants can be addressed in written submissions to be exchanged by counsel before being sent to me.


C. CAMPBELL J.

Released: February 22, 2011

TAB 8

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

REPORT OF JOHN D. GROUND, Q.C. (retired justice)

IN HIS CAPACITY AS

LITIGATION TRUSTEE OF THE APPLICANTS

DATED MARCH 31, 2011

LITIGATION TRUSTEE'S MANDATE

1. Pursuant to the Order of Justice Colin Campbell of the Ontario Superior Court of Justice dated May 21, 2008, I was appointed Litigation Trustee of the Litigation Assets of the Applicants. Paragraph 13 of Justice Campbell's order reads:

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.
2. The Multi-Party Settlement referred to in such Order is a Multi-Party Settlement Agreement dated as of May 14, 2008 (the "**MPSA**") among the Applicants, Sun-Times Media Group Inc. ("**STMG**") and Davidson Kempner Capital Management LLC and certain of its affiliates (collectively, "**DK**").
3. Paragraph 14 of the order provides in part:

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 ...
4. This report is made pursuant to para. 22 of the order, which provides as follows:

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.
5. With respect to the role of the Litigation Trustee, the MPSA provides in part as follows:

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.

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.
 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.
6. Pursuant to para. 36 of the MPSA, Mr. William Brock of Montreal, Quebec, was appointed as the Representative of the Applicants and Mr. Arnold Cader of Toronto was appointed Nominee of DK. I have held monthly meetings or telephone conference calls with the Advisory Committee since their appointment and the minutes of such meetings have been provided to Mr. William Aziz, the CRO of the Applicants, and to Ernst & Young Inc. in its capacity as the Monitor of the Applicants. In addition, I and other members of the Advisory Committee have attended regular team meetings with all counsel engaged by the Applicants in respect of the Litigation Assets to receive status reports on the progress of the litigation and discuss future strategy.
7. As part of this process, with the assistance of Thornton Grout Finnigan, Paliare Roland and Fasken Martineau, I, together with Mr. Aziz, Mr. Cader and Mr. Brock have assessed the potential claims of Hollinger Inc. against the persons listed below. The result of these

investigations are subject to both litigation and solicitor and client privilege. As a result of these investigations the litigation assets set out below were identified.

THE LITIGATION ASSETS

8. The litigation assets of the Applicants consist largely of claims against the former officers, directors, advisors and banking syndicate of Hollinger Inc. ("**Hollinger**").
9. The following actions have been commenced by the Applicants:
 - (i) Action No. 06-CL-6261 in the Ontario Superior Court of Justice (Commercial List) between: Hollinger Inc., Domgroup Ltd., 4322525 Canada Inc., 10 Toronto Street Inc. and Sugra Limited, plaintiffs, and Conrad M. Black, Barbara Amiel-Black, F. David Radler, John A. Boulton, Peter Y. Atkinson, The Ravelston Corporation Limited, 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., Mowitz Holdings Inc., 364817 Ontario Limited, F. D. Radler Ltd., 1269940 Ontario Limited, 2753421 Canada Limited and 1406684 Ontario Limited, defendants (the "**Black Action**");
 - (ii) Action No. 07-CL-6954 in the Ontario Superior Court of Justice (Commercial List) between: Hollinger Inc., plaintiff, and Conrad M. Black, Barbara Amiel-Black, F. David Radler, John A. Boulton and Peter Y. Atkinson, defendants. (This action originally formed part of the Black Action and was separated to seek a declaration that Hollinger was not liable to make any payment to the defendants under the Indemnity Agreements dated July 23, 2003);

- (iii) Action No. 07-CL-7043 in the Ontario Superior Court of Justice (Commercial List) between: Hollinger Inc., plaintiff, and Canadian Imperial Bank of Commerce, the Toronto Dominion Bank and The Bank of Nova Scotia (the "**Banks Action**");
 - (iv) Action No. 07-CV-327315 PD2 between: Hollinger Inc., plaintiff, and Ralph M. Barford, defendant (the "**Barford Action**").
10. The other former directors of Hollinger against whom the Applicants may be pursuing claims are: Daniel William Colson ("**Colson**"), Charles Gibbs Cowan ("**Cowan**"), Peter Gerald White ("**White**"), Douglas Graeme Bassett ("**Bassett**"), Fredrik Stefan Eaton ("**Eaton**"), Donald F. Fullerton ("**Fullerton**"), Allan Ezra Gotlieb ("**Gotlieb**"), Henry H. Ketcham III ("**Ketcham**") and Maureen Sabia ("**Sabia**"). All of the above-mentioned former directors are parties to tolling agreements with Hollinger, preserving Hollinger's causes of action irrespective of limitation periods, and pleadings have not yet been issued.
11. Hollinger also entered into tolling agreements with its advisors, Torys LLP ("**Torys**") and KPMG LLP ("**KPMG**").

STATUS OF THE ACTIONS

12. With respect to the Black Action, a Statement of Defence was delivered by John A. Boulbee. No other defences have yet been delivered. Meetings have been held with counsel to F. David Radler ("**Radler**"), Conrad M. Black ("**Black**"), Barbara Amiel-Black ("**Amiel-Black**") and Peter Atkinson ("**Atkinson**"), with a view to exploring settlement opportunities. Such meetings have been unproductive.

13. In the Barford Action, pleadings are closed and the action is at the production stage. Extensive meetings have taken place with counsel to Barford with a view to exploring options for settlement, which were ultimately unsuccessful. Counsel for Barford has indicated that motions will be brought by Barford for security for costs, partial summary judgment and other procedural matters. Motion materials have not yet been served on Hollinger.
14. In the case of the Banks Action, productions are continuing between counsel, although the Banks have not yet filed defences. CIBC has provided to counsel for the Applicants access to the Bank's credit file and related documents.
15. Preliminary discussions have been held with counsel for Colson, Cowan and White respectively with a view to exploring whether there would be any basis for a settlement with them.
16. Sabia, Gotlieb, Ketcham, Bassett and Eaton are jointly represented and collectively referred to herein as the "Outside Directors". Extensive discussions have taken place with counsel to the Outside Directors with a view to the possibility of negotiating a settlement.

SETTLEMENT OPPORTUNITIES

17. As part of the ongoing negotiations between the parties, Hollinger approached all the defendants and potential defendants to set up meetings to discuss the settlement opportunities available within the CCAA process. Hollinger advised those parties who

agreed to meet for such discussions in person or through counsel¹ that it would be seeking both financial contributions for the benefit of the Litigation Trustee's initiatives and for the Estates of the Applicants, as well as, where appropriate, cooperation agreements in exchange for full and final releases.

18. Hollinger further advised the defendants and potential defendants that the CCAA process offered a settlement opportunity in that Hollinger would agree to seek court orders granting third party releases from the non-settling defendants in favour of settling defendants should they choose to participate in a settlement as part of the CCAA process. Hollinger likewise advised the defendants and potential defendants of the impact of third party releases on non-settling defendants.
19. The benefits to the Applicants in seeking third party releases for settling defendants are twofold: (i) such releases will put a finite end to protracted and costly litigation with the settling defendants, such that their cases will not have to be retried if and when non-settling defendants bring them back into the outstanding actions by way of cross-claims or third party claims; and (ii) outstanding litigation efforts against non-settling defendants will be streamlined, and therefore more cost effective for the Estates, resulting in a more efficient use of the resources of the Court.
20. The primary benefits of third party releases to the settling defendants are (i) limiting the financial exposure in respect of their dealings with Hollinger and (ii) the avoidance of costly and protracted litigation with a number of parties over years. The beneficiaries of

¹ Black, Amiel-Black, Atkinson, Boulton, Radler, Colson, Cowan, Sabia, Eaton, Ketcham, Gotlieb, Bassett, Barford, Fullerton, CIBC, TD and BNS.

such releases generally place a higher value on the expectation of finally resolving their Hollinger-related liabilities, including not only the Applicants' claims but also all the potential claims for contribution and indemnity that may be advanced by non-settling defendants.

21. While settling defendants will be insulated from future liability in respect of Hollinger, they will not be exempted from giving evidence or serving as witnesses in outstanding actions against non-settling defendants, so the Court will have the full benefit of their evidence and information in deciding the remaining actions.
22. It is Hollinger's intention to make the settlements by KPMG and Torys an economically neutral event for the non-settling defendants.
23. As a lawyer and former judge, I am aware that the Court is under an obligation where damages have been caused or contributed to by the fault or neglect of two or more persons to determine the degree in which each of such persons is at fault or negligent. Where two or more persons are found at fault, they are jointly responsible to the person suffering the loss or damage, but as between themselves, in the absence of any contract, express or implied, each is liable to make contribution and indemnify each other in the degree in which they are respectively found to be at fault or negligent.
24. Hollinger is prepared to waive its right to joint and several liability in respect of the liability between either Torys, KPMG or other settling defendant on the one hand and a non-settling defendant on the other hand. Hollinger proposes that settlement approval orders provide that if any non-settling defendant would otherwise be able to establish a right of contribution and indemnity from Torys, KPMG or other settling defendant, then

the damages owing to Hollinger jointly and severally by any such non-settling defendant will be reduced by the degree in which Torys and/ or KPMG or other settling defendants are found to be at fault or negligent.

25. Therefore while each non-settling defendant will not have a claim for contribution and indemnity against KPMG, Torys or other settling defendant for the amount which any of them might be found to be at fault or negligent, there will be no economic detriment because any such amount will not be sought from the non-settling defendant if that defendant could have otherwise asserted such a claim.
26. Nothing in the settlement approval orders will prevent any non-settling defendant from requiring the Court to determine the degree in which any of KPMG, Torys or other settling defendant is at fault or negligent with respect to any damages suffered by Hollinger. To the extent the Court finds KPMG, Torys or other settling defendant responsible for a proportionate share of those damages and the non-settling defendant had a right of contribution and indemnity against either of them, then Hollinger will have no claim against any person in respect of that proportionate share. In such circumstances, the settlements will be the total recovery available to Hollinger in respect of the settling defendant's proportionate share of any damages suffered by Hollinger.

CLAIMS ADVANCED AGAINST TORYS AND KPMG BY OTHERS

27. Claims for contribution and indemnity against Torys and KPMG were filed by Black, Amiel-Black (as well as certain private companies owned and controlled by Black and

Amiel-Black²), Radler (as well as a private company owned and controlled by him³), Colson and Boulton.

28. No other claims for contribution and indemnity have been asserted against Torys or KPMG by any other stakeholders.
29. I am advised that counsel for each of Torys and KPMG have confirmed that there have been no actions commenced against Torys or KPMG by any person arising out of any Hollinger-related matter other than for contribution and indemnity in respect of any amount which may be found owing to Hollinger. The limitation period in respect of such causes of action has lapsed.

CONTINGENT SETTLEMENTS WITH TORYS AND KPMG

30. As a result of the investigation of potential claims of Hollinger against others, potential claims against each of KPMG and Torys were identified.
31. In or about December 2005, Hollinger advised Torys of an intention to commence a legal proceeding against Torys in respect of Torys having given advice and conducted legal work for Hollinger and related persons and entities (the "**Intended Torys Action**").
32. Hollinger and Torys subsequently entered into a mediation agreement in which it was agreed, among other things, to mediate the Intended Torys Action and toll any applicable limitation periods.

² Moffatt Management Inc., Black-Amiel Management Inc., Conrad Black Capital Corporation, 1269940 Ontario Limited and 2753421 Canada Limited.

³ North American Newspapers Ltd.

33. Similarly, in or about November 2005, Hollinger advised KPMG of an intention to commence a legal proceeding against KPMG in respect of advice given, audit, tax and transaction advisory services work performed for Hollinger (the **"Intended KPMG Action"**).
34. Hollinger and KPMG subsequently entered into a mediation agreement in which it was agreed, among other things, to mediate the Intended KPMG Action and toll any applicable limitation periods.
35. Each of Hollinger, KPMG and Torys agreed to engage the services of the Honourable George Adams, Q.C. (retired justice) (**"Adams"**) to conduct a separate mediation in respect of each of Torys and KPMG. During the month of March 2010, extensive mediations were conducted with Torys and KPMG with the assistance of Adams who acted as mediator. Adams is a highly regarded professional mediator and former justice of the Ontario Superior Court of Justice. Adams has substantial experience as a mediator and facilitator in a wide range of types of conflicts. While on the bench, Adams handled major cases in all areas of the superior court of Justice including the Commercial List and Divisional Court and many of his decisions are widely reported.
36. Each of the mediation agreements with KPMG and Torys contains the following provision:

"It is understood that in order for mediation to work, open and good faith communications are essential. Accordingly, all written and oral communications, negotiations, and statements made in the course of the mediation will be treated as

privileged settlement discussions and absolutely confidential and without prejudice.”

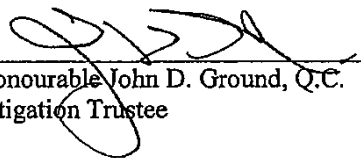
37. As part of the mediation process, all claims by Hollinger against Torys and KPMG were set out and fully canvassed as were all possible defences. I personally attended the mediations with Mr. Aziz and representatives of Thornton Grout Finnigan and Paliare Roland. During the course of the mediations, I was in telephone contact with each of Mr. Cader and Mr. Brock. Each mediation lasted two days and involved intense negotiations.
38. With the assistance of Adams, those mediations were completed and settlements in principle were reached. In each case the settlement was considered to be a reasonable settlement of the claims by Adams, Mr. Cader, Mr. Brock, Mr. Aziz and myself, as well as counsel from Thornton Grout Finnigan and/or Paliare Roland. Each of these persons has extensive experience as a judge, lawyer or business person.
39. In these negotiations each of KPMG and Torys were represented by experienced lawyers from within each firm and senior and experienced outside counsel. These were both arms'-length negotiations which were conducted in good faith.
40. Both settlement agreements are conditional upon the issuance of satisfactory bar orders giving effect to the third party releases (the “**Release Orders**”).
41. In order to obtain the necessary Release Orders, Hollinger has applied to the Court under the CCAA for an order approving the terms, including the third-party releases, of each of the settlement agreements. The application to the Court for approval of the settlements,

including the third party releases, was brought on notice to the CCAA service list as well as all the non-settling defendants.

42. I believe, consistent with the advice of the mediator, that Hollinger's offer of the third party releases to Torys and KPMG resulted in higher settlement offers from each of those parties than otherwise might have been the case.
43. In my experience as a former judge and lawyer, and as a specialist in alternate dispute resolutions, I have had occasion to participate in or preside over numerous pre-trial conferences, mediations, arbitrations, trials and other dispute resolution processes. Based on my experience and being cognizant of the mandate of the Litigation Trustee and my duties as an officer of the Court, I affirm that in my view the settlements with Torys and KPMG are well within the zone of reasonableness and appropriate in the circumstances.
44. In coming to this conclusion, I have considered the potential future expense and likely duration of litigation against each of KPMG and Torys. In addition, these settlements are the first to be entered into by Hollinger and provide real benefits. The first settlements break the inertia that accompanies multi-party litigation where no defendant wants to be the first to settle.
45. An additional benefit flowing from these settlements is that Hollinger will soon have substantial funds coming into the Litigation Trustee's accounts, which will be used in part to fund the Litigation Trustee's initiatives against the non-settling defendants and, to the extent not required for those initiatives, be available for the Estates of the Applicants, all in accordance with and subject to the provisions of the MPSA.

46. In consultation with the Advisory Committee, and in accordance with the MPSA, I am currently considering what portion of these proceeds should be used to fund future settlement negotiations, mediations and litigation. The balance will be made available to the Estates of the Applicants.
47. I would be pleased to provide any additional information or further detail that may be required by the Court.

Dated at Toronto, Ontario this 31st of March, 2011.



Honourable John D. Ground, Q.C.
Litigation Trustee

TAB 9

**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
(Sworn on March 31, 2011)**

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., Chief Restructuring Officer of the Applicants and the Non-Applicants (as defined herein). 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, as amended by the Order of this Honourable Court dated July 3, 2008, (the "Multi-Party Settlement 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., 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 myself are referred to herein as the "CRO".

Purpose

4. I swear this Affidavit in support of this motion seeking, among other things:
 - (a) an Order, among other things, approving the settlement agreement among Hollinger Inc. ("Hollinger"), Torys LLP (Ontario) and Torys LLP (New York) (collectively, "Torys") dated March 26, 2010 (the "Torys Settlement Agreement") and granting releases in favour of Torys from the Applicants and their subsidiaries (but not including the Chicago Newspapers Liquidation Corp. formerly known as Sun Times Media Group, Inc. and its subsidiaries (collectively referred to as "STMG")) and from third parties who are not parties to the Torys Settlement Agreement, substantially in the form annexed to the Notice of Motion as Schedule "A" (the "Torys Settlement Approval Order");
 - (b) an Order, among other things, approving the settlement agreement among Hollinger and KPMG LLP Canada ("KPMG Canada") dated October 1, 2010 (the "KPMG Settlement Agreement") and granting a release in favour of KPMG from the Applicants and their subsidiaries (but not including STMG) and from third parties who are not parties to the KPMG Settlement Agreement,

substantially in the form annexed to the Notice of Motion as Schedule "B" (the "**KPMG Settlement Approval Order**"); and

5. The Torys Settlement Agreement and the KPMG Settlement Agreement shall be collectively referred to herein as the "**Settlements**" and the Torys Settlement Approval Order and the KPMG Settlement Approval Order being sought shall be collectively referred to herein as the "**Settlement Approval Orders**".

Litigation Assets

6. Pursuant to the Multi-Party Settlement Order, John D. Ground, Q.C. (retired judge) was appointed as an officer of this Honourable Court to be the Litigation Trustee (the "**Litigation Trustee**") over and in respect of all claims and causes of action in favour of the Applicants (collectively, the "**Litigation Assets**").
7. Pursuant to the terms of the Multi-Party Settlement Order and the Multi-Party Settlement Agreement annexed as Schedule "A" thereto, the Litigation Trustee is to supervise, control and administer the Litigation Assets and is 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. As CRO, all other assets of the Applicants and the Non-Applicants are under my supervision as are all claims made against the various entities.
8. The Litigation Assets include claims and causes of actions asserted against a number of parties, including, without limitation, against:
 - (a) Torys; and

- (b) KPMG Canada, KPMG LLP (U.S.) and all other member firms of KPMG International and their related or affiliated entities (collectively, "KPMG").

Settlements

9. As previously indicated in my Affidavit sworn on November 1, 2010 (the "November 1st Affidavit") and in my Affidavit sworn on November 26, 2010 (the "November 26 Affidavit"), a settlement has been reached among Hollinger, the Litigation Trustee and Torys pursuant to the Torys Settlement Agreement. In addition to the settlement of the claims and causes of action referred to in paragraph 7(a) above, the Torys Settlement Agreement includes Torys' agreement that it will not file any claims against the Applicants. A redacted copy of the Torys Settlement Agreement is attached to the November 26 Affidavit as Exhibit "A".
10. As previously indicated in my November 1st Affidavit and my November 26 Affidavit, a settlement has also been reached among Hollinger, the Litigation Trustee and KPMG Canada pursuant to the KPMG Settlement Agreement. In addition to the claims and possible claims referred to in paragraph 7(b) above, the KPMG Settlement Agreement includes the withdrawal and waiver of KPMG's claims against the Applicants. A redacted copy of the KPMG Settlement Agreement is attached to my November 26 Affidavit as Exhibit "B".
11. Both Settlements are conditional upon the Applicants obtaining a form of Settlement Approval Order from this Honourable Court that approves the Settlements and that gives legal effect to the third party releases contained in the Settlements.

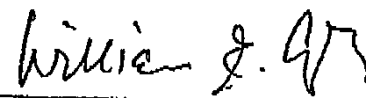
Recommendations

12. I have been fully informed or consulted in respect of all aspects of the efforts of the Litigation Trustee in relation to the Litigation Assets, including the negotiations of the Settlements.
13. I have reviewed the report of the Litigation Trustee, dated March 31, 2011. I personally attended the mediations with each of Torys and KPMG. The mediation process, my involvement therein and my recommendations are accurately described in the Litigation Trustee's Report.
14. As stated in my November 26 Affidavit, having regard to my duty to act in the best interests of the estates of the Applicants and as a Court-appointed officer, in my view, the Settlements are fair and reasonable and are in the best interests of the Applicants and their creditors and other stakeholders.
15. Based on the foregoing, as CRO I recommend that this Honourable Court grant the relief sought by the Applicants as particularized in paragraph 4 herein.

SWORN before me at the City of Toronto,
in the Province of Ontario, this 31st day of
March, 2011



Commissioner for Taking Affidavits
R. THORNTON



WILLIAM F. AZIZ

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

<i>ONTARIO</i> SUPERIOR COURT OF JUSTICE (COMMERCIAL LIST) Proceedings commenced at Toronto	AFFIDAVIT OF WILLIAM E. AZIZ (Sworn on March 31, 2011)
	Thornton Grout Finnigan LLP Barristers and Solicitors Suite 3200, P.O. Box 329 Canadian Pacific Tower Toronto-Dominion Centre Toronto, Ontario M5K 1K7 Michael Barrack (LSUC# 21941W) Megan Keenberg (LSUC# 53735G) Tel: 416-304-1616 Fax: 416-304-1313 Solicitors for the Applicants and the Non-Applicants

TAB 10

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE
MR. JUSTICE CAMPBELL

) THURSDAY, the 8 th DAY
)
) OF DECEMBER, 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

(Re: Outside Directors' Notice, Sealing and Confidentiality Agreement Approval Order)

THIS MOTION made by the Applicants for an Order (i) sealing confidential references in the settlement agreement among Hollinger Inc. ("**Hollinger**"), the Litigation Trustee of the Applicants, and Maureen Sabia, Allan Gotlieb, Fredrik Eaton and Henry Ketcham III (the "**Outside Directors**") dated May 18, 2011 (the "**Outside Directors' Settlement Agreement**") attached as Exhibit B to the Affidavit of William E. Aziz sworn on November 7, 2011 (the "**CRO Affidavit**"); (ii) approving the form of confidentiality agreement attached hereto as Schedule "A" (the "**Confidentiality Agreement**") to be entered into between Hollinger, the Outside Directors (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 Outside Directors'

Settlement Agreement; and (iii) providing for notice of this motion and any other motions relating to the Outside Directors' Settlement Agreement, was heard on December 8, 2011 at 330 University Avenue, Toronto, Ontario.

ON READING the Motion Record of the Applicants dated November 7, 2011, and on hearing the submissions of counsel for the Applicants, the Outside Directors and such other counsel as were present, and on being advised that the Service List 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 defined terms in this section of the Order adopt the definitions found in this Court's Service and Notice Procedure Order of November 12, 2010 (the "**November 12, 2010 Order**"), except where otherwise noted.
2. **THIS COURT ORDERS** that service of this motion and any other motions, orders or materials relating to the Outside Directors' Settlement Agreement upon the updated Service List (which includes all Persons who have provided a Notice of Appearance in accordance with the November 12, 2010 Order and all Defendants) in accordance with paragraph 6 below shall constitute good and sufficient notice and service upon the Creditors, Defendants, Shareholders and all other affected Persons of the Outside Directors' Settlement Agreement, the Outside Directors' Settlement Agreement approval hearing (the "**Approval Hearing**"), and all related motions and Orders, and that no form of service or notice is required to be provided by any of the Applicants, CRO or the

Monitor to any other Person and no other documents or materials need be served on any Person in respect of the Approval Hearing.

3. **THIS COURT ORDERS** that any Person who filed a Notice of Appearance in accordance with the November 12, 2010 Order is entitled to participate in the Approval Hearing and all motions related thereto.
4. **THIS COURT ORDERS** that any Person who did not file a Notice of Appearance in accordance with the November 12, 2010 Order:
 - a) shall not be entitled to appear or be heard at the Approval Hearing or any related motions, or to receive any notice of, or materials or documentation relating to, arising out of, or in conjunction with, the Approval Hearing or related motions;
 - b) shall be bound by the terms of any order issued in relation to the Approval Hearing or any related motions; and
 - c) shall be forever barred and enjoined from making any objection or opposition to, disputing in any manner whatsoever or appealing or moving to set aside or vary the Outside Directors' Settlement Agreement, any order issued in relation to the Approval Hearing, or any other documents, Orders or proceedings with respect to, arising out of, or in connection with the Outside Directors' Settlement Agreement or the Approval Hearing.
5. **THIS COURT ORDERS** that the Monitor and CRO shall have the same protections as those afforded to them in paragraphs 11 and 12, respectively, of the November 12, 2010 Order.

6. **THIS COURT ORDERS** that service pursuant to this Order may be made by forwarding true copies by pre-paid ordinary mail, courier, personal delivery or electronic or digital transmission. Any service by courier, personal delivery or electronic or digital transmission shall be deemed to be received on the next business day following the date sent, or if sent by pre-paid ordinary mail, on the fourth business day after mailing.

SEALING ORDER

7. **THIS COURT ORDERS** that the settlement amount set out in the Outside Directors' Settlement Agreement (the "**Settlement Amount**") be and is hereby sealed from the public record until the Outside Directors' Settlement Agreement is approved and all appeals are resolved in favour of Hollinger and the Outside Directors in which case the Settlement Amount shall be deemed to have entered the public domain such that its disclosure shall not constitute a breach of the Confidentiality Agreement, or if the Settlement is not approved, until further order of this Court.
8. **THIS COURTS ORDERS** that the redacted version of the CRO Affidavit dated November 7, 2011 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 Outside Directors' Settlement Agreement, and the unredacted version of the CRO Affidavit shall be filed with the Court under seal from the public record in accordance with paragraph 7 of this Order.

APPROVAL OF CONFIDENTIALITY AGREEMENT

9. **THIS COURT ORDERS AND DECLARES** that the redacted portion of the Outside Directors' Settlement Agreement may be disclosed 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".
10. **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.
11. **THIS COURT ORDERS AND DECLARES** that any breach of the Confidentiality Agreement shall constitute a breach of this Order.

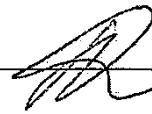
VARIANCE AND AMENDMENT

12. **THIS COURT ORDERS** that any interested party (including the Applicants and the Monitor) may apply to this Court for directions in relation to this Order or 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

13. **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.



A. Anissimova
Registrar

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

DEC 08 2011

PER/PAR:



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**"), Maureen Sabia, Allan Gottlieb, Fredrik Eaton and Henry Ketcham III (collectively the "**Outside Directors**") 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 motion (the "**Settlement Approval Motion**") before the Ontario Court for approval of the Release and Settlement Agreement entered into between the Outside Directors, Hollinger and the Litigation Trustee dated May 18, 2011 (the "**Outside Directors' 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 Outside Directors' Settlement Agreement (the "**Outside Directors' Settlement Amount**") has been redacted from the copy of the Outside Directors' Settlement Agreement attached as **Exhibit B** to the Affidavit of William E. Aziz, Hollinger's Chief Restructuring Officer, sworn November 7, 2011, filed by Hollinger in support of the Settlement Approval Motion;

WHEREAS certain of the Responding Parties have advised counsel for Hollinger that they require disclosure of the Outside Directors' Settlement Amount in order to respond to the Settlement Approval Motion;

WHEREAS the Responding Parties expressly represent that they will maintain the confidentiality of the Outside Directors' Settlement Amount and agree that

other than as permitted by paragraph 1 below, they will not make any use whatsoever of the Outside Directors' Settlement Amount;

WHEREAS in consideration of the Responding Parties' agreement to maintain the confidentiality of the Outside Directors' Settlement Amount, Hollinger, the Litigation Trustee and the Outside Directors have agreed to the disclosure to the Responding Parties of the Outside Directors' Settlement Amount for the sole purpose of enabling the Responding Parties to respond to the Settlement Approval Motion 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 Outside Directors' Settlement Amount to the Responding Parties for the sole purpose of enabling the Responding Parties to respond to the Settlement Approval Motion subject to the following limitations and restrictions:

- (a) The Responding Parties acknowledge that they have a duty to maintain the confidentiality of the Outside Directors' Settlement Amount and agree to maintain the confidentiality of the Outside Directors' 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 term "Outside Directors' Settlement Amount" in any written or oral submissions with the Ontario Court relating to the pending Settlement Approval Motion;
- (c) the Responding Parties shall be expressly prohibited from referring to or otherwise suggesting the actual amount of money comprising the Outside Directors' Settlement Amount in any written or oral submissions with the Ontario Court relating to the pending Settlement Approval Motion or from making any other use whatsoever of the Outside Directors' Settlement Amount or the actual amount of money comprising Outside Directors' Settlement Amount until such time as the Settlement Approval Motion is approved by order of the Ontario Court and such order has 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; and
 - (iii) such further and other relief as the Ontario Court may consider just.

2. The Litigation Trustee, Hollinger, the Outside Directors 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 and the Outside Directors 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.

3. 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.

4. 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.

5. 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.

6. 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.

Date: _____ **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**

Per: _____
Name: **William E. Aziz**
Title: **Chief Restructuring Officer**

I have the authority to bind the **Corporation**.

Date: _____ **The Honourable John D. Ground (retired justice) Litigation Trustee of Hollinger Inc.**

Date: _____
Maureen Sabia

Date: _____
Allan Gotlieb

Date: _____
Fredrik Eaton

Date: _____
Henry Ketcham III

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

*(Re: Outside Directors' Notice, Sealing and Confidentiality
Agreement Approval Order)*

Thornton Grout Finnigan LLP
Barristers and Solicitors
100 Wellington Street West
Suite 3200
Toronto, ON M5K 1K7

Michael E. Barrack (LSUC No. 21941 W)
Megan Keenberg (LSUC No. 53735 G)

Tel: 416-304-1616

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Solicitors for the Applicants

TAB 11

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 THE HOLLINGER INC.,
4322525 CANADA INC., and SUGRA LIMITED

Applicants

--- This is the Cross-Examination upon the Affidavits
of William E. Aziz, sworn on November 1, 2010,
November 24, 2010 and March 31, 2011, taken at the
offices of Neeson & Associates Court Reporting and
Captioning Inc., 141 Adelaide Street West, Suite
1108, Toronto, Ontario, on the 8th day of
February, 2012.

REPORTED BY: Judith M. Caputo, RPR, CSR

1 A P P E A R A N C E S :

2

3 Michael E. Barrack, Esq. &

4 Megan Keenberg, Esq., for the Applicant.

5

6 Kenneth D. Kraft, Esq. &

7 Jason Squire, Esq., for Conrad Black and

8 Conrad Black Capital

9 Corporation.

10

11 Norm Emblem, Esq., for KPMG.

12

13 Ronald Foerster, Esq., for Torys LLP.

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1 I N D E X

2

3 WITNESS: WILLIAM AZIZ

4

PAGE

5 CROSS-EXAMINATION BY MR. KRAFT.....5

6

7

8 * *The following list of undertakings, advisements
9 and refusals is meant as a guide only for the
10 assistance of counsel and no other purpose * *

11

12

13 INDEX OF UNDERTAKINGS

14

15 The questions/requests undertaken are noted by U/T
16 and appear on the following pages: (None)

17

18

19 INDEX OF ADVISEMENTS

20

21 The questions/requests taken under advisement are
22 noted by U/A and appear on the following pages:
23 16, 17, 18, 19

24

25

INDEX OF REFUSALS

The questions/requests refused are noted by R/F
and appear on the following pages: 22

INDEX OF EXHIBITS

NUMBER/DESCRIPTION	PAGE NO.
(None)	

1 -- Upon commencing at 2:08 p.m.

2 WILLIAM E. AZIZ: SWORN.

3 CROSS-EXAMINATION BY MR. KRAFT:

4 1 Q. Please state your full name.

5 A. William Elias Aziz.

6 2 Q. And this is a cross-examination on
7 affidavits you've sworn. There are three
8 affidavits I believe you've sworn. To confirm,
9 there is one November 1, 2010?

10 A. That's correct.

11 3 Q. One at November 24th, 2010, and
12 there is another one of March 31st, 2011?

13 A. That's correct.

14 4 Q. Generally speaking, unless I
15 indicate otherwise, I'm going to be referring to
16 the November 24th Affidavit.

17 You are the President of Blue Tree
18 Advisors Inc.?

19 A. That's correct.

20 5 Q. And what is Blue Tree?

21 A. Blue Tree is an Ontario Business
22 Corporations Act incorporated company that
23 principally does restructuring and turnaround work.

24 6 Q. Are you the sole shareholder of
25 Blue Tree?

1 A. No.

2 7 Q. Are you the controlling
3 shareholder of Blue Tree?

4 A. Effectively.

5 8 Q. Can you identify who the other
6 shareholders of Blue Tree are?

7 MR. BARRACK: It's not that relevant.

8 BY MR. KRAFT:

9 9 Q. Okay. You are the Chief
10 Restructuring Officer of Hollinger Inc.?

11 A. That is correct.

12 10 Q. What is the role of the chief
13 restructuring officer?

14 A. I have oversight on the activities
15 of Hollinger and its subsidiary companies.
16 Including, the winding up and realization of the
17 assets of various subsidiaries. And I am involved
18 with Justice Ground in prosecuting various pieces
19 of litigation for the benefit of the estate.

20 11 Q. Is this a full-time position?

21 A. It's full-time employment.

22 12 Q. How many hours a day would you
23 spend working on Hollinger Inc.'s --

24 MR. BARRACK: That's not relevant.

25

1 BY MR. KRAFT:

2 13 Q. You're compensated for the work
3 you do for Hollinger Inc.?

4 A. I am.

5 14 Q. And that is approximately how much?

6 MR. BARRACK: Well, it's pursuant to an
7 order. It's all detailed in the Order which
8 approved the Multi-Party Settlement Agreement.
9 It's a matter of public record.

10 MR. KRAFT: So that is the \$50,000
11 per-month stated in the Court Order approving the
12 Multi-Party Settlement Agreement?

13 MR. BARRACK: It's the amount that's
14 referred to in the Order.

15 BY MR. KRAFT:

16 15 Q. Is that the only compensation for
17 Hollinger Inc.?

18 A. Yes.

19 16 Q. And how much has Hollinger Inc.
20 paid you to date?

21 A. I don't keep track of totals.

22 17 Q. You are appointed --

23 MR. BARRACK: It's a matter of public
24 record, Mr. Kraft. You can take when the Order was
25 made and then go forward from there.

1 MR. KRAFT: The Order was made in
2 May 2008, I believe?

3 MR. BARRACK: Yes.

4 BY MR. KRAFT:

5 18 Q. So from that time forward?

6 A. No. I was actually hired in
7 March 2007.

8 I was initially the Chief Financial
9 Officer from March 2007 to May 21st, 2008.

10 19 Q. Okay. And you were compensated in
11 that position as well?

12 A. That's correct.

13 20 Q. And from the date of the
14 Multi-Party Settlement Agreement approval, you
15 became the chief restructuring officer?

16 A. That's correct.

17 21 Q. What is being restructured at
18 Hollinger?

19 A. Well, there had been calls for
20 claims, both for by the Applicants and
21 non-applicants. And prior to dealing with those
22 claims, there were various assets that were
23 realized, turned into cash.

24 There were claims related to retirees
25 of the Old Dominion stores. There were real estate

1 claims dating back to the '90s, which hadn't been
2 completely litigated or finalized.

3 22 Q. Okay.

4 A. And other things.

5 23 Q. Sorry, "other things?" Do you
6 recall what those other things might be?

7 A. What specifically are you asking
8 for?

9 24 Q. I'd like to know what is being
10 restructured in the role you're playing. So if
11 there are other things, I'd like to know what they
12 are.

13 A. Potential monetization of tax
14 pools.

15 25 Q. And how much has been recovered to
16 date for Hollinger's creditors?

17 MR. BARRACK: Well, all of the reports
18 on what's been recovered is in the reports of the
19 Monitor.

20 MR. KRAFT: Let's go off for a second.

21 (Whereupon there was a brief
22 interruption in the proceedings.)

23 MR. KRAFT: So you don't wish to state
24 approximately how much has been recovered for
25 Hollinger's creditors to date?

1 MR. BARRACK: Beyond what's disclosed
2 in the Monitor's report, there's nothing further
3 that's relevant on this motion or appropriate to
4 disclose, other than through the Monitor's report.

5 I understand your client has not signed
6 the confidentiality agreement.

7 MR. KRAFT: That's correct.

8 MR. BARRACK: Okay. Thanks.

9 MR. KRAFT: Would that mean that
10 Hollinger recovered the funds at this point then
11 from Torys and KPMG?

12 MR. BARRACK: No.

13 MR. KRAFT: The question, Counsel, is
14 how much has been recovered to date --

15 MR. BARRACK: Right.

16 MR. KRAFT: -- so I fail to see the
17 relevance of the confidentiality agreement
18 to the --

19 MR. BARRACK: Right. Well, what has
20 been recovered is a matter of public record in the
21 Monitor reports.

22 BY MR. KRAFT:

23 26 Q. You are an officer of the court in
24 your role as a chief restructuring officer?

25 A. That is correct.

1 27 Q. What does that mean in this
2 context?

3 MR. BARRACK: Well, that's a legal
4 question. And I'm not sure even -- and we can go
5 back and correct it. But I'll have to look in the
6 Multi-Party Settlement Agreement. I know he was
7 appointed pursuant to Court Order, I'm not sure
8 that -- he was not served as a officer of the
9 court, per se.

10 BY MR. KRAFT:

11 28 Q. Can I take you to paragraph 23 of
12 your Affidavit, please.

13 Does it say that you are a
14 court-appointed officer?

15 MR. BARRACK: "Court-appointed officer."
16 There may be a legal distinction between an officer
17 in the court, which you asked, and a court-appointed
18 officer.

19 BY MR. KRAFT:

20 29 Q. You were involved in the
21 settlement negotiations for both the KPMG and Torys
22 claims?

23 A. I was.

24 30 Q. What years did the claims against
25 KPMG cover, approximately?

1 A. Exact years?

2 31 Q. Approximate.

3 A. I would say 1995 through 2000,

4 1999, thereabouts.

5 32 Q. Late 1990s, approximately?

6 MR. BARRACK: Mid.

7 BY MR. KRAFT:

8 33 Q. Sorry. Mid to late 1990s?

9 MR. BARRACK: Mid-1990s.

10 BY MR. KRAFT:

11 34 Q. And what years -- would the Torys'

12 claims be roughly the similar time period?

13 A. Yes.

14 35 Q. Were the claims in excess of the

15 insurance coverage available to KPMG?

16 A. I have no information about their

17 insurance coverage.

18 36 Q. With respect to Torys, same

19 answer?

20 A. I have no information about their

21 insurance coverage either.

22 37 Q. Were you related to any person who

23 is a partner at KPMG during the period in which the

24 claims relate?

25 A. I was not.

1 38 Q. Were you related to any person who
2 was a partner at Torys during the period in which
3 the claims relate?

4 A. You probably know better than I
5 do. When did my brother leave the partnership?

6 39 Q. So the answer is "yes" then, you
7 were?

8 A. Then, yes.

9 40 Q. Okay. So your brother was a
10 partner at Torys during the late 1990s?

11 A. I don't remember the exact date
12 that he left to join TD Bank, but he was a partner
13 at Torys.

14 41 Q. Was this relationship disclosed to
15 the Litigation Trustee?

16 A. I don't recall specifically.

17 MR. BARRACK: The Litigation Trustee
18 was well aware about the fact that Mr. Aziz's
19 brother was a partner of Torys. It was well-known
20 to the Litigation Trustee.

21 THE WITNESS: Just for clarity, I have
22 a cousin who's at Torys as well.

23 MR. BARRACK: Right.

24 BY MR. KRAFT:

25 42 Q. This would only be during the

1 period of late 1990s.

2 A. He wouldn't have been there then,
3 I don't think.

4 43 Q. In your Affidavit you referred to
5 the Applicants' creditors and stakeholders. Who do
6 you consider as stakeholders?

7 A. I consider secured and unsecured
8 creditors as stakeholders, together with preferred
9 shareholders and common shareholders.

10 44 Q. Do you consider Mr. Black or his
11 company to be stakeholders?

12 A. They're shareholders.

13 45 Q. Again, so the answer would be,
14 yes?

15 A. The answer would be, yes.

16 46 Q. And do you consider the other
17 so-called non-settling defendants who asserted
18 contribution and indemnity claims against Hollinger
19 to be stakeholders?

20 A. As shareholders they would be
21 stakeholders. As potential creditors having made
22 claims in the claims process, they might be
23 stakeholders as creditors as well.

24 47 Q. You are in charge of what are
25 called the non-litigation assets of Hollinger Inc.;

1 is that correct?

2 A. That's one of the things I'm
3 responsible for, yes.

4 48 Q. I would rephrase that. That's one
5 of the matters you're responsible for. Can you
6 identify what those non-litigation assets are?

7 You earlier mentioned monetization of
8 tax pools. Are there other non-litigation assets?

9 A. Well, yes. There are investments
10 in the non-applicant subsidiaries, their assets and
11 liabilities; as I've said before.

12 49 Q. How much are the non-litigation
13 assets estimated to be worth?

14 MR. BARRACK: That will be disclosed in
15 the last Monitor's report.

16 THE WITNESS: Approximately
17 \$15 million.

18 BY MR. KRAFT:

19 50 Q. But it's the information that's
20 brought up in the last Monitor's report?

21 A. There's a waterfall analysis in
22 the last Monitor's report.

23 51 Q. So that remains accurate to the
24 best of your knowledge?

25 MR. BARRACK: It was accurate at the

1 time and...

2 THE WITNESS: Um-hum.

3 BY MR. KRAFT:

4 52 Q. Do you have an estimate as to the
5 total value of the litigation assets?

6 MR. BARRACK: No. And the reason for
7 that "no" is because if there were such an
8 estimate, it would be subject to litigation
9 privilege.

10 BY MR. KRAFT:

11 53 Q. How much have the Applicants spent
12 to date on legal counsel?

13 A. In what period?

14 54 Q. Since you became chief
15 restructuring officer.

16 A. I don't have that number at the
17 tip of my fingers.

18 U/A MR. BARRACK: How is that relevant?
19 I'll take it under advisement. If you want to tell
20 me how it's relevant, because it may impact the
21 answer.

22 MR. KRAFT: I'll follow up with that.

23 MR. BARRACK: Okay.

24 BY MR. KRAFT:

25 55 Q. And how much to date has been

1 spent on accountants for Hollinger Inc.?

2 MR. BARRACK: Again, do you want to
3 tell me how that's relevant to the Settlement
4 Approval Motion?

5 MR. KRAFT: You're taking that under
6 advisement as well?

7 U/A MR. BARRACK: I'll take it under
8 advisement. But I'd appreciate it if you'd tell me
9 how it's relevant so we can give you a responsive
10 answer.

11 BY MR. KRAFT:

12 56 Q. Do you have any estimate how long
13 it will take to resolve all the litigation?

14 A. I would say that's dependant
15 entirely on how many appeals are launched at
16 various stages, so I don't have any estimate at the
17 time.

18 MR. BARRACK: Not facetiously at all,
19 but you'd have a better idea of that than we would.

20 BY MR. KRAFT:

21 57 Q. Do you anticipate a net return to
22 the creditors of Hollinger Inc.?

23 A. A net return to the creditors?
24 Yes.

25 58 Q. A return?

1 A. A return to the creditors, yes.

2 59 Q. How do you weigh the interests of
3 the various categories of stakeholders?

4 A. There are well-established
5 priorities in terms of their relative positions as
6 secured creditors, unsecured creditors, preferred
7 shareholders and the common shareholders.

8 60 Q. What is the approximate total
9 amount of claims that have been submitted under the
10 claims bar process?

11 A. That has not been made public
12 previously.

13 61 Q. So is that an answer you're
14 refusing to give us?

15 U/A MR. BARRACK: We'll take it under
16 advisement.

17 BY MR. KRAFT:

18 62 Q. Were all claims filed within the
19 deadline under the claims bar order?

20 A. We're talking only about the
21 Applicants here?

22 63 Q. Only the Applicants, yes. Only
23 Hollinger Inc.

24 A. Well, there are three applicants,
25 Hollinger Inc., Sugra and 4322525 Canada Inc. To

1 the best of my knowledge and belief, they were all
2 filed on time.

3 64 Q. Can you state the total value of
4 the claims that have been accepted to date?

5 U/A MR. BARRACK: We'll take that under
6 advisement.

7 BY MR. KRAFT:

8 65 Q. Were both secured and unsecured
9 claims filed?

10 A. Yes.

11 66 Q. Can you breakdown between the
12 secured and unsecured?

13 U/A MR. BARRACK: We'll take it under
14 advisement.

15 BY MR. KRAFT:

16 67 Q. And do you agree that Conrad Black
17 and its corporation had made claims in the claims
18 bar process?

19 A. Yes, they have.

20 68 Q. Had those claims been disallowed
21 in whole or in part to date?

22 A. They have not.

23 69 Q. Has Hollinger made a reserve for
24 disputed claims?

25 A. You're talking about a financial

1 accounting reserve? Can you clarify that question,
2 please?

3 70 Q. The question is really, simply if
4 there's an allowance been made in terms of any
5 contemplated distribution?

6 A. Okay, that's a different question.

7 71 Q. Yes.

8 A. So in determining any distributions
9 that would eventually be made from the estates,
10 there will be an exercise whereby we will make
11 estimates of reserves for the various claims that
12 have been made.

13 As you're probably aware, non-arm's
14 length claims, such as Mr. Black's, have to be
15 adjudicated by the Court and not by me or the
16 Monitor independently.

17 72 Q. You just anticipated my next question.

18 A. Thank you.

19 73 Q. In paragraph 9 of the Torys
20 Settlement Agreement, which is at Exhibit A.

21 A. Yes.

22 74 Q. And similarly, what claims did
23 Torys have that are being compromised?

24 A. Torys did not make any claims into
25 the estates.

1 75 Q. Torys did not make any claims?

2 A. Um-hum. And has agreed not to
3 make any claims as a result of the settlement.

4 76 Q. And they have agreed not to make
5 any claims as part of the settlement?

6 A. That's correct.

7 77 Q. Which means that they must have
8 asserted there was some claims that they
9 potentially had?

10 A. I think it was a matter of
11 completeness to include it in the settlement.

12 78 Q. So you're not aware of any claims
13 that Torys may have had?

14 A. That's correct.

15 79 Q. Would it be the same answer with
16 respect to KPMG?

17 A. No, that's not the same answer.

18 80 Q. Can you clarify what claims
19 KPMG --

20 A. KPMG made claims into the estate
21 for unpaid fees and work-in-process. And
22 unspecified claims for contribution and indemnity.

23 81 Q. What is the approximate amount of
24 the unpaid fees in this claim?

25 A. Approximately, \$1.1 million.

1 82 Q. Was there any dollar limit on
2 their contribution and indemnity claim?

3 A. No, they were unspecified as to
4 amounts.

5 83 Q. Thank you. Paragraph 4C of your
6 Affidavit references the report of the Litigation
7 Trustee dated November 22nd, 2010.

8 A. Yes.

9 84 Q. Would you produce a copy of that
10 report?

11 R/F MR. BARRACK: No. That report was
12 never filed because of the issues and negotiations
13 that occurred with -- as you know, there's several
14 parties that resulted in us proceeding in a manner
15 where there were no litigation privileged matters
16 that were put before the Court. If that's the
17 right one -- yeah. You have the Litigation Trustee
18 report that it was filed.

19 MR. KRAFT: Was there ever a sealing
20 report obtained with respect to that report?

21 MR. BARRACK: No. It was never
22 delivered to the Court.

23 BY MR. KRAFT:

24 85 Q. I'm going to take you to your
25 March 31st, 2011 Affidavit. It's paragraph 13, you

1 referenced the Litigation Trustee's report dated
2 March 31st, 2011.

3 I assume that's the same report your
4 counsel just mentioned in an answer to the previous
5 question?

6 A. Right, yeah. The March 31, 2011
7 report is the one that you have that's on the
8 public record.

9 86 Q. Which is what you referred to in
10 the answer to the previous question that you
11 answered?

12 A. Right. There were two Litigation
13 Trustee reports. One that contained -- there was a
14 contemplated Litigation Trustee report that was
15 never filed with the Court. That's the earlier one
16 that was referred to.

17 There was a later Litigation Trustee
18 report, which was filed with the Court and filed
19 with the Court in unredacted form and distributed
20 to the service list in unredacted form. That's the
21 March 31, 2011 report.

22 87 Q. I will clarify the question for
23 the record. I don't think there's confusion, but I
24 just want to clarify this for the record.

25 A. Okay.

1 88 Q. The report referred to at
2 paragraph 13 of the March 31st, 2011 Affidavit is
3 the same report of the Litigation Trustee that is
4 dated March 31st, 2011?

5 A. That's correct.

6 89 Q. That is different from the
7 November 22nd, 2010 Litigation Trustee's report?

8 A. That's what I believe you guys
9 were saying.

10 MR. BARRACK: Yes.

11 MR. KRAFT: Thank you.

12 BY MR. KRAFT:

13 90 Q. Previously you indicated that you
14 expect a return to creditors?

15 A. That is correct.

16 91 Q. And that creditors will be broken
17 down into -- I think it was secured and unsecured
18 creditors?

19 A. (Witness nods.)

20 92 Q. Do you have a anticipated return
21 to the secured creditors of Hollinger Inc.?

22 A. Based upon the current price of
23 the Sun-Times Media Group shares, which is
24 effectively zero, as secured creditors they have
25 recourse only to those shares. So their claim will

1 be valued for secured purposes, having no return as
2 secured creditors and the excess will be valued as
3 an unsecured claim.

4 93 Q. So just to clarify. The secured
5 creditors only have security on a very specific
6 asset?

7 A. That is correct.

8 94 Q. And that asset is likely worthless?

9 A. It is worthless.

10 95 Q. So the only return will likely be
11 to unsecured creditors?

12 A. That is correct. There is one
13 creditor who has asserted a priority claim.

14 96 Q. That is the claim of --

15 A. Catalyst.

16 97 Q. Catalyst, that's correct. And
17 that is for approximately how much? I do know
18 that's part of the record --

19 A. \$1.9 million. And that will also
20 be adjudicated before Justice Campbell at a
21 non-arm's length claim.

22 98 Q. And that claim has not been
23 settled or resolved?

24 A. No.

25 99 Q. Do you anticipate any return to

1 shareholders?

2 A. It's premature to make any kind of
3 assertion in that regard.

4 100 Q. And as chief restructuring
5 officer, are you responsible for budgeting
6 go-forward expenses from Hollinger Inc.?

7 A. Yes.

8 101 Q. That would include expenses
9 related to recovery under the litigation assets?

10 A. We don't estimate things that we
11 can't determine with some degree of certainty.

12 102 Q. At the time you concluded the
13 settlement with Torsys, did you have an estimated
14 budget if the matter had proceeded to litigation?

15 A. We had an estimated budget. We
16 had a full discussion about costs to proceed to
17 litigation, and that was contemplated in
18 determining what we would settle for.

19 103 Q. It would be the same answer with
20 respect to KPMG?

21 A. That is correct.

22 MR. KRAFT: Subject to the refusals,
23 undertakings and under advisements, those are all
24 the questions I have.

25 MR. BARRACK: As Ms. Keenberg just

1 points out, so we don't have to correct the answer
2 later, that the timeframe for the claims is really
3 from the mid-'90s until about 2003.

4 MR. KRAFT: Okay, that's noted. That's
5 fine.

6 MR. BARRACK: I have no re-examination.
7 Does anybody else?

8 MR. KRAFT: Thank you.

9
10 -- Whereupon the examination adjourned at 2:43 p.m.

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REPORTER'S CERTIFICATE

I, JUDITH M. CAPUTO, RPR, CSR,
Certified Shorthand Reporter, certify;

That the foregoing proceedings were
taken before me at the time and place therein set
forth, at which time the witness was put under oath
by me;

That the testimony of the witness
and all objections made at the time of the
examination were recorded stenographically by me
and were thereafter transcribed;

That the foregoing is a true and
correct transcript of my shorthand notes so taken.

Dated this 14th day of February, 2012.

NEESON & ASSOCIATES
COURT REPORTING AND CAPTIONING INC.
PER: JUDITH M. CAPUTO, RPR, CSR

TAB 12



Thornton Grout Finnigan LLP
RESTRUCTURING + LITIGATION

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February 17, 2012

VIA EMAIL

Ken Kraft
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333 Bay Street, Suite 2900
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Earl Cherniak, Lisa Munro and Jason Squire
Lerners LLP
130 Adelaide Street West
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Dear Counsel:

Re: Court File No. 07-CL-7120: Cross Examination of William E. Aziz, Feb. 8, 2012

We write to provide you with answers to questions that were taken under advisement during the February 8, 2012 cross examination upon the Affidavits of William E. Aziz, sworn on November 1, 2010, November 24, 2010 and March 31, 2011.

In response to our request that you articulate the relevance of these questions, Mr. Squires advised on February 9, 2012:

It is our clients' position that the expenditure on professional advisors and claims against the estate of the Applicants are relevant to the court's consideration of the CRO's "view that the Settlements are fair and reasonable and are in the best interests of the Applicants and their creditors and other stakeholder" (see inter alia para 14 of your clients' notice of motion), and the exercise of the court's supervisory powers, particularly under the CCAA and the MPSA Order.

Q53, P16: How much have the Applicants spent to date on legal counsel?

A: In what period?

Q54, P16: Since you became Chief Restructuring Officer.

A: I don't have that number at the tip of my fingers.

U/A Mr. Barrack: How is that relevant? I'll take it under advisement. If you want to tell me how it's relevant, because it may impact the answer.

Mr. Kraft: I'll follow up with that.

Answer:

The quantum of legal fees incurred by the Applicants to date is not a fact that is relevant to the Court's determination of any issue on the settlement approval motion. In any event, the legal fees paid out have been reported by the Monitor, Ernst & Young Inc., most recently in Appendix A of the Monitor's 17th Report which is publicly available on the Ernst & Young Inc. website and is enclosed with these answers for your reference.

Q55, P16-17: And how much to date has been spent on accountants for Hollinger Inc.?

Mr. Barrack: Again, do you want to tell me how that's relevant to the Settlement Approval Motion?

Mr. Kraft: You're taking that under advisement as well?

Mr. Barrack: I'll take it under advisement. But I'd appreciate if you'd tell me how it's relevant so we can give you a responsive answer.

Answer:

The quantum of accountants' fees incurred by the Applicants to date is not a fact that is relevant to the Court's determination of any issue on the settlement approval motion. In any event, the accountants' fees paid out have been reported by the Monitor, Ernst & Young Inc., most recently in Appendix A of the Monitor's 17th Report which is publicly available on the Ernst & Young Inc. website and is enclosed with these answers for your reference.

Q60, P18: What is the approximate total amount of claims that have been submitted under the claims bar process?

A. That has not been made public previously.

Answer:

The approximate total amount of claims that have been submitted to the Applicants under the claims bar process is as follows:

Hollinger Inc.	34
Sugra Limited	8
4322525 Canada Inc.	10
Total Claims Filed	52



Thornton Grout Finnigan LLP

3.

Q64, P19 Can you state the total value of the claims that have been accepted to date?

Answer:

The approximate total value of the claims that have been accepted to date, excluding claims for contribution and indemnity, is \$832,777,845

Q65, P19: Were both secured and unsecured claims filed?

A: Yes.

Q66, P19: Can you breakdown between the secured and unsecured?

Answer:

The breakdown between secured and unsecured claims filed that have been either accepted or remain unresolved is as follows:

Secured/ Unsecured	Number of Claims Filed	Approximate Value of Claims Filed* *excluding claims for contribution and indemnity
Super Priority Claim	1	\$1,988,388
Secured	6	\$222,101,492
Unsecured	26	\$836,822,114

Yours very truly,

Thornton Grout Finnigan LLP

Megan Keenberg
MK

TAB 13

**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

**ANSWERS TO QUESTIONS FOR JOHN D. GROUND, Q.C.
FEBRUARY 17, 2012**

Maximizing Net Return on Litigation Assets

Munro Exhibit 18 is an Order of Justice Campbell dated May 21, 2008 – Approval of Multi-Party Settlement and Cost Reduction/Asset Enhancement Program.

Schedule A to that order is the Multi-Party Settlement Agreement ("MPSA").

Paragraph 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. (See also para. 40)

1. Have you listed and categorized persons who are "stakeholders" as contemplated in the MPSA?

The stakeholders of the Applicants are the secured and unsecured creditors of the Applicants, and the preferred and common shareholders of the Applicants. Through the claims process in the CCAA proceeding, the creditor stakeholders of the Applicants have been identified and categorized as the secured creditors and the unsecured creditors. At this time, the existence of the preferred and common shareholders is known, however the exercise to identify and categorize specific shareholders has yet not been undertaken.

2. Do you consider Black and CBCC to be stakeholders? If so, in what capacity or category?

Having filed a proof of claim in the amount of \$83,021,972.59 plus unknown contingent amount into the estate of Hollinger Inc., Black is a stakeholder of the Applicants in his capacity as an unsecured creditor of Hollinger. This claim has not yet been adjudicated.

CBCC has not filed a proof of claim into the any of the estates of the Applicants, and as such is not considered a stakeholder of the Applicants in a creditor capacity.

As stated above in response to Q1, the Applicants have not yet identified and categorized specific shareholders, so are not in a position to confirm whether Black and/ or CBCC are also stakeholders of the Applicants as shareholders .

3. Do you consider non-settling defendants who have asserted contribution and indemnity claims against Hollinger Inc. and/or third parties to be stakeholders?

Non-settling defendants are not stakeholders of the Applicants by virtue only of their status as defendants. To the extent that such non-settling defendants are also secured or unsecured creditors or preferred or common shareholders of the Applicants, they are considered to be stakeholders of the Applicants.

4. Are the only assets of Hollinger Inc. Litigation Assets?

In addition to the Litigation Assets, Hollinger Inc. also has approximately \$1.7M cash in hand, as well as certain tax losses that it is currently seeking to monetize. There are also funds and assets available to Hollinger Inc. from the non-applicant subsidiaries. Hollinger Inc.'s assets are disclosed in Appendix G of the Monitor's 17th Report, which is enclosed with these answers.

5. Please list the Litigation Assets

The Litigation Assets consist of claims and potential claims by Hollinger Inc. and /or the other Applicants against the following persons and entities categorised into five groups:

- (i) **The Inside Directors and their companies:** Black, Amiel-Black, CBCC, Moffatt Management Inc., Black-Amiel Management Inc., 1269940 Ontario Limited, 2753421 Canada Limited, Boulton, Mowitz Holdings, 364817 Ontario Limited, Atkinson, 1406684 Ontario Limited, Radler, F. D. Radler Ltd., Ravelston, Ravelston Management Inc., Argus, 509643 N.B. Inc., 509644 N.B. Inc., 509645 N.B. Inc., 509646 N.B. Inc., 509647 N.B. Inc., Hollinger Aviation Inc., Peter White, Daniel Colson and Charles Cowan;*
- (ii) **The Outside Directors:** Sabia, Ketcham, Gottlieb, Eaton, Barford and the Estate of Fullerton;*
- (iii) **The Banks:** Canadian Imperial Bank of Commerce, Toronto Dominion Bank and Bank of Nova Scotia;*
- (iv) **Torys LLP;** and*
- (v) **KPMG LLP.***

6. What is your estimate of the total value of the Litigation Assets?

Refused on the basis of solicitor-client and litigation privilege.

7. Is it the your objective to maximize the return for all stakeholders?

Yes.

8. Can you confirm that the only assets of Hollinger Inc are what you have described as the "Litigation Assets"?

In addition to the Litigation Assets, Hollinger Inc. also has approximately \$1.7M cash in hand, as well as certain tax losses that it is currently seeking to monetize. There are also funds and assets available to Hollinger Inc. from the non-applicant subsidiaries. Hollinger Inc.'s assets are disclosed in Appendix G of the Monitor's 17th Report, which is enclosed with these answers.

9. How much have the Applicants spent to date on the following professional and other advisors:

- lawyers
- accountants
- Monitor
- Litigation Trustee
- representatives on Litigation Committee (Bill Brock, Arnold Cader?)
- Voorheis & Co.
- employees devoted to the purpose of maximizing the Litigation Assets
- any other professional or other advisors?
- Disbursements

The quantum of professional advisors' fees incurred by the Applicants to date is not a fact that is relevant to the Court's determination of any issue on the settlement approval motion. In any event, the professional advisors' fees paid out have been reported by the Monitor, Ernst & Young Inc., most recently in Appendix A of the Monitor's 17th Report which is publicly available on the

Ernst & Young Inc. website and is enclosed with these answers for your reference.

10. What are your estimates of these costs on an annual/monthly basis to the conclusion of all litigation?

The amount of litigation costs going forward has not been estimated because the number of variables outside the control of the Litigation Trustee makes any such estimation meaningless. Each incremental step in the litigation is assessed to ensure that the step is warranted in fulfillment of my duties as Litigation Trustee. All details of such analyses are refused on the basis of litigation and solicitor-client privilege.

11. How long do you estimate it will take to resolve all the litigation?

The duration of the litigation through to final resolution will depend on a myriad of factors including the conduct of other parties and the likelihood of appeals. My best estimate, based on the pace of the litigation to date, is in the range of 2-3 years.

12. Do you anticipate any net return to any category of stakeholder? If so, please advise of your estimated amounts.

The net return to the estates of the Applicants will depend, in part, on the success of the litigation initiatives which are currently underway. Any specific assessment is the subject of both solicitor-client and litigation privilege.

13. What mechanism is in place to weigh the interests of categories of stakeholders? How do you intend to do so? Have you done so? Please provide your analysis.

It is not a function of the Litigation Trustee to weigh the interests of categories of the Applicants' stakeholders. The categories of the stakeholders are ranked in priority of their status as secured creditors, unsecured creditors, preferred

shareholders and common shareholders in accordance with general corporate and restructuring law principles within the CCAA proceeding.

14. What mechanism is in place to satisfy yourself that the Litigation Assets are being managed efficiently? In practice, do you yourself determine whether the Litigation Assets are being managed efficiently? Who do you consult with?

I receive monthly status updates from counsel as to their progress on various litigation initiatives and attend monthly team meetings with the Litigation Advisory Committee, the CRO, the Monitor and counsel. I consult with the members of the Litigation Advisory Committee, the CRO and counsel regularly to ensure that the Litigation Assets are being managed efficiently.

15. What mechanism is in place to satisfy yourself that the Litigation Assets are being administered in a cost-effective manner? In practice, do you yourself determine whether the Litigation Assets are being administered in a cost-effective manner? Who do you consult with?

I am provided with a litigation costs report on a monthly basis. I consult regularly with the CRO and counsel to ensure the Litigation Assets are being administered in a cost-effective manner.

Several contingency fee arrangements are in place with counsel to the Applicants. The Monitor's 17th Report disclosed the fee arrangement that was in place at the time of that Report, whereby 50% of certain of the legal fees have been deferred but are contemplated to be paid out on a contingency basis if these settlements are approved at a multiple of 2.5 times the deferred amount. Since the time of the Monitor's 17th Report, these fee arrangements have been amended such that 75% of those legal fees are now being deferred on the same basis.

In addition, the fees of the Litigation Trustee and of the Litigation Advisory Committee are being deferred without a multiplier.

16. Have you budgeted or estimated the cost (past and projected) associated with the Litigation Assets? If so, please provide.

The costs associated with the Litigation Assets to date have been disclosed in the Monitor's Reports. See answer to Q9. The amount of litigation costs going forward has not been estimated because the number of variables outside the control of the Litigation Trustee makes any such estimation meaningless. Each incremental step in the litigation is assessed to ensure that the step is warranted in fulfillment of my duties as Litigation Trustee. All details of such analyses are refused on the basis of litigation and solicitor-client privilege.

17. Have you budgeted or estimated the cost (past and projected) of litigating claims by and against Conrad Black and CBCC and related parties? If so, please provide.

The costs associated with the Litigation Assets to date have been disclosed in the Monitor's Reports. See answer to Q9. The amount of litigation costs going forward, including the costs associated with litigating claims by and against Black, CBCC and related parties, has not been estimated because the number of variables outside the control of the Litigation Trustee makes any such estimation meaningless. Each incremental step in the litigation is assessed to ensure that the step is warranted in fulfillment of my duties as Litigation Trustee. All details of such analyses are refused on the basis of litigation and solicitor-client privilege.

18. How regularly are you provided with financial information relevant to permit you to assess whether the Litigation Assets are being administered efficiently and in a cost-effective manner, with a view to maximizing the net return, after costs, to stakeholders? If so, do you review it? Please produce the most current version.

I review litigation spending reports on a monthly basis. Production of the most current litigation spending report is refused on the basis of litigation privilege.

In any event, the fees incurred to date in administering the Litigation Assets have been disclosed in the Monitor's Reports.

19. Are financial statements of the Applicants prepared on a segmented basis that segments costs incurred relating specifically to the Litigation Assets? If so, do you review it? Please produce the most current version.

The preparation and review of financial statements is not a function of the Litigation Trustee. Production of the most current financial statements of the Applicants is refused on the basis that such documents are not relevant to the pending settlement approval motion, and in any event, all relevant financial matters are disclosed in the Monitor's Reports which are publically posted on the Ernst & Young website.

20. Which professional advisors have provided services specifically relating to the Litigation Assets? For each, please provide a description or summary of the nature of services provided, hourly rates and fee arrangements.

The professional advisors who have provided services relating to the Litigation Assets are disclosed in the Monitor's Reports. In addition, the fee arrangements between the Applicants and their counsel have been disclosed in the Monitor's Reports, most recently the Monitor's 17th Report.

21. Who reviews and approves the accounts of professionals rendering services relating to the Litigation Assets?

The review and approval process for the accounts of professionals rendering services relating to the Litigation Assets is not relevant to any issue in dispute on the pending settlement approval motion and, in any event, is subject to solicitor-client privilege.

22. What is your compensation arrangement, including amounts and frequency, for the services you provide under the MPSA? Is your compensation reviewed or approved by anyone? If so, by whom?

By Order of Justice Campbell, dated July 3, 2008, the terms of my engagement as Litigation Trustee of the Applicants were approved. The letter of engagement between myself and the Applicants was appended to the Order as Schedule A. A copy of the Order and appended engagement letter is enclosed herewith. Under the terms of the approved engagement letter I am compensated on an hourly basis for time spent on Litigation Trustee matters at an hourly rate of \$800/ hour. The terms of this engagement have not been amended since they were approved by the Court in 2008.

As stated above, I have entered into a fee deferral arrangement without a multiplier. My accounts are rendered monthly and include total hours spent and a description of the services provided during that month.

23. What are the compensation arrangements for Messrs. Brock and Cader, including amounts and frequency, for the services they provide under the MPSA? Is their compensation reviewed or approved by anyone? If so, by whom?

Pursuant to clause 37 of the MPSA, Mr. Brock, the representative of the Applicants, is a senior Canadian litigation counsel and is compensated at his usual hourly rate. Mr. Brock's hourly rate at the time of his appointment was \$710/ hour. Since his appointment, Mr. Brock's rate has increased to \$800/hour, which is his current compensation.

Pursuant to clause 37 of the MPSA, Mr. Cader, the representative of the largest noteholder, Davidson Kempner, is entitled to receive compensation on an equivalent basis to that of Mr. Brock. Mr. Cader is compensated at \$710/hour in accordance with Mr. Brock's usual hourly rate as it was when they were both appointed to the Litigation Advisory Committee.

Both Mr. Brock and Mr. Cader have agreed to a fee deferral arrangement without a multiplier.

Administering Litigation Assets

Paragraph 36 and paragraph 38 of the MPSA appear somewhat contradictory.

Paragraph 36 contemplates the Litigation Trustee acting in accordance with any majority decision of the Advisory Committee, and providing a "deciding vote" in the event of any disagreement as between the other two members of the Advisory Committee.

Paragraph 38 provides that the Litigation Trustee will supervise and administer the Litigation Assets on a day-to-day basis. The Litigation Trustee will seek direction from the Advisory Committee as deemed necessary or appropriate, and is only required to seek direction from the Advisory Committee with respect to (i) litigation strategy, (ii) financing for the Litigation Assets, (iv) whether to accept or make any settlement offer and (v) the use of proceeds of any settlement.

24. Has the Advisory Committee given you directions on any matter other than (i) – (iv)? If so, concerning what subject matters?

No.

25. Have you ever had to cast a deciding vote as contemplated by paragraph 36? If so, concerning what subject matters?

Refused on the basis of litigation privilege.

26. Who actually performs the day-to-day administration of the Litigation Assets? Do you keep dockets? If so, please produce.

I perform the day-to-day administration of the Litigation Assets with the assistance of counsel. I keep records of my time and review my files in preparing my monthly accounts. Production of my accounts and time records is refused on the basis of litigation privilege.

27. Are there any written protocols beyond the MPSA itself outlining how the Advisory Committee is to give directions to you, or otherwise dealing with the administration of the Litigation Assets? If so, please produce

There are no other written protocols beyond the MPSA and the MPSA Order of May 21 2008 governing the administration of the Litigation Assets or the governance of the Litigation Advisory Committee.

Settlement Agreements

28. You describe at paragraph 20 of your March 31, 2011 report that a benefit of third party releases to the settling defendants include the avoidance of costly and protracted litigation with a number of parties over years. Paragraphs 21 and 23 of your report anticipate that Torys and KPMG will give evidence at trial, and that the trial judge will have to apportion liability. Do you anticipate that non-settling defendants will have discovery rights as against Torys and KPMG in order to be in a position to examine Torys and KPMG at trial, and to ask the judge to apportion liability?

As a former judge, a lawyer and an Officer of the Court, I am aware of the rights of parties to seek this relief and, in my capacity as Litigation Trustee, I take no position in this regard.

29. Have Torys and KPMG ever produced information that would be relevant to a discovery plan? If so, please produce

Torys and KPMG have not produced information that would be relevant to a discovery plan.

30. At the time of the respective Settlement Agreements, did you have an estimate or budget for the conduct of continued litigation with Torys and/or KPMG? If so, please produce.

The amount of litigation costs going forward has not been estimated, at the time of the respective Settlement Agreements or at any other time, because the number of variables outside the control of the Litigation Trustee makes any such estimation meaningless. Each incremental step in the litigation is assessed to ensure that the step is warranted in fulfillment of my duties as Litigation Trustee. All details of such analyses are refused on the basis of litigation and solicitor-client privilege.

31. Are there any agreements with Torys and/or KPMG to the effect that they will produce witnesses pursuant to Rule 30.10, or at trial? If so, please particularize, including who will be such witnesses.

The Applicants do not have any such agreements with either Torys or KPMG.

32. In the event that the Settlement Agreements are not approved, will the Applicants seek discovery of Torys and KPMG?

In the event that the Settlement Agreements are not approved, the Applicants will resume litigation initiatives against Torys and KPMG in an effort to achieve final resolution of the Applicants' claims against Torys and KPMG, be it through traditional litigation—which would include examinations for discovery—or by means of a form of alternate dispute resolution—in which case examinations for discovery may not be necessary or desirable.

33. With reference to para 9 of the Torys Settlement Agreement and para 10 of the KPMG Settlement Agreement, what claims do each of Torys and KPMG have against the Applicants that are being compromised? Has there been a value estimated for those contingent liabilities? If so, please particularize.

Torys has not filed any claims into the estates of the Applicants. Part of the consideration offered by Torys under the terms of the Torys Settlement Agreement was an agreement not to file any claims into the Applicants' estates on a go-forward basis.

KPMG filed claims in the amount of approximately \$1.14M into the estates of the Applicants, plus unknown contingent claims for contribution and indemnity (the value of which had not been estimated). Those claims were withdrawn and waived by KPMG as part of the KPMG Settlement Agreement.

34. Please advise if the Applicants agree that the proposed third party releases and bar orders described in the Settlement Agreements and the proposed Settlement Order will not prevent Black from asserting or pursuing claims for contribution and indemnity against Torys and/or KPMG in connection with the claims made against Black in (i) Hollinger International Inc. v. Hollinger Inc., et al, Case No. 04-C-0698 in the United States District Court, Northern District of Illinois, Eastern Division, and (ii) United States Securities and Exchange Commission v. Conrad M. Black, et al, Civil Action File No. 04C 7377 in the United States District Court for the Northern District of Illinois, Eastern Division (the "United States Actions")

The Applicants agree that the proposed third party releases and bar orders contained in the Torys and KPMG Settlement Agreements will not prevent Black from asserting or pursuing claims for contribution and indemnity against Torys and KPMG in connection with claims made against Black by Hollinger International Inc. (now Chicago Newspapers Liquidation Corp.) or by the United States Securities and Exchange Commission. The third party releases and bar orders sought are designed to prevent Black and others from commencing or continuing claims for contribution and indemnity against Torys and / or KPMG in connection with claims brought by Hollinger Inc. in respect of damages owing to Hollinger Inc.

November 22, 2010 Litigation Trustee Report

35. Please produce a copy of your November 22, 2010 report, referred to in paragraph 4(c) of William Aziz's affidavit of November 26, 2010.

The November 22, 2010 report referred to the CRO's affidavit of November 24, 2010 contained statements that were subject to litigation privilege. It was never filed with the Court. The Applicants initially sought a sealing order in respect of that report, but when they were met with strong opposition on the sealing order, the Applicants decided to withdraw the request for a sealing order over the November 22 report, and to refrain from filing it under seal. Instead, my report of March 31 2011, which is not subject to litigation privilege, was served upon the Service List and filed with the Court without redactions and without seal.

The request to produce the November 22, 2010 Report is refused on the basis of litigation privilege.

February 17, 2012

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Lawyers for HSBC Bank USA, National Association ("HSBC"), as trustee under the Indenture, dated as of September 30, 2004, among Hollinger Inc., Ravelston Management Inc., 504468 N.B. Inc. (now known as 4322525 Canada Inc), The Ravelston Corporation Limited, Sugra Limited and HSBC, as trustee

Lawyers for 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 as of March 10, 2003 (as supplemented), among Hollinger Inc., Ravelston Management Inc., 504468 N.B. Inc. (now known as 4322525 Canada Inc.), The Ravelston Corporation Limited, Sugra Limited and Wells Fargo, as Trustee

AND TO: PETER G. WHITE

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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)**

Proceeding commenced at Toronto

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TAB A

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

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

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

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

**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 share¹. 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 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 filing². 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\$0.43³ 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) Receipts and Disbursements during the Period

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) Activities during the Period

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 Boulton 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:

<u>Applicant</u>	<u>Number of Claims Received</u>
Hollinger	34
Sugra	7
4322525	<u>10</u>
Total	<u>51</u>

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:

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

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 Assets⁵ 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 Boulton, 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. Mowitz 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

Hollinger Inc., 4322526 Canada Inc., Sugra Limited
The Applicants' Statement of Receipts and Disbursements
August 1, 2007 to February 28, 2011

Appendix A

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	(108)	8,577	5
DIP Borrowings	-	-	4,200	4,200	6
Total receipts	10,704	13,670	6,648	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)	
Elmer Stahl Kelovom & Solberg LLP	(683)	(35)	(46)	(764)	
Fasken Martineau DuMoulin LLP	(663)	(3)	-	(666)	
Morris Nichols Arsht & Tunnell LLP	(133)	(8)	(56)	(197)	
Pallare Roland LLP	(159)	(19)	(183)	(361)	
Thomson Grout Finnigan LLP	-	-	(430)	(430)	
Voorheis & Co LLP	(115)	-	-	(115)	
Well, 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)	
Well, 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)	
Thomson 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)	
Zeffman 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.

Unaudited – Prepared from information provided by the Applicants and the Non-Applicants
Refer to Terms of Reference

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

FROM

(MON) DEC 18 2006 16:23/ST. 16:22/No. 6800049839 P 2

Court File No. 04-CL-5441

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE

MR. JUSTICE COLIN CAMPBELL

) 15 DAY, THE
)
) DAY OF DECEMBER, 2006

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

BETWEEN:

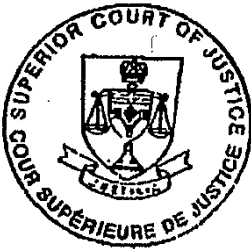
CATALYST FUND GENERAL PARTNER I INC.

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.

- 2 -

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.

- 3 -

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.*

[Signature]

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

PER/PAR: *[Signature]*

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 Jlesen (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.

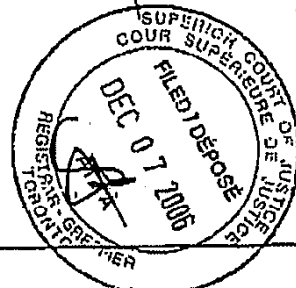
HOLLINGER INC.

Dec 15/06

Court File No. 04-CL-5441

Heeding read the notice
 needs + heard from
 counsel in order
 will advise on brief
 the form of the brief
 filed & reviewed

Dec 15/06



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

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 130 Adelaide Street West
 Toronto, Ontario
 M5H 3P5

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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.

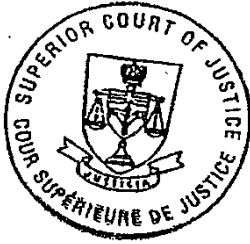
CONTACT INFORMATION

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
MR. JUSTICE CAMPBELL**

)
)
)

**WEDNESDAY, THE
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

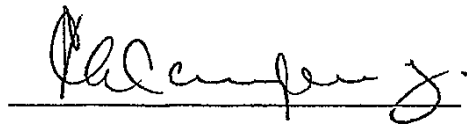
24. **THIS COURT ORDERS** that the Applicants be and are hereby authorized to purchase run-off insurance for the officers and directors of the Applicants as described in the Monitor's Seventh Report.

(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

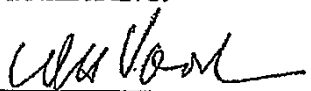
32. As part of the Court Approval order, justice John D. Ground shall be appointed as an officer of the Court to perform the role of litigation trustee (the "Litigation Trustee") of all claims and causes of action in favour of the Applicants (the "Litigation Assets") on such terms as may be agreed between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

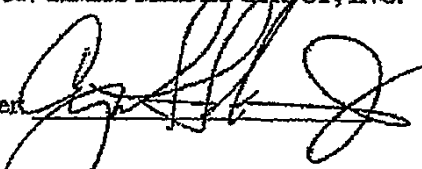
HOLLINGER INC., SUGRA LIMITED and

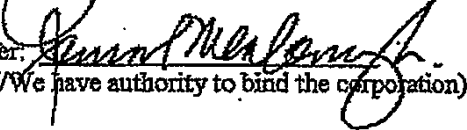
4322525 CANADA INC.

Per: 

(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: *AK*

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

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Fax: (416) 304-1313

Solicitors for the Applicants

APPENDIX E

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:

SUN-TIMES MEDIA GROUP, INC., *et al.*,¹

Debtors.

) Chapter 11

) Case No. 09- 11092 ()

) 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.

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 its 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 Merrillville, 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.

Operational Motions

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 dues³ 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

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 Pension 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's 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

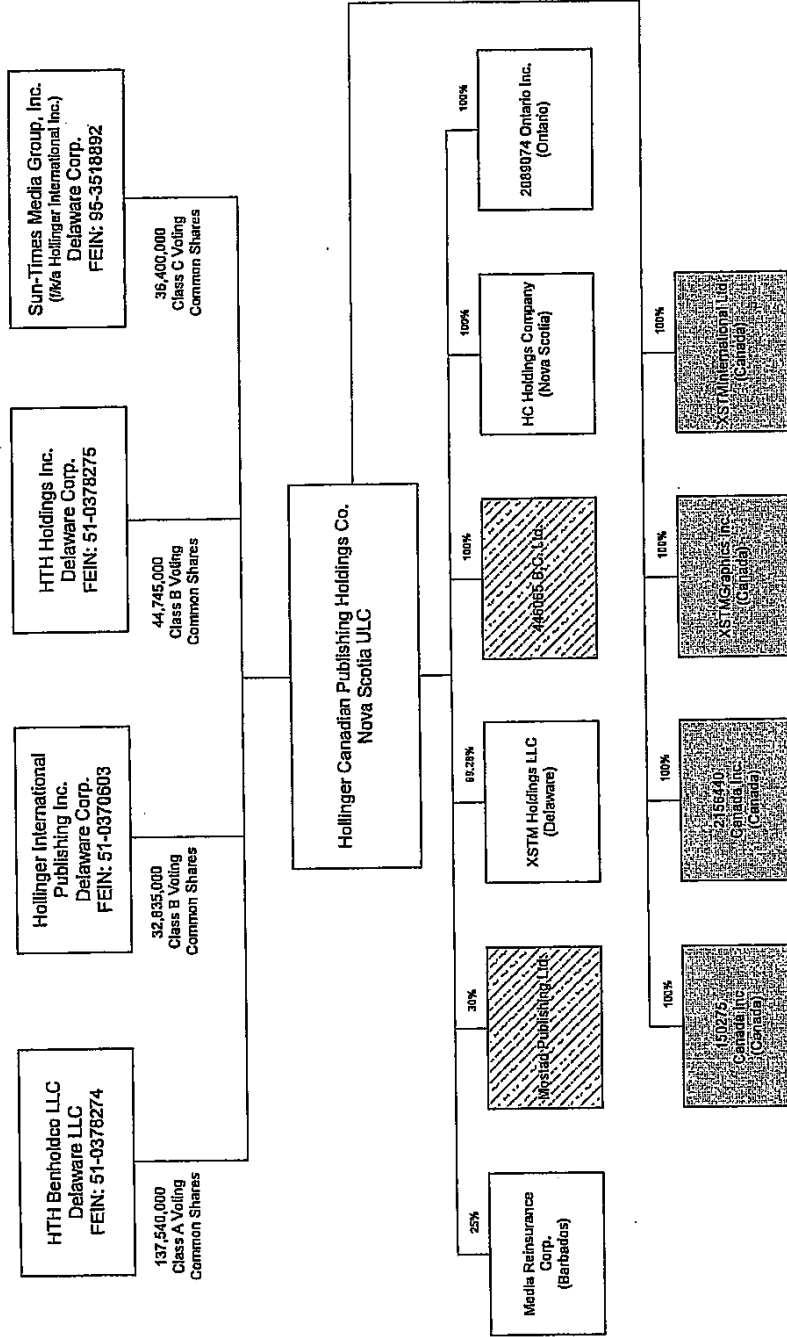
A handwritten signature in dark ink, appearing to read "James D. McDonough", is written over a horizontal line.

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

EXHIBIT A
Corporate Organization Chart

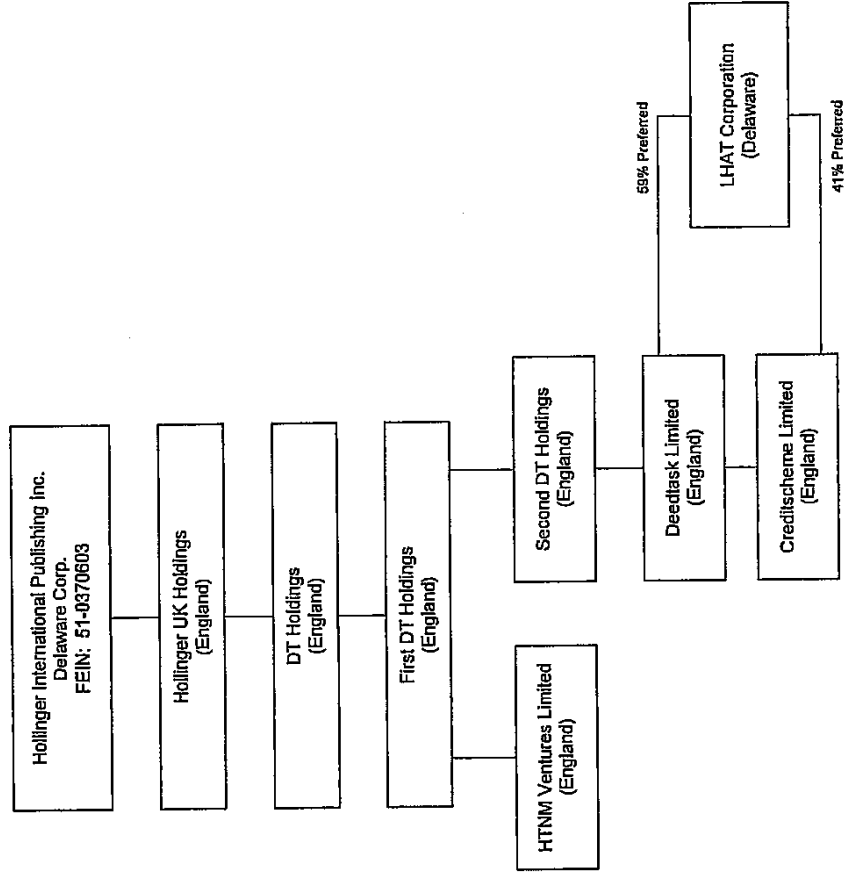
McDonald\rah\Documents\Chart - SVN Corporate Chart - ver 6.vsd

Hollinger Canadian Publishing Holdings Co. Ownership and Subsidiaries

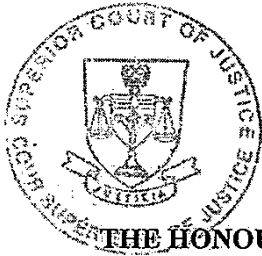


= uncertain
 = inactive

**Hollinger UK Holdings
Ownership and Subsidiaries**



APPENDIX F



Court File No. 07-CL-7120

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**THE HONOURABLE
MR. JUSTICE CAMPBELL**

)
)
)

**FRIDAY, the 25th DAY
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.

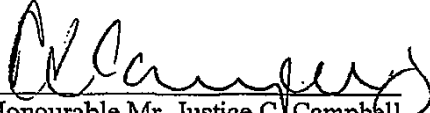
RECOGNITION AND ENFORCEMENT

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.

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

MAR 28 2011

NB


The Honourable Mr. Justice C. Campbell

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)

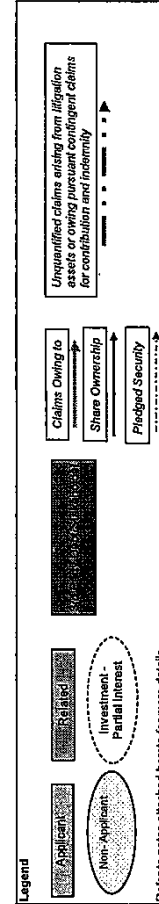
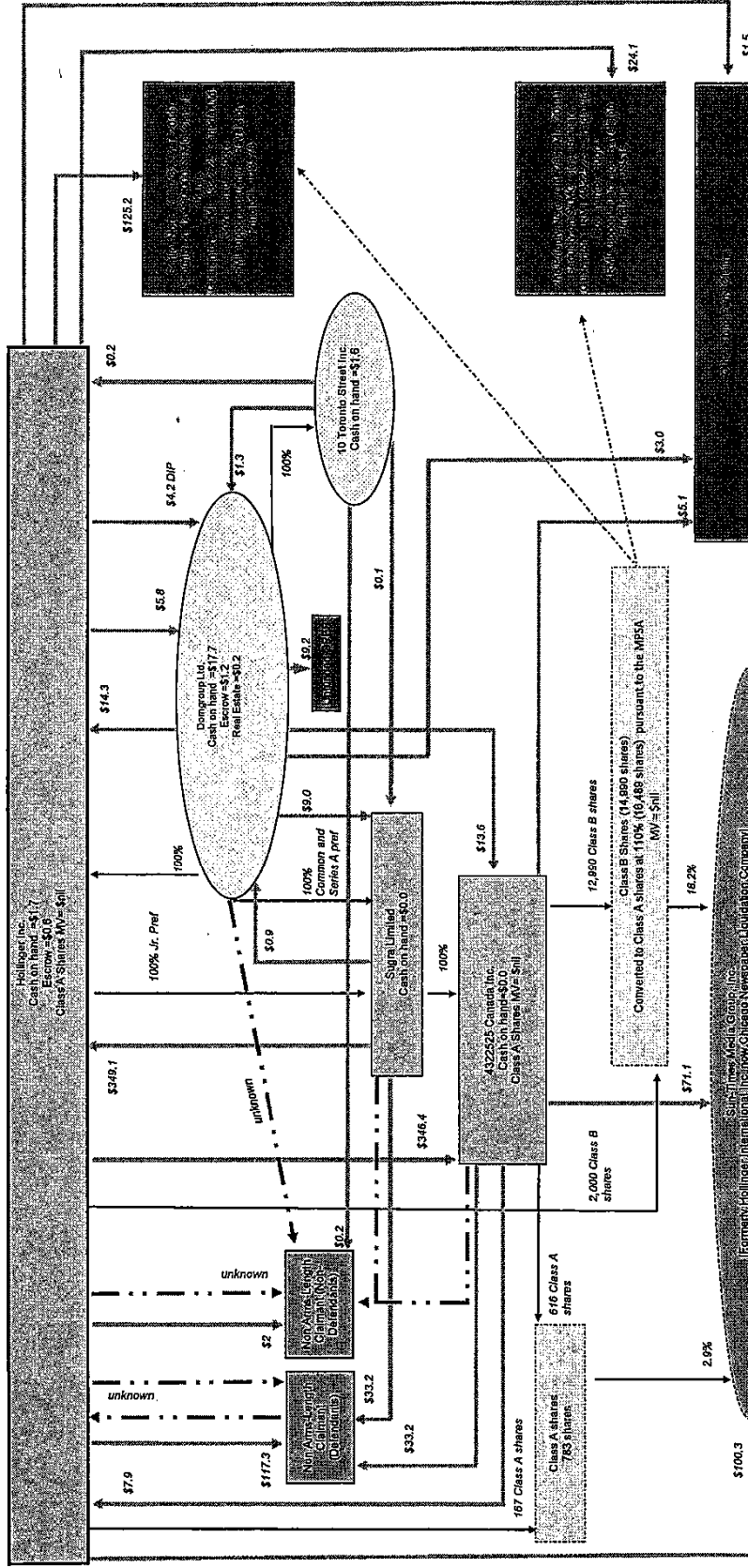
Thornton Grout Finnigan LLP
Barristers and Solicitors
Suite 3200, P.O. Box 329
Canadian Pacific Tower
Toronto-Dominion Centre
Toronto, Ontario
M5K 1K7

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



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,

Unaudited – Prepared from information provided by the Applicants and the Non-Applicants
Refer to Terms of Reference

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.

10 Toronto

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.

Domgroup

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.

Sugra

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.

432 Canada

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.

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

Court File No.: 07-CL-7120

ONTARIO SUPERIOR COURT OF JUSTICE Proceedings commenced at Toronto	
SUPPLEMENTARY MOTION RECORD OF THE APPLICANTS for Settlement Approval and Related Motions (returnable April 19, 2012)	
Thornton Grout Finnigan LLP Barristers and Solicitors 100 Wellington Street West Suite 3200 Toronto, Ontario M5K 1K7 Michael Barrack (LSUC# 21941W) Megan Keenberg (LSUC# 53735G) Tel: 416-304-1616 Fax: 416-304-1313 Lawyers for the Applicants	