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File No. 04/1094

VIA E-MAIL AND COURIER

Ontario Securities Commission
20 Queen Street West
P.O. Box 55, Suite 1900
Toronto, Ontario
M5H 3S8

Attention: The Secretary to the Commission

Dear Sirs/Mesdames:

Re: Hollinger Inc. – Application for an Order to Vary the International MCTO (as defined below) under Section 144 of the *Securities Act* (Ontario)

We are counsel to Hollinger Inc. (“**Hollinger**”). On behalf of the Applicants (as defined below), we hereby apply pursuant to Section 144 of the *Securities Act* (Ontario) (the “**Act**”) to the Ontario Securities Commission (the “**OSC**”) for an order varying the International MCTO, to permit certain direct or indirect trades of International A Shares (as defined below) and acts in furtherance of such trades by certain Respondents named therein (including Hollinger, 504468 N.B. Inc., 509643 N.B. Inc., 509644 N.B. Inc., 509645 N.B. Inc., 509646 N.B. Inc., 509647 N.B. Inc., 1269940 Ontario Limited, 2753421 Canada Limited, Conrad Black Capital Corporation, Argus Corporation Limited, Conrad M. (Lord) Black and The Ravelston Corporation Limited (collectively, the “**Applicants**”)) that may occur in connection with the proposed going private transaction (the “**Going Private Transaction**”) involving Hollinger, as described herein and in the Management Proxy Circular (the “**Hollinger Circular**”) of Hollinger dated March 4, 2005 and filed on the System for Electronic Document Analysis and Retrieval (SEDAR) on March 10, 2005. A copy of the International MCTO and the Hollinger Circular are enclosed as Schedules “A” and “B”, respectively, with the hard copy of this letter.

For the reasons set out herein under the heading “The Importance of the March 31, 2005 Deadline”, we request that this matter be dealt with on an expedited basis and that a determination by the OSC be made prior to March 31, 2005.

FACTS

The Applicants

1. Hollinger is a corporation governed by the *Canada Business Corporations Act* (the “**CBCA**”). It is a reporting issuer or its equivalent under the applicable securities laws of each of the provinces and territories of Canada and is a “foreign private issuer” under the applicable federal securities laws of the United States. In addition, Hollinger is a mutual fund corporation (as defined in the *Income Tax Act* (Canada)) and is an open-end investment holding company. As a mutual fund corporation, Hollinger is generally precluded from carrying on any business other than the investing of its funds in property (other than real property or an interest in real property).
2. The authorized capital of Hollinger consists of an unlimited number of retractable common shares (the “**Common Shares**”), an unlimited number of Exchangeable Non-Voting Preference Shares Series I (the “**Series I Preference Shares**”), an unlimited number of Exchangeable Non-Voting Preference Shares Series II (the “**Series II Preference Shares**”) and an unlimited number of Retractable Non-Voting Preference Shares Series III (the “**Series III Preference Shares**”). As at March 11, 2005, 34,945,776 Common Shares, no Series I Preference Shares, 1,701,995 Series II Preference Shares and no Series III Preference Shares are issued and outstanding. The only voting securities of Hollinger are the Common Shares.
3. Each of the outstanding shares of Hollinger is retractable at the option of the holder (subject to applicable law). The Common Shares are retractable at any time at the option of the holder at their retraction price (which is fixed by a committee of the Board of Directors of Hollinger (the “**Board**”) from time to time) in exchange for shares of Class A common stock (the “**International A Shares**”) of Hollinger International Inc. (“**International**”) owned, directly or indirectly, by Hollinger of equivalent value or, at Hollinger’s option, cash of equivalent value. The current retraction price per Common Share is \$4.65. On retraction, the Series II Preference Shares are exchangeable into a fixed number (being 0.46) of Hollinger’s International A Shares or, at Hollinger’s option, cash of equivalent value. All of the International A Shares owned, directly or indirectly, by Hollinger are currently being held in escrow with a licensed trust company in support of retractions of Series II Preference Shares.
4. The outstanding Common Shares and Series II Preference Shares are listed on the Toronto Stock Exchange (the “**TSX**”) under the symbols “HLG.C” and “HLG.PR.B”, respectively.
5. The Ravelston Corporation Limited (“**Ravelston**”) owns: (a) directly approximately 16.5% of the Common Shares and approximately 3.9% of the Series II Preference Shares; and (b) indirectly, through Argus Corporation Limited (“**Argus**”) (of which Ravelston owns 100% of the common shares), approximately 61.8% of the Common Shares. Ravelston is indirectly controlled by Conrad M. (Lord) Black through 1269940 Ontario

Limited, 2753421 Canada Limited and Conrad Black Capital Corporation. Argus is a corporation governed by the CBCA and is a reporting issuer under the securities laws of the provinces of Ontario and Quebec. The Common Shares owned by Argus are indirectly held through 509643 N.B. Inc., 509644 N.B. Inc., 509645 N.B. Inc., 509646 N.B. Inc. and 509647 N.B. Inc., each of which is a direct or indirect wholly-owned subsidiary of Argus.

6. We understand that Catalyst Fund General Partner I Inc. (“**Catalyst**”) owns approximately 82.1% of the Series II Preference Shares. Catalyst is not an affiliate of Hollinger or Ravelston.
7. Hollinger currently has outstanding US\$93.0 million aggregate principal amount of 11.875% Senior Secured Notes due 2011 (the “**Senior Notes**”). The Senior Notes are guaranteed by Ravelston Management Inc., a wholly-owned subsidiary of Ravelston, and by an indirect wholly-owned subsidiary of Hollinger. The Senior Notes are secured by, among other things, a first priority lien on 14,990,000 shares of Class B common stock (the “**International B Shares**”) of International owned, directly and indirectly, by Hollinger.

International

8. International is a United States public company incorporated in the State of Delaware. International is a reporting issuer or its equivalent under the applicable securities laws of each of the provinces of Canada.
9. The authorized capital of International consists of 250,000,000 International A Shares and 50,000,000 International B Shares. Holders of the International A Shares vote together with the holders of the International B Shares as a single class, provided that: (i) the holders of the International A Shares have one vote for each share; and (ii) the holders of the International B Shares have ten votes for each share. The outstanding International A Shares are listed for trading on the New York Stock Exchange (the “**NYSE**”) under the symbol “HLR”. The outstanding International B Shares are not publicly listed but are convertible into International A Shares on a one-for-one basis at the option of the holder, or automatically in certain instances.

Principal Asset of Hollinger

10. The principal asset of Hollinger consists of its holdings of the capital stock of International. As at March 11, 2005, Hollinger owned, directly and indirectly, 782,923 International A Shares and 14,990,000 International B Shares, being approximately 17.4% of the equity and 66.8% of the voting interest in International.

Financial Statements

11. Historically, Hollinger's financial statements have been prepared on a consolidated basis, incorporating the financial statements of International and its subsidiaries. As Hollinger controlled International, the consolidation of Hollinger's financial statements with those of International and its subsidiaries was a requirement of Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants, and in particular, Section 1590 thereof.
12. As a result of the material change in the relationship between Hollinger and International in November 2003, Hollinger's auditors have, to date, been denied access to key documents, information, assets and management personnel at International which are necessary to audit Hollinger's 2003 annual financial statements, consolidating the results of International and its subsidiaries. Consequently, Hollinger has defaulted on its obligations to file its audited annual consolidated financial statements for the fiscal year ended December 31, 2003 and its unaudited interim financial statements for the three months ended March 31, 2004, six months ended June 30, 2004 and nine months ended September 30, 2004 by their respective filing dates in accordance with applicable Canadian securities laws. The most recently publicly filed consolidated financial statements of Hollinger, consolidating the results of International and its subsidiaries, are unaudited interim statements for the third quarter ended September 30, 2003.
13. On March 4, 2005, Hollinger disclosed via press release financial information in the form of an unaudited consolidated balance sheet as at September 30, 2004, together with notes thereto, prepared on an alternative basis, as described below (the "**Alternative Financial Information**") (a copy of which is enclosed as Schedule "C" with the hard copy of this letter and attached to Appendix C of the Hollinger Circular). The Alternative Financial Information was prepared by management of Hollinger and was not audited or reviewed by Hollinger's auditors. The Alternative Financial Information includes the accounts of Hollinger and those wholly-owned subsidiaries which carry out head office functions and which do not represent investments. Investments in other companies and subsidiaries, such as International, are not consolidated but rather are carried as investments and are accounted for at their market value. The Alternative Financial Information was prepared in accordance with Hollinger's traditional accounting policies with the exception that it was prepared as though Hollinger had always accounted for its assets and liabilities at their market values.
14. International also has not filed unaudited interim financial statements for the three months ended March 31, 2004, six months ended June 30, 2004 and nine months ended September 30, 2004 by their respective filing dates in accordance with applicable Canadian securities laws. On January 18, 2005, International filed its 2003 Form 10-K (a copy of which is enclosed as Schedule "D" with the hard copy of this letter) with the United States Securities and Exchange Commission (the "**SEC**"), which form includes its audited financial statements for the fiscal year ended December 31, 2003 and related MD&A. On January 21, 2005, International filed its audited financial statements (and

related MD&A) and its renewal Annual Information Form for the year ended December 31, 2003 with Canadian securities regulatory authorities, including the OSC.

15. In its press release of February 17, 2005 (a copy of which is enclosed as Schedule “E” with the hard copy of this letter), International disclosed that it expected to file, within approximately two months after the filing of its 2003 Form 10-K, its interim financial statements for the fiscal quarters ended March 31, June 30 and September 30, 2004. In addition, International stated that it would work expeditiously to file its 2004 Form 10-K, which would include its audited financial statements (the “**III Statements**”) and related MD&A for the fiscal year ended December 31, 2004. While International said it expected to file a request with the SEC for a 15 day extension beyond the required filing date of March 16, 2005 to complete and file its 2004 Form 10-K, because of the anticipated work involved in the audit, International noted that it may not be able to complete and file its 2004 Form 10-K by March 31, 2005. The filing of the foregoing statements are necessary but not sufficient conditions to permit Hollinger to complete and file its financial statements for the same interim periods (as well as for the years ended December 31, 2003 and 2004) as the completion and audit of Hollinger’s financial statements will require a level of co-operation from KPMG LLP (in its capacities as International’s auditors and Hollinger’s former auditors) and International, the latter of which is currently in negotiation. To date, notwithstanding repeated requests by Hollinger and its current auditors, KPMG LLP has not provided, and has not committed to provide, the necessary co-operation to enable an audit of Hollinger’s financial statements. As a result, at this time, there can be no assurance as to when or whether Hollinger will be in a position to file its audited financial statements in the foreseeable future.

Management and Insider Cease Trade Orders

16. On May 18, 2004, as a result of the failure by Hollinger to file financial statements pursuant to the Act, Hollinger and the OSC agreed pursuant to applicable policy statements of the OSC to the issuance of a temporary cease trade order that prohibited certain current and former directors, officers and insiders of Hollinger from trading in securities of Hollinger, subject to certain exceptions. As a result of the failure by International to file financial statements pursuant to the Act, a similar order was issued by the OSC on May 18, 2004 that prohibited certain current and former directors, officers and insiders of International from trading in securities of International, subject to certain exceptions.

On June 1, 2004, the OSC issued final cease trade orders, as varied by orders issued on March 8, 2005, prohibiting certain current and former directors, officers and insiders of Hollinger and International (the “**International MCTO**”) from trading in securities of Hollinger and International, as applicable (subject to certain exceptions), until two full business days after Hollinger’s or International’s, as applicable, required filings with the OSC are brought up to date in compliance with Ontario securities law. To date, Hollinger has complied with CSA Staff Notice 57-301 and pursuant thereto, each of Hollinger and International has been providing, and continues to provide, bi-weekly updates on its

affairs and progress with respect to remedying the financial statements default by way of press release (“**Default Status Reports**”).

17. Based on our review of the System for Electronic Disclosure by Insiders (SEDI), we understand that, if the PS Consolidation (as defined below) is effected, of those persons and companies listed as subject to the International MCTO, only Ravelston, which owns 66,963 Series II Preference Shares (or approximately 3.8% of the outstanding Series II Preference Shares) will be entitled to receive International A Shares.

Inspection

18. Pursuant to an order of Mr. Justice Colin L. Campbell of the Ontario Superior Court of Justice (the “**Court**”), Ernst & Young Inc. (“**E&Y**”) was appointed as inspector pursuant to subsection 229(1) of the CBCA to conduct an investigation of certain of the affairs of Hollinger, as requested by Catalyst (the “**Inspection**”). The mandate of E&Y is principally to investigate and report to the Court upon the facts in relation to any “related party transaction” (as defined in the Court order granting the Inspection) between Hollinger (including any of its subsidiaries, other than International or its subsidiaries), and a “related party” for the period January 1, 1997 to the date of the order. E&Y delivered a preliminary report to the Court on November 25, 2004; further reports were delivered to the Court on December 2, 2004, December 10, 2004, December 22, 2004, January 10, 2005 and January 25, 2005. In its latest report, E&Y stated that it would soon begin the next phase of its investigation, which phase would take no less than four months to complete. E&Y estimated that the cost of the Inspection for its services for this phase of the Inspection would be in the range of \$750,000 to \$900,000 per month, plus an additional estimated \$115,000 per month to retain technical consultants and to lease related hardware and software required by E&Y. To March 8, 2005, the cost to Hollinger of the Inspection (including the costs associated with E&Y and its legal counsel and Hollinger’s legal counsel) was in excess of \$5.25 million.
19. As of the date of this letter, E&Y has not reported any substantive findings to the Court. Counsel for E&Y has informed the Court that E&Y’s next report, tentatively scheduled to be delivered to the Court no later than March 31, 2005, is expected to focus on the investigative priorities of E&Y relating to the Inspection. Attached as Schedule “F” with the hard copy of this letter is a copy of a letter of legal counsel to E&Y, Lenczner Slaght Royce Smith Griffin LLP, to the Court indicating that the final report of E&Y will not be completed by March 31, 2005, the date of the Meeting (as defined below).

International Poison Pill

20. On January 27, 2005, International announced that the Special Committee of its board of directors had determined that the Shareholder Rights Plan (the “**International Pill**”), adopted on January 25, 2004, will continue in effect by its terms until February 5, 2014.

21. Under the International Pill, if any person or group acquires 20% or more of the voting power of International's outstanding common stock without the approval of the board of directors or the Corporate Review Committee of the board of directors of International, there would be a triggering event potentially causing significant dilution in the voting power of such person or group. Although the International Pill exempts Hollinger as the current holder of over 20% of the voting power of International's common stock, it does not exempt any direct or indirect transferee of that interest¹.

International Special Dividends

22. On December 16, 2004, the board of directors of International declared a special dividend of US\$2.50 per International A Share and International B Share, which dividend was paid to shareholders on January 18, 2005. On January 27, 2005, the board of directors of International declared a second special dividend of US\$3.00 per International A Share and International B Share, which dividend was paid to shareholders on March 1, 2005. Hollinger has received an aggregate of approximately US\$82.5 million on account of the first and second special dividends (the "**Dividend Amount**"). In each case, the special dividends received by Hollinger on its holdings of International A Shares and International B Shares are net of applicable withholding taxes.

Background to the Going Private Transaction

23. At a meeting of the Board held on September 27, 2004, the Board approved the entering into of engagements with U.S. and Canadian financial advisors in connection with a proposed privatization of Hollinger as follows: (a) Jefferies & Company, Inc. ("**Jefferies**") was engaged to, among other things, solicit consents from the holders of Senior Notes for amendments to the indentures governing the Senior Notes (the "**Indentures**") which would facilitate a privatization of Hollinger; and (b) Westwind Partners Inc. was engaged to assist Hollinger in, among other things, structuring a proposed privatization of Hollinger and monetizing certain real estate properties owned by a subsidiary of Hollinger.
24. Following the meeting of the Board held on September 27, 2004, management of Hollinger, after considering various alternatives and the advice of Hollinger's financial advisors and legal counsel, determined that the proposed privatization of Hollinger would take the form of the Consolidation (as defined below). Thereafter, Jefferies approached certain institutional holders of the Senior Notes and negotiated, on behalf of Hollinger, the terms and conditions of amendments to the Indentures to permit the Consolidation and arrangements for the Debt Commitments (as defined below).

¹ In other words, the rights under the International Pill may become exercisable if Ravelston transfers sufficient voting power to an unaffiliated third party through a sale of interests in Hollinger, including pursuant to a take-over bid or other acquisition of Hollinger's outstanding Common Shares by a party not affiliated with Ravelston.

25. Pursuant to an undertaking of Hollinger and others in favour of Catalyst, Hollinger undertook to provide to Catalyst two business days advance written notice prior to the entering into of any agreement or understanding in respect of, or the implementation or completion of, any transaction between or involving Hollinger or any related parties (as such term was defined in the undertaking). On October 26, 2004, the Board met to consider (but did not vote on) the Enabling Transactions (as defined below) and the meeting was adjourned to be reconvened on October 28, 2004. Following the meeting of the Board, counsel for Hollinger provided written notice to Catalyst of the details of the Enabling Transactions, to the extent that such transactions involved a related party transaction for the purpose of the undertaking.
26. On October 27, 2004, Catalyst brought a motion in the Court seeking to postpone the October 28, 2004 reconvened Board meeting. The Court ruled that it was not appropriate to grant the requested relief at that time (see Schedule “G” of the enclosures accompanying the hard copy of this letter for the endorsement of Mr. Justice Campbell in this regard).
27. On October 28, 2004, Ravelston formally advised the Board in writing of the proposed Consolidation. Following receipt of Ravelston’s written intention with respect to the proposed Consolidation, the Board established a committee of independent directors (the “**Independent Privatization Committee**”) to consider, evaluate and make a recommendation to the Board concerning the proposed Consolidation. The Independent Privatization Committee was further empowered to, among other things, consider and advise the Board whether, in its opinion, the proposed Consolidation is in the best interests of Hollinger, the holders of the Common Shares and/or the holders of the Series II Preference Shares.
28. Also on October 28, 2004, the Board approved the following transactions (the “**Enabling Transactions**”) in order to permit the proposed Consolidation to be considered by Hollinger’s shareholders and to provide, if necessary, the financing to complete the proposed Consolidation should the shareholders elect to approve the Consolidation at the Meeting:
 - (a) amendments to the Indentures (following Hollinger receiving consents from holders of a majority in aggregate principal amount of the outstanding Senior Notes to such amendments). The amendments permit, among other things, the retirement of all outstanding Common Shares (other than those held, directly or indirectly, by Ravelston) for cash pursuant to: (i) the CS Consolidation (as defined below); (ii) retraction requests; and/or (iii) payments in respect of the due exercise of dissent rights of such shares in connection with the CS Consolidation Resolution (as defined below), and the retirement of all outstanding Series II Preference Shares for International A Shares owned, directly or indirectly, by Hollinger pursuant to the PS Consolidation and/or payments in respect of the due exercise of dissent rights of such shares in connection with the PS Consolidation Resolution (as defined below). (Under the Indentures, Hollinger is permitted to

retire outstanding Series II Preference Shares for International A Shares pursuant to retraction requests). In the absence of these amendments, Hollinger would be prohibited under the Indentures from implementing the Consolidation. The amendments to the Indentures also permit Hollinger to incur additional indebtedness in an aggregate amount outstanding not to exceed US\$40.0 million through the issuance of additional Senior Notes.

The amendments to the Indentures will become effective if, and only if, all necessary corporate, shareholder and regulatory approvals (the “**Common Share Approvals**”) in connection with the CS Consolidation have been obtained on or prior to March 31, 2005. In the event that all Common Share Approvals are not obtained by such date, absent a further consent of the holders of a requisite amount of the Senior Notes, Hollinger would not be permitted under its financing arrangements to effect the Consolidation; and

- (b) binding commitments (the “**Debt Commitments**”) for the issuance and sale of up to US\$40.0 million in aggregate principal amount of Senior Notes, such amount to be drawn down by Hollinger if, and only if, the Common Share Approvals have been obtained on or prior to March 31, 2005. The net proceeds from the sale of such Senior Notes may be used solely for payments in connection with the Consolidation and payments ancillary thereto or necessary in connection therewith.
- 29. Hollinger issued a press release on October 28, 2004 disclosing the terms of the proposed Consolidation and the Enabling Transactions (see Schedule “H” of the enclosures accompanying the hard copy of this letter). Subsequent to October 28, 2004, the Independent Privatization Committee retained GMP Securities Ltd. (“**GMP**”) as its independent financial advisor and valuator and Wildeboer Dellelce LLP as independent counsel.
 - 30. On November 16, 2004, the Independent Privatization Committee received written notification from Ravelston that, in connection with the proposed Consolidation, Ravelston would support such transaction on the following terms: (i) holders of Common Shares (other than Ravelston and certain of its affiliated entities) would receive \$7.25 in cash for each share held by them; and (ii) holders of Series II Preference Shares would receive 0.46 of an International A Share for each share held by them. Hollinger issued a press release on November 16, 2004 disclosing the receipt of such notification (see Schedule “I” of the enclosures accompanying the hard copy of this letter).
 - 31. GMP was engaged by the Independent Privatization Committee to prepare an independent valuation (the “**GMP Valuation**”) of Hollinger on a per share basis. In the GMP Valuation, GMP estimates that, as at March 1, 2005, the fair market value of the outstanding Common Shares was in the range of \$7.21 to \$7.57 per Common Share. In addition, in the GMP Valuation, GMP is of the view that the value of an outstanding Series II Preference Share is equivalent to 0.46 of an International A Share. In this regard,

GMP determined that the appropriate approach with respect to the valuation of the Series II Preference Shares was to value them in relation to the retraction right to receive International A Shares, rather than a range of values expressed in dollars. The complete text of the GMP Valuation is set out in Appendix C to the Hollinger Circular.

32. During the period of December 2004 to March 6, 2005, Hollinger, the Independent Privatization Committee and their respective legal counsel, together with GMP and its legal counsel, were involved in extensive discussions with staff of the Corporate Finance branch of the OSC on various matters and issues in connection with the proposed Consolidation. Such discussions, together with negotiations among the Independent Privatization Committee, Ravelston and their respective legal counsel, resulted in the following amended terms and conditions of the proposed Consolidation:
 - (i) *Price Increase per Common Share:* Holders of Common Shares (other than Ravelston and certain of its affiliated entities) would receive \$7.60 in cash for each share held by them plus the Additional Amount per Share (as defined below);
 - (ii) *Second Valuation and Potential Common Share Price Adjustment:* Following the public release by International of the HII Statements, an independent valuator (the “**Second Valuator**”) will perform a formal valuation (the “**Second Valuation**”) of the Common Shares. The Second Valuation will, to the extent necessary, reflect information set out in the HII Statements contained in International’s Form 10-K filed with the SEC for the year ended December 31, 2004 and update the value range (the “**Updated Valuation Range**”) determined for the Common Shares (the “**Initial Valuation Range**”) contained in the GMP Valuation. The Second Valuator and the Second Valuation will be under the supervision and direction of the current members of the Independent Privatization Committee. Hollinger will publicly disclose the Updated Valuation Range via press release following receipt of same from the Second Valuator. Each holder of Common Shares (other than Ravelston and certain of its affiliated entities) will receive, subject to applicable laws (including solvency requirements), an additional amount per Common Share equal to the amount, if any, by which the mid-point of the Updated Valuation Range exceeds \$7.39, being the midpoint of the Initial Valuation Range (the “**Additional Amount per Share**”). In no event will the Additional Amount per Share be less than nil. The terms of the Second Valuation and the Additional Amount per Share are described in greater detail in the Hollinger Circular; and
 - (iii) *Hollinger Contingent Cash Payment Rights Trust:* In order to address concerns with respect to the possible uncertainty of value in respect of potential claims and litigation involving Hollinger, in the event that the Consolidation is effected, holders of Common Shares (other than holders who dissent in respect of the resolution relating to the Consolidation at the Meeting and, in certain circumstances, U.S. holders) would receive a Contingent Cash Payment Right (a

“CCPR”) that would entitle them to participate in their proportionate interest in the economic benefit of certain potential claims and litigation. Generally, the specified claims and litigation will be claims by Hollinger against Ravelston or Ravelston-related entities or persons arising from related party transactions occurring prior to the effective time of the Consolidation, including transactions reported on in any final report of E&Y, but excluding book debts referred to in the GMP Valuation. The litigation will be controlled by a Litigation Panel comprised of three of Hollinger’s current independent directors. The agreement governing the terms of the CCPRs will require approval of the independent directors of Hollinger and the receipt of all necessary regulatory approvals and the parties intend to seek a confirmatory order of the Court approving such agreement. The terms and structure of the CCPRs are described in greater detail in the Hollinger Circular.

33. On March 6, 2005, the Board received written notification from Ravelston that, in connection with the proposed Consolidation, Ravelston would support such transaction on the amended terms and conditions set out above. Hollinger issued a press release on March 7, 2004 disclosing the receipt of such notification (see Schedule “J” of the enclosures accompanying the hard copy of this letter).
34. At a meeting of the Independent Privatization Committee held on March 6, 2005, after considering the terms of the proposed Consolidation, the GMP Valuation, the advice of its legal and financial advisors and various additional matters, the Independent Privatization Committee unanimously concluded:
 - (i) to recommend to the Board that all necessary actions be taken in order that the special resolutions to effect the proposed Consolidation be submitted to a meeting (the “**Meeting**”) of the holders of Common Shares and the Series II Preference Shares of Hollinger on March 31, 2005; and
 - (ii) not to make any recommendation with respect to how holders of Common Shares and Series II Preference Shares of Hollinger should vote on the special resolutions to effect the proposed Consolidation.

Details regarding the formation and organization of the Independent Privatization Committee, a summary of proceedings of the Independent Privatization Committee, recommendations of the Independent Privatization Committee, factors considered by the Independent Privatization Committee in making its recommendations and other considerations of the Independent Privatization Committee are set out in the Hollinger Circular.

35. On February 25, 2005, the members of the Independent Committee of the Board filed a motion with the Court for, among other things, advice and direction as to whether in the circumstances the proposed Consolidation should be put to Hollinger’s shareholders before E&Y delivers its final report relating to the Inspection. The motion was heard on

March 7, 2005 (the “**Court Hearing**”). Mr. Justice Campbell ruled that, in the circumstances, it was not appropriate for the Court at this stage to make any order. Mr. Justice Campbell adjourned the motion pending any further steps taken by any party based on the decisions that were to be made by the Board in connection with the proposed Consolidation (see Schedule “K” of the enclosures accompanying the hard copy of this letter for the endorsement of Mr. Justice Campbell in this regard). Counsel for OSC staff was in attendance at the Court Hearing.

36. On March 7, 2005, the Board met to receive and consider the recommendations of the Independent Privatization Committee and to consider the submission of the proposed Consolidation to the shareholders for their approval. The Board, after carefully considering the report of the Independent Privatization Committee, resolved to adopt such report. The Board also unanimously adopted the resolution to call the Meeting without making a recommendation as to whether the shareholders should accept or reject either the CS Consolidation Resolution or the PS Consolidation Resolution.
37. The Hollinger Circular was mailed to holders of Common Shares and Series II Preference Shares on or before March 10, 2005 in accordance with applicable Canadian securities laws.

Structure of the Going Private Transaction

38. The Going Private Transaction is structured as a consolidation of the outstanding Common Shares and Series II Preference Shares (in the case of the holders of Common Shares, the “**CS Consolidation**”, in the case of the holders of Series II Preference Shares, the “**PS Consolidation**” and, collectively, the “**Consolidation**”). Upon completion of the Consolidation, the sole shareholder of Hollinger would be Ravelston, directly or indirectly. At the Meeting, holders of Common Shares and Series II Preference Shares will be asked to consider and, if thought advisable, approve an amendment to Hollinger’s articles to effect the Consolidation (in the case of the holders of Common Shares, the “**CS Consolidation Resolution**”, and, in the case of the holders of Series II Preference Shares, the “**PS Consolidation Resolution**”). The full text of the CS Consolidation Resolution and PS Consolidation Resolution are attached as Appendices A and B, respectively, to the Hollinger Circular.
39. For the CS Consolidation Resolution to be approved in accordance with applicable law, it must be passed by: (i) at least two-thirds of the votes cast by holders of Common Shares present or represented by proxy at the Meeting and entitled to vote on the CS Consolidation Resolution; and (ii) a majority of the votes cast by “minority” holders of Common Shares, as such term is defined in OSC Rule 61-501.
40. For the PS Transaction Resolution to be approved in accordance with applicable law, it must be passed by at least two-thirds of the votes cast by holders of Series II Preference Shares present or represented by proxy at the Meeting and entitled to vote on the PS Consolidation Resolution. In addition, in order for the PS Consolidation to be effected,

the CS Consolidation Resolution must be approved by at least two-thirds of the votes cast by holders of Common Shares present or represented by proxy at the Meeting and entitled to vote on the CS Consolidation Resolution. Any failure to obtain the approval of the holders of the Series II Preference Shares at the Meeting would not prevent the consolidation of the Common Shares from proceeding, if the CS Consolidation Resolution is approved.

41. If each of the CS Consolidation Resolution and the PS Consolidation Resolution is approved at the Meeting, Hollinger would consolidate its outstanding: (a) Common Shares at a ratio which would result in Ravelston (directly and indirectly) being the sole holder of Common Shares; and (b) Series II Preference Shares at a ratio which would result in no remaining holders of Series II Preference Shares. Those holders of Common Shares holding fewer than the set threshold number of Common Shares (which will be all holders other than Ravelston, directly or indirectly) will be entitled to be paid \$7.60 plus the Additional Amount per Share in cash, together with one CCPR, for each Common Share held at the date on which articles of amendment of Hollinger are filed. Those holders of Series II Preference Shares holding fewer than the set threshold number of Series II Preference Shares (which will be all holders of Series II Preference Shares) will be entitled to 0.46 of an International A Share for each Series II Preference Share held at the date on which articles of amendment of Hollinger are filed.
42. The Consolidation is a “business combination” for the purposes of OSC Rule 61-501. As such, the Independent Privatization Committee obtained the GMP Valuation as required under OSC Rule 61-501. Drafts of the GMP Valuation were reviewed by staff of the Corporate Finance branch of the OSC. At one meeting attended by staff, GMP and GMP’s counsel, there was in attendance an external valuation consultant specifically engaged by OSC staff for the purpose of such meeting. Disclosure of the GMP Valuation is contained in the Hollinger Circular.
43. All shareholders of Hollinger have the right to dissent in respect of the Consolidation and to be paid the fair value for their shares in accordance with the CBCA.
44. In the event that either or both of the CS Consolidation Resolution and the PS Consolidation Resolution are passed, it is intended that the Common Shares and the Series II Preference Shares, as the case may be, will be delisted from the TSX. In the event that the requisite approval of the holders of the Series II Preference Shares is not obtained in respect of the PS Consolidation Resolution, the Series II Preference Shares may remain listed on the TSX, subject to the applicable TSX listing requirements being met. Following the Consolidation, it is intended that an application will be made to the OSC and to the securities regulatory authorities in other provinces and territories of Canada where the Corporation is a reporting issuer (or its equivalent) for an order deeming the Corporation to no longer be a reporting issuer (or its equivalent) for purposes of applicable Canadian securities legislation.

OTHER RELEVANT CONSIDERATIONS

1. Irrespective of whether the Consolidation is effected or not, the Inspection will continue until it is completed in accordance with the order of the Court and a final report of E&Y is submitted to the Court.
2. Since the announcement by Hollinger of the Going Private Transaction, the media has reported the views of a number of beneficial shareholders in connection therewith. It has been reported that a Hollinger minority shareholder and financial advisor, Kenneth McLaren, together with money manager Stephen Jarislowsky, are opposed to the Going Private Transaction. We understand that, based on media reports, Mr. McLaren and his clients and Mr. Jarislowsky together own or exercise control over approximately 0.46% of the Common Shares (or approximately 2% of the “minority”). As has also been reported in the media, the Independent Privatization Committee and the Board have received a letter from each of TD Asset Management Inc. and Lawrence & Company Inc., two minority institutional shareholders of Hollinger, expressing their wish that the Going Private Transaction be presented to Hollinger shareholders so that the shareholders can decide whether or not the Going Private Transaction should proceed. We understand that, based on media reports, TD Asset Management Inc. and Lawrence & Company Inc. together own or exercise control over approximately 5.7% of the Common Shares (or approximately 26% of the “minority”). At the Court Hearing, Mr. McLaren submitted material setting forth his opposition to the Going Private Transaction being put to Hollinger’s shareholders at the Meeting, while Lawrence & Company Inc. submitted material setting forth its support for the Going Private Transaction being put to shareholders at the Meeting.
3. Effective October 28, 2004, Hollinger began honouring retractions of its Series II Preference Shares and continues to do so as of the date hereof. However, Hollinger has been unable to complete retractions of any Common Shares submitted after May 31, 2004 without unduly impairing its liquidity. Common Shares submitted for retraction after May 31, 2004 are noted by the date and time on which the request was received and the retraction price in effect on such date and will be processed in the order received and at that retraction price if and when Hollinger’s liquidity position permits. As at the date hereof, 395,665 Common Shares (approximately 1.1% of the Common Shares) have been submitted for retraction (and not processed), all with a retraction price of \$9.00 per share. Hollinger has publicly announced that, provided the Common Share Approvals are obtained by March 31, 2005, it anticipates that it will be in a position to complete retractions of all Common Shares submitted for retraction (including those currently submitted and not processed) prior to the implementation of the Going Private Transaction. In the event that the Common Share Approvals are not obtained by such date, the current terms of the Indentures would, barring further amendments, preclude Hollinger from honouring retractions of the Common Shares for the foreseeable future. The net result of the foregoing is that, should the Common Share Approvals be obtained by March 31, 2005, Hollinger’s minority shareholders will have the opportunity to divest

their Common Share investment through any of the following three avenues: (i) the facilities of the TSX (the closing price on March 11, 2005 was \$7.28); (ii) the exercise of their retraction rights (at \$9.00 per share for those shareholders who currently have submitted their shares for retraction and at \$4.65 per share for those shareholders who have not); or (iii) the Going Private Transaction (at the price of \$7.60 per share plus the Additional Amount per Share, if any, and one CCPR). The latter two options are not currently available.

4. The holders of Series II Preference Shares are entitled to dividends if, as and when declared by the Board in an amount equal to 0.46 of the amount of any dividends declared in respect of the International A Shares, net of any United States withholding tax thereon payable by Hollinger or any of its subsidiaries. To date, International has declared regular and special dividends for an aggregate amount of US\$5.70 per International A Share for which corresponding dividends on the Series II Preference Shares have not yet been declared and which presently are accruing. As a result of certain provisions in the articles of Hollinger relating to the Series II Preference Shares, in order to proceed with the Going Private Transaction, Hollinger must declare and pay all outstanding accrued dividends on the Series II Preference Shares (as of the date hereof, an aggregate of US\$4.24 million) prior to completion of the Going Private Transaction and Hollinger anticipates it will be in a position to do so. Hollinger has not declared or paid a dividend on the Series II Preference Shares since January 16, 2004. Accordingly, should the Going Private Transaction proceed, holders of Series II Preference Shares will receive the outstanding accrued dividends on their shares.
5. Ravelston has entered into arrangements with Hollinger that provide that if the requisite approvals of the holders of Common Shares are not obtained for any reason by March 31, 2005, Ravelston will reimburse Hollinger for all of the reasonable fees and expenses incurred by Hollinger in connection with the Enabling Transactions and the Going Private Transaction. In connection with the foregoing, Ravelston provided Hollinger with security in the form of a general security agreement.
6. A consequence of the special dividends made on the International A Shares and International B Shares is that the market price of such shares has declined, resulting in a corresponding decrease in the value of the collateral securing the Senior Notes. On December 29, 2004, the date prior to the record date for those shareholders of International entitled to the first special dividend, the closing price of the International A Shares on the NYSE was US\$18.35. On February 10, 2005 (the ex-dividend date for the second special dividend of International), the closing price of the International A Shares on the NYSE was US\$11.24. As a result, the value of the collateral securing the Senior Notes decreased by over US\$106.5 million during such period.
7. On March 14, 2005, Hollinger disclosed that it has received correspondence from counsel purporting to represent a majority of the aggregate principal amount of the Senior Notes in which such counsel has taken the position that the proceeds of the special dividends received by Hollinger from International on January 18, 2005 and March 1, 2005 must be

delivered to the collateral trustee for such Senior Notes as collateral for the Senior Notes. Hollinger further disclosed that, in such correspondence, counsel seeks to have Hollinger set aside the Dividend Amount pending resolution of the status of such proceeds. It is Hollinger's determination that none of the Dividend Amount is required to be lodged as collateral security for the Senior Notes.

THE IMPORTANCE OF THE MARCH 31, 2005 DEADLINE

Overview

As noted above, the amendments to the Indentures will become effective if, and only if, the Common Share Approvals have been obtained on or prior to March 31, 2005 (the "**March Deadline**"). Should the Common Share Approvals be obtained by the March Deadline, the minority shareholders of Hollinger will be afforded the opportunity to avail themselves of the exit strategy being presented pursuant to the Going Private Transaction. After the March Deadline, Hollinger will have to seek and obtain the consent of the holders of a requisite amount of Senior Notes to an extension of the March Deadline and obtain assurances from Ravelston that it will continue to support the Going Private Transaction (or any similar transaction) on comparable terms. For the reasons set out below, at the present time, there can be no assurances that: (i) the consent of the holders of a requisite amount of Senior Notes to an extension to the March Deadline could be obtained, if sought; (ii) if a consent is sought, the cost and terms for obtaining such consent will be reasonable and appropriate; or (iii) Ravelston will continue to support a transaction for the consideration contemplated herein.

The Negotiation of the March Deadline

The March Deadline was a term negotiated between Hollinger and the principal holders of Senior Notes (the "**Principal Noteholders**") in October 2004 in the context of obtaining their consent to amendments to the Indentures so as to permit the Going Private Transaction to proceed, together with the receipt of Debt Commitments of such Principal Noteholders to finance a substantial portion of the costs associated with the completion of the Going Private Transaction.

As noted above, the Debt Commitments give Hollinger the ability to draw upon up to an additional US\$40.0 million in aggregate principal amount of Senior Notes in connection with the Going Private Transaction for a five month period terminating on the March Deadline. The Debt Commitments are binding commitments to finance and do not permit the Principal Noteholders to terminate their funding obligations thereunder, other than if the Common Share Approvals are not obtained by the March Deadline. Having regard to the foregoing and the typical length of time required to effect a going private transaction, at the time the March Deadline was negotiated, the March Deadline afforded Hollinger a significant and reasonable period of time in which to seek the Common Share Approvals.

It should be noted that, as a result of the receipt of the Dividend Amount by Hollinger, if the Going Private Transaction is to proceed, it will likely not be necessary for Hollinger to draw down on any of the Debt Commitments.

Extension of the March Deadline and Costs Associated Therewith

In October 2004, the Principal Noteholders provided their consents to amendments to the Indentures to permit the Going Private Transaction to proceed on the basis of receiving financial returns from the following sources: (i) aggregate up-front commitment fees in the amount of US\$490,000; (ii) aggregate draw down fees in the amount of US\$735,000; (iii) aggregate consent fees of US\$465,000, conditional upon receipt of the Common Share Approvals by the March Deadline; and (iv) the issue and sale to them of up to US\$40.0 million of additional high yield, over-collateralized senior notes, substantially all of which notes were expected to be issued to effect the Going Private Transaction. In the event that the Common Share Approvals are not obtained by the March Deadline, the Principal Noteholders will not receive the latter three components of their expected financial returns and the remaining holders of Senior Notes will not receive any compensation.

It is submitted that the following are important considerations in determining whether or not the holders of the requisite amount of Senior Notes would consent to an extension of the March Deadline and, if sought, the likelihood and cost of obtaining such consent:

- (a) at the time the Principal Noteholders provided their original consents, the aggregate value of the collateral securing the Senior Notes was in excess of US\$278.0 million. As set forth above, the aggregate value of the collateral securing the Senior Notes as at March 11, 2005 had decreased since such time by 37.1% to approximately US\$175.0 million, such decrease being substantially as a result of the impact of the special dividends of International;
- (b) in order to be able to postpone the March Deadline, Hollinger must seek the consent of holders of the requisite amount of Senior Notes to permit the expenditure by Hollinger of in excess of US\$45.0 million in cash which would not otherwise be permitted under the Indentures. Based on Hollinger's Default Status Report issued on March 8, 2005, US\$45.0 million in cash will represent 52% of Hollinger's cash resources. As is customary for similar debt instruments, the Indentures contain significant restrictions on Hollinger's ability to fund cash expenditures on matters outside its normal course of business as a measure to ensure the financial viability of the company to make interest payments when due and to retire the principal amount of the debt at maturity;
- (c) the Principal Noteholders have worked with Hollinger through a consent and waiver solicitation in September 2004 and the consent solicitation in October 2004. The Principal Noteholders may be unwilling or unable to commit to additional amendments to the Indentures due to, among other factors: (i) the decrease in the aggregate value of the collateral securing the Senior Notes; (ii) the fact that the Debt Commitments will not be drawn upon by Hollinger to the extent contemplated (if at all); (iii) the change in the

- expected package of financial returns; (iv) the length of time that has elapsed since providing their original consents in October 2004; and (v) the uncertainty as to whether or not the Going Private Transaction will be completed in a timely manner (if at all);
- (d) given the recent position taken by the Principal Noteholders, through legal counsel, with respect to the status of the Dividend Amount, it is fair to say that the Principal Noteholders will likely not be inclined to grant further accommodations to Hollinger (including extending the March Deadline) unless and until the status of the Dividend Amount is resolved to their satisfaction;
 - (e) if, notwithstanding the issues set out above, the holders of the requisite amount of Senior Notes were inclined to consent to further amendments to the Indentures to permit the Going Private Transaction, Hollinger would have to pay a consent fee to all holders of Senior Notes, the quantum and payment date(s) of which would have to be negotiated with the Principal Noteholders. There can be no assurances that Hollinger will be able to negotiate a fee and payment terms which are reasonable in the circumstances. (The fees payable to the Principal Noteholders in connection with the October 2004 amendments to the Indentures and the Debt Commitments amounted to approximately US\$1.5 million; approximately 2/3 of that amount was conditional upon receipt of the Common Share Approvals by the March Deadline). In addition, Hollinger would have to engage an agent with respect to soliciting the requisite consents of the holders of the Senior Notes, the cost of which was US\$1.5 million in connection with the October 2004 amendments. Additional costs would be incurred with respect to legal counsel and the costs associated with the trustees under the Indentures;
 - (f) as with any similar significant transaction, any delay in completing the Going Private Transaction involves external risks (such as market risks and risks relating to international events, among others) which are beyond the control of Hollinger and may make any future arrangements with the holders of the Senior Notes or Ravelston impossible or unacceptable to Hollinger; and
 - (g) as noted above, Ravelston has entered into arrangements with Hollinger that provide that if the requisite approvals of the holders of Common Shares are not obtained for any reason by the March Deadline, Ravelston will reimburse Hollinger for all of the reasonable fees and expenses incurred by Hollinger in connection with the Enabling Transactions and the Going Private Transaction. Should an extension to the March Deadline be sought, there can be no assurances that Ravelston will enter into additional arrangements covering the costs of Hollinger in pursuing the Going Private Transaction to a date beyond the March Deadline or, if so, whether the terms of the Going Private Transaction and the price per Common Share will reflect such costs.

Further Implications of a Delay

At present, Hollinger is incurring significant costs with respect to the Inspection, litigation expenses and public company and other expenses. The longer that the completion of the Going

Private Transaction is delayed, the more likely it is that these continuing costs (and any additional costs which may be associated with extending the March Deadline) will impair the value of the Common Shares. Such a delay would provide an opportunity for Ravelston (or a third party wishing to acquire the Common Shares) to consider the impact of these costs and the resulting diminution in value in determining the price per Common Share which it would continue to support (or bid).

Conclusion

In light of the above, it is respectfully submitted that the obtaining of the Common Share Approvals by the March Deadline is critical to the completion of the Going Private Transaction on its current terms. In addition, the relief requested by the Applicants herein is necessary in connection with the PS Consolidation, which relief must be obtained by the March Deadline.

RELIEF REQUESTED

The Applicants are seeking an order pursuant to Section 144 of the Act to vary the International MCTO solely to permit certain direct or indirect trades of International A Shares and acts in furtherance of such trades that may occur in connection with the Going Private Transaction.

The Going Private Transaction may involve certain direct or indirect trades of International A Shares and acts in furtherance of such trades involving certain of the Respondents named in the International MCTO, including, but not limited to, the transfer of International A Shares after giving effect to the PS Consolidation by Hollinger, directly or indirectly, to certain of the Respondents in exchange for Series II Preference Shares and/or fractional interests of Series II Preference Shares.

For the reasons set out above under the heading “The Importance of the March 31, 2005 Deadline”, we respectfully request that this matter be dealt with on an expedited basis and that a determination by the OSC be made prior to March 31, 2005.

SUBMISSIONS

It is respectfully submitted that, for the reasons set forth below and having regard for Hollinger’s peculiar circumstances, the granting of the relief requested herein, thus enabling the shareholders of Hollinger to consider the Going Private Transaction at the Meeting, would not be prejudicial to the public interest. Further, it is respectfully submitted that a determination by the OSC not to grant the relief requested herein thereby preventing the Going Private Transaction from proceeding would not be in the interests of Hollinger’s minority shareholders.

Underpinnings of Public Disclosure and Second Valuation

At the time that shareholders of Hollinger vote on the Going Private Transaction at the Meeting (the “**Relevant Time**”), Hollinger will not have filed its audited annual consolidated financial statements for the fiscal year ended December 31, 2003, 2003 annual MD&A, 2003 Annual

Information Form, unaudited interim financial statements for the three months ended March 31, 2004, six months ended June 30, 2004 and nine months ended September 30, 2004 or related interim MD&As.

At the Relevant Time, Hollinger's shareholders will, however, have the benefit of the following:

- the Hollinger Circular, which includes a copy of the GMP Valuation prepared in accordance with applicable securities laws (including applicable disclosure standards contained in the by-laws of the Investment Dealers Association of Canada and the standards of the Canadian Institute of Chartered Business Valuators);
- the Alternative Financial Information;
- International's 2003 10-K, including its audited financial statements for the fiscal year ended December 31, 2003 and related MD&A. Under applicable Canadian securities laws, International's 10-K has been filed as International's 2003 Annual Information Form. Given the applicable form requirements and the significant events which have taken place during the relevant period, International's 10-K contains extensive disclosure as to the business and affairs of International, together with comprehensive subsequent event disclosure of material facts;
- the results contained in the reports of E&Y filed with the Court up to the Relevant Time;
- Default Status Reports, other press releases and periodic reports of each of Hollinger and International; and
- the significant amount of information in the public domain concerning Hollinger and International as a result of, among other things, extensive global media coverage, regulatory investigations and numerous legal proceedings (including, without limitation, the August 30, 2004 report of the Special Committee of International (known as the "Breedon Report") and the availability of the considerable productions in the proceedings commenced by Catalyst against Hollinger).

At the Relevant Time, it is possible that Hollinger's shareholders will also have the benefit of one or more of the following:

- one or more of International's 10-Qs (including interim financial statements and related MD&A) for the fiscal quarters ended March 31, 2004, June 30, 2004 and/or September 30, 2004; and
- the required *pro forma* financial information of International reflecting the sale of the Telegraph Group Limited filed on a current report on Form 8-K.

It is respectfully submitted that, notwithstanding the filing deficiencies of Hollinger noted above, for the following reasons there will be sufficient underpinnings of public disclosure and

information to enable Hollinger's shareholders to form a reasoned judgment concerning the Going Private Transaction at the Relevant Time:

- (a) Hollinger's shareholdings in International represent substantially all of Hollinger's assets. As noted above, on January 18, 2005, International completed and filed its audited financial statements for the fiscal year ended December 31, 2003 (which financial statements contain significant subsequent event disclosure of current material facts);
- (b) in order to compensate for the filing deficiencies of International, the Going Private Transaction contemplates a mechanism for an upward adjustment to the cash consideration to be received by (former) holders of Common Shares (other than, directly or indirectly, Ravelston and holders of Common Shares who dissent in respect of the CS Consolidation Resolution) following the public release by International of the HII Statements based on the Second Valuation;
- (c) the Alternative Financial Information provides a more up-to-date financial picture of Hollinger which minority shareholders of Hollinger may consider in deciding whether or not to vote for or against the CS Consolidation Resolution or the PS Consolidation Resolution;
- (d) the Going Private Transaction is subject to OSC Rule 61-501 and, in particular, the requirement to obtain a formal valuation and disclose same in the Hollinger Circular. GMP has prepared a formal valuation of Hollinger's outstanding shares in the absence of up-to-date financial statements of Hollinger prepared in accordance with GAAP. It is respectfully submitted that, after being provided with a formal valuation in accordance with applicable securities laws and the upward adjustment, if warranted, to the consideration to be received by the holders of the Common Shares as a result of the Second Valuation, Hollinger's minority shareholders will be in a position to form a reasoned judgment concerning the Going Private Transaction from a financial point of view, notwithstanding the filing deficiencies of Hollinger noted above; and
- (e) by virtue of Hollinger's Default Status Reports, Hollinger's shareholders have current information as to the market value of Hollinger's investment in International, Hollinger's principal asset, which information is meaningful to shareholders (and such accounting treatment is typical practice for mutual fund corporations like Hollinger).

Limited Opportunity for Liquidity

It is fair to say that Hollinger and its minority shareholders currently face troubled and uncertain times. Whether the propriety of the allegations against Hollinger and others formerly associated with Hollinger ultimately prove to be founded or unfounded and whether or when Hollinger will be in a position to remedy its filing deficiencies, it is reasonable to conclude that the issues related to such matters will take a considerable amount of time to resolve. Until such resolution, Hollinger may not be in a position to offer satisfactory stability or certainty as to the value and liquidity of the investment of minority shareholders in Hollinger. Further, as Ravelston is a

controlling shareholder of Hollinger, a third party is effectively prevented from making a competing offer or proposing a competing transaction to the Going Private Transaction without the involvement or support of Ravelston. As a result, from a practical perspective, and having regard to Hollinger's current difficulties, the potential transactions pursuant to which minority shareholders may be afforded an exit strategy are exceedingly limited². The Going Private Transaction therefore represents a present and real opportunity for minority shareholders to obtain liquidity for their shares in circumstances where other alternatives, if any, may be inadequate, limited or unavailable.

CCPRs

As noted above, in order to address concerns with respect to the possible uncertainty of value in respect of potential claims and litigation involving Hollinger (including any litigation which may result as a consequence of the final report of E&Y in connection with the Inspection, which Inspection will continue irrespective of whether the Consolidation is effected or not), in the event that the Consolidation is effected, holders of Common Shares (other than holders who dissent in respect of the CS Consolidation Resolution and, in certain circumstances, U.S. holders) would receive a CCPR that would entitle them to participate in their proportionate interest in the economic benefit of such potential claims and litigation. It is respectfully submitted that the provision of the CCPRs to holders of Common Shares (other than holders who dissent in respect of the CS Consolidation Resolution and, in certain circumstances, U.S. holders) enables such holders to retain the economic benefit of such potential claims and litigation, if any, notwithstanding the implementation of the CS Consolidation.

Cinar Corporation Precedent

An order granted by the OSC In the Matter of Cinar Corporation, (2004), 27 OSCB 1191, a copy of which is enclosed as Schedule "L" with a hard copy of this letter, allowed an issuer which was the subject of an issuer cease trade order (as a result of being delinquent in its financial statement and other continuous disclosure filings), significant litigation and allegations surrounding its founders to present a going private transaction to its shareholders, which transaction, in the case of Cinar Corporation, was subsequently approved by its shareholders at a meeting held on February 17, 2004. The Cinar Corporation precedent also employs the use of "Contingent Cash Entitlements" (as described in the management proxy circular of Cinar Corporation dated January 14, 2004), which entitlements are substantially similar to the CCPRs to be utilized by Hollinger in connection with the Going Private Transaction. Accordingly, it is respectfully submitted that the use of CCPRs is a valid and effective method by which the uncertainty of value in respect of potential claims and litigation involving Hollinger may be addressed.

Involvement of Staff of the OSC

From the beginning of November 2004 to date, counsel for Hollinger (and later counsel for the

² In fact, given the continued existence of the International Pill, any third party not affiliated with Ravelston who may wish to acquire a controlling interest in Hollinger will not only require the support of Ravelston, but the approval of International.

Independent Privatization Committee, counsel for the Independent Committee of the Board and counsel for GMP) have been engaged in a continuous dialogue with staff of the OSC in connection with various issues relating to the Going Private Transaction. Indeed, the result of this continuous dialogue with OSC staff is reflected in the final terms and conditions of the Going Private Transaction. In addition, as noted above, drafts of the GMP Valuation were reviewed by staff of the Corporate Finance branch of the OSC. Staff were also provided with drafts of the Hollinger Circular prior to its finalization.

Recommendations of the Independent Privatization Committee and the Board

As detailed in the Hollinger Circular, over a period of over four months, the Independent Privatization Committee (the mandate of which included conducting a thorough review of the proposed Going Private Transaction) considered the terms of the Consolidation, the GMP Valuation, the advice of its independent legal and financial advisors, the peculiar circumstances of Hollinger (which are set out herein) and various additional matters detailed in the Hollinger Circular. Having regard to the foregoing, the Independent Privatization Committee unanimously concluded to recommend to the Board that all necessary actions be taken in order that the special resolutions to effect the proposed Consolidation be submitted to the shareholders of Hollinger at the Meeting on March 31, 2005.

In addition, the Board considered, among other things, the recommendations of the Independent Privatization Committee and the advice of its independent legal advisors. Having regard to the foregoing, the Board unanimously adopted the report and recommendations of the Independent Privatization Committee.

Conclusion

For all of the foregoing reasons, it is respectfully submitted that the completion of the Going Private Transaction would not be prejudicial to the public interest and that a determination by the OSC to grant the relief requested herein, and thereby enable the Going Private Transaction to be considered by the shareholders of Hollinger at the Meeting, would be in the interests of Hollinger's minority shareholders. Further, given the uncertainty of proceeding with the Going Private Transaction (or any similar transaction) under its current terms, or at all, after the March Deadline, it is respectfully submitted that it is in the interests of Hollinger's minority shareholders that the OSC grant the relief requested so that they not be deprived of an opportunity to consider the Going Private Transaction at the Meeting.

ENCLOSURES

In connection with the above application and in accordance with OSC Policy 2.1, we enclose herewith the following:

- (i) a verification statement signed by an authorized signatory of Hollinger authorizing Fogler, Rubinoff LLP to make this application on its behalf and

verifying the truth of the facts contained herein (a copy of which is attached as Schedule "M" with the hard copy of this letter). Verification statements of the remaining Applicants will be submitted to the OSC directly by such Applicants or by legal counsel on their behalf;

- (ii) five (5) copies of this application letter, including the enclosures referenced herein;
- (iii) five (5) paper copies of a draft order sought (a copy of which is attached as Schedule "N" with the hard copy of this letter) and a diskette containing an electronic copy of the draft order in Word 7.0 for Windows format; and
- (iv) a cheque payable to the OSC in the amount of \$1,500 representing the prescribed fees for this application.

* * *

We trust that the foregoing is satisfactory. Should you have any questions or require any additional information, please do not hesitate to contact either Avi S. Greenspoon (416-941-8836) or Elliott A. Vardin (416-941-8872).

Yours very truly,

FOGLER, RUBINOFF LLP

(Signed) Avi S. Greenspoon

(Signed) Elliott A. Vardin

Encls.

cc: Dale Denis, *Fogler, Rubinoff LLP*
Norman May, Q.C., *Fogler, Rubinoff LLP*
Leah Price, *Fogler, Rubinoff LLP*
Alan Mark, *Oglivy Renault*
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