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VIA EMAIL (PDF) and DELIVERED

April 18, 2005

John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
19th Floor, P.O. Box 55
Toronto, Ontario
M5H 3S8

Attention: Mr. John Stevenson

Re: Hollinger Inc. (Argus Application to Vary MCTO)

Dear Mr. Stevenson:

Enclosed please find a copy of Catalyst Fund General Partner I Inc.'s submission for standing in the above referenced matter.

Yours very truly,

BELLMORE & MOORE

David C. Moore

Per: David C. Moore
DCM/km

Enclosure

cc: Harry Burkman
Avi S. Greenspoon
Gordon Capern

IN THE MATTER OF THE SECURITIES ACT
R.S.O. 1990, C. s.5, AS AMENDED

-and-

IN THE MATTER OF
CERTAIN DIRECTORS, OFFICERS, AND INSIDERS OF
HOLLINGER INC.

-and-

(Being the Persons and Companies Listed in Schedule "A")

Catalyst Fund General Partner I Inc.
Submission as to
Standing, Statement of Issues
and Outline of Evidence and Argument

(April 18, 2005)

1. These submissions are filed on behalf of Catalyst Fund General Partner I Inc. ("Catalyst").

2. Catalyst owns 1,398,000 Series II Preference Shares of Hollinger Inc. ("Inc."). Catalyst also owns approximately 883,000 Common Shares of Inc. It is the largest minority Common Shareholder of Inc.

3. Catalyst is opposed to the variation of the MCTO sought by Argus. It seeks *Torstar* standing to permit it to make submissions on this issue at the upcoming OSC hearing.

Intervenor Status

4. The principles relating to intervenor status may be summarized as follows:

   (a) On requests for standing, the Commission should consider the nature of the issue and the likelihood that intervenors will be able to make a useful contribution to the issues without injustice to the immediate parties.
   Re Albino (1991), 14 OSCB 365 (at p. 26 QL)

MacMillan Bloedel Limited v. Mullin et al., [1985] 3 W.W.R. 380, [1985] B.C.J. No. 2076 (B.C. C.A.)

Re Torstar Corp. (1985), 8 OSCB 5067 (at p. 6 QL)

(b) There is no absolute rule that for a party to be added he must have a direct interest in the very issue to be determined; it is sufficient that the proposed intervenor may be indirectly affected by the outcome of the proceeding.

Re Canadian Tire Corp. (1987), 10 OSCB 857 (at p. 6 QL)

(c) A proposed intervenor who has a special interest or concern in respect of matters relevant to the proceeding is in a position to make a valuable contribution to the resolution of the proceeding.

MacMillan Bloedel Limited v. Mullin et al., [1985] 3 W.W.R. 380, [1985] B.C.J. No. 2076 (B.C. C.A.)

5. Based upon the above principles, Catalyst was granted modified *Torstar* standing on the recent application by Inc. and Argus to vary the Hollinger MCTO to enable Lord Black's Going Private Transaction to proceed.

6. In the instant application, Catalyst has a legitimate interest that there not be any trading in Inc.'s shares by persons who are subject to the Hollinger MCTO. Catalyst, like other minority common shareholders of Inc., will be affected if the MCTO is relaxed to allow otherwise prohibited trades to be engaged in by insiders of Inc. Simply put, Inc.'s Common Shareholders are entitled to expect that the normal rules be applied and upheld: insiders who are subject to cease trade orders should not be permitted to trade, absent exceptional circumstances.

7. In addition, Catalyst will make a useful contribution to the hearing. If granted intervenor status, Catalyst would advance arguments against the relief sought. It would do so concisely, in a manner which would not be unfair or unjust to the Applicant.

8. In these circumstances, it is submitted that *Torstar* standing should be granted to Catalyst.

Merits of the Argus Application

9. The Hollinger MCTO was issued for an obvious and important purpose: to ensure that insiders of Inc. not engage in trading unless and until appropriate up to date continuous disclosure in respect of Inc. has been provided.

10. Such orders should not lightly be varied. It is submitted that there is a high onus on Argus to demonstrate that the relief sought is necessary and appropriate.

11. It is respectfully submitted that it is inappropriate to grant the relief sought where the alleged "solvency" issues which are relied upon by Argus were created by Argus and Ravelston themselves.

12. According to Note 7(a) to Argus' December 31, 2004 Market Value Consolidated Financial Statements, as at December 31, 2003, Argus had advanced $59,242,000 to Ravelston on an unsecured and non-interest bearing basis. However, on April 7, 2004 Argus declared a dividend of $60,242,000 and the advanced amount was "repaid".

13. Said dividend was declared approximately one month before the Hollinger MCTO. It was declared in circumstances where Argus and its Board (comprised of Ravelston nominees) knew that Inc.'s historical auditors had resigned because of concerns over management integrity, knew that for the foreseeable future Inc. (and Argus) would not be in a position to comply with their continuous disclosure obligations under the *Securities Act*, and knew that Inc. was embroiled in extensive litigation with Hollinger International.

14. The declaration of the dividend in these circumstances was clearly inappropriate.

15. Obviously, had the dividend not been declared, Argus would now be in a position to require Ravelston to provide funds to at least partially repay the $59,242,000 which had been advanced to Ravelston.

16. Argus' alleged solvency concerns are self-created, by a Board dominated by Ravelston, the beneficiary of the aforementioned transaction. In these circumstances, it is oppressive and

manifestly inappropriate for Ravelston to "advise Argus that it is unable to advance additional funds to Argus" and for Argus to rely upon this vague, unexplained assertion as the basis for this application.

17. In addition, the proposed use of the funds is not compelling. In the case of the dividends, as a matter of corporate law, Argus should not have been, and should not now, be paying dividends if to do so would impair Argus' solvency. The fact that Argus apparently wishes to pay dividends, but does not have the funds to do so, is not a legitimate reason to vary the Hollinger MCTO.

18. Insofar as the payment of legal fees is concerned, the application does not detail what steps, if any, have been taken to require Argus' insurer to provide a defence in the two proceedings in which Argus has been named as a party (i.e. the class action proceedings identified in Note 4(a) of Argus' December 31, 2004 Statements). Insofar as the balance of any litigation costs are concerned, Argus is not a party to said proceedings, which have and presumably will continue to be hotly contested by Ravelston, Inc., and other named parties. Catalyst does not accept or agree that Argus has or will incur legitimate costs in respect of these other proceedings.

19. Furthermore, Note 4 of Argus' December 31, 2004 Statements asserts that "The Company is exploring alternatives that will permit it to continue as a going concern." No details have been provided as to what alternatives have been explored, if any.

20. This is not a one time application: if granted, it is foreseeable that Argus will apply repeatedly for variations to allow the payment of ongoing expenses and dividends. It is foreseeable that others, including Ravelston, may attempt to rely upon this application as a precedent for future variations.

21. As a matter of principle, the Hollinger MCTO should only be relaxed where a clear case of extraordinary circumstances and compelling need has been made out. This is especially so in light of Section 2.8(2)(5) of Multi-lateral Instrument No. 45-102, which prohibits a sale from a

control block unless "the selling security holder has no reasonable grounds to believe that the issuer [i.e. Inc.] is in default of securities legislation".

22. Argus' application does not meet the above standard. It should be dismissed.

ALL OF WHICH IS RESPECTFULLY SUBMITTED, THIS 18TH DAY OF APRIL, 2005.

David C. Moore

Ken Jones

Counsel for Catalyst Fund
General Partner I Inc.