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VIA E-MAIL (PDF) and COURIER

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File 14012

John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1900, Box 55
Toronto, Ontario
M5H 3S8

Dear Mr. Stevenson:

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

We act for Kenneth McLaren, David Wilkes and Stephen Jarislowsky (the "McLaren Group"). Together, they own or represent persons who own approximately 1,000,000 retractable common shares of Hollinger Inc. ("Inc.").

Leave to Intervene in the Argus Application

1. The McLaren Group seeks leave to intervene in the application filed by Argus Corporation Limited and its numbered company subsidiaries (the "Argus Applicants") for a variation of the Inc. MCTO to permit them to sell a specified number of Inc. common shares (the "Argus Application").
2. The McLaren Group sought and obtained full standing at the recent hearings into the Inc. applications to vary the Inc. and Hollinger International MCTO's to permit Lord Black's proposed going private transaction to proceed (the "Inc. Applications"). The McLaren Group's submissions were of assistance to the Commission in dismissing those applications.
3. In order to grant standing to intervene, the Commission must first and foremost consider the nature of the issue and the likelihood that the applicant will be able to make a useful contribution without injustice to the immediate parties (cf *Albino* and *Torstar*).
4. Where the intending intervenor has a clear financial interest – most obviously, as a holder of securities of the subject issuer – but that interest will not be affected immediately by the decision the Commission may make, then restricted standing should be granted (cf *Albino*).

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5. In respect of the Argus Application, the McLaren Group seeks only *Torstar* standing. The McLaren Group wishes to make submissions with respect to whether the Argus Applicants can demonstrate that granting their application will not be prejudicial to the public interest.
6. The issue that confronts the Commission in the Argus Application is whether it is appropriate that the majority shareholder of Inc. (which is itself controlled indirectly by Lord Black) be permitted to begin to sell Inc. shares in order to solve its current liquidity problems.
7. At the hearing of the Inc. Applications, the McLaren Group were the only non-institutional minority common shareholders of Inc. opposing the subject transaction who sought standing. The McLaren Group anticipates that they will be the only non-institutional minority common shareholders of Inc. who will seek standing at the hearing of the Argus Applications. As such, they offer a unique perspective on the issue that is before the Commission.
8. The McLaren Group's participation will not cause injustice to the immediate parties to the Argus Applications. Their oral submissions will take no more than forty minutes.

Submissions on the Merits of the Argus Applications

9. The Inc. MCTO exists because Inc. has failed to file audited financial statements since 2003. Its difficulties arose during the period that Inc. was under the management and direction of Lord Black and other officers and directors he was responsible for appointing (the "Black Directors"). Inc. has also advised in press releases that its earlier financial statements cannot be relied upon.
10. Lord Black and the Black Directors refused to implement changes in Inc.'s management that Inc.'s former auditor KPMG demanded as a result of what KPMG described as "likely illegal acts". As a result, KPMG resigned as Inc.'s auditor in late 2003 and Inc.'s financial statements have not been audited since. Lord Black and his appointees are the authors of the current inadequate state of Inc.'s financial disclosure.

The Ravelston Dividend

11. The Argus Applications rely upon Argus' current liquidity crisis as justification for the sale of Inc. shares. Argus states that its principal

source of income is dividends from its indirect common shareholdings in Inc.

12. Inc. has not paid dividends to its common shareholders since the first quarter of 2003. There is no evidence in the Argus Application or otherwise which suggests that Inc. will begin to pay dividends to its common shareholders any time soon. There is no dispute that Argus was aware of the uncertainty of Inc.'s payment of dividends.
13. As at December, 2003, Ravelston was indebted to Argus in an amount exceeding \$59 million. This indebtedness arose from unsecured, non-interest-bearing advances that Argus made to Ravelston. This information is contained in Argus' public filings on SEDAR.
14. However, notwithstanding the evident uncertainty of whether Inc. would pay any dividends and therefore whether Argus would have any source of new cash, Argus' publicly-filed financial disclosure makes clear that, in April, 2004, Argus declared a one-time dividend in the amount of over \$60 million (the "Ravelston Dividend). The Ravelston Dividend served to eliminate Ravelston's indebtedness to Argus.
15. The Ravelston Dividend was paid more than a year after Inc. stopped paying dividends and Argus' principle source of income was effectively eliminated.
16. Perhaps more importantly, the Ravelston Dividend was paid at a time when it was clear to Lord Black that Inc. was going to be subject to a MCTO in the near future. As a result of KPMG's resignation, Lord Black was well aware that Inc. was not going to be in a position to file its audited financial statements in a timely fashion and that a MCTO would issue as a matter of course. It was also evident that the MCTO would affect Argus. The timing of the Ravelston Dividend raises considerable suspicion that it was a last minute "cash grab" by Lord Black, with the apparent acquiescence of the Argus board of directors.
17. At the time it paid the Ravelston Dividend, Argus was well aware that it would have ongoing unusual operating expenses arising from its participation in the litigation disclosed in the Argus Applications, as well as ongoing obligations to pay its regular dividends.
18. Given its lack of income, it is evident that Argus's current liquidity crisis is a direct function of its decision to declare and pay the Ravelston Dividend

and its concurrent failure to preserve or obtain adequate cash to fund its ongoing obligations.

19. There is no disclosure of the Ravelston Dividend in the Argus Applications and no explanation offered as to why it was paid. It is submitted that Lord Black has created the very crisis that causes Argus to make these applications to the Commission.
20. Argus' directors should never have declared and paid the Ravelston Dividend in the circumstances. Any reasonable director or officer would have predicted and planned for Argus' regular cash needs and would have concluded that Argus would not be able to meet its obligations as they became due if the Ravelston Dividend was paid. Argus should have pursued repayment of its advances to Ravelston. Argus and its directors are the authors of the current misfortune.
21. Moreover, there can be no doubt that Argus will need to return to the Commission for ongoing partial revocations of the Inc. MCTO in the event that the Inc. MCTO is not lifted. Currently, there is no evidence about when Inc. will be in a position to cure its continuous disclosure deficiencies. As a result, the Inc. MCTO may well be in place for the foreseeable future.
22. Inc. has placed the bulk of its cash reserves into an escrow account. While it can access the cash to pay its operating expenses, there is no suggestion that it can use the cash to pay dividends any time soon. As a result, Argus will be without a source of income for some considerable time. It is therefore inevitable that it will have to return to the Commission for ongoing permission to sell additional Inc. shares as it approaches insolvency again.
23. The Inc. MCTO was put in place to stop Lord Black and others (including Argus) from trading in Inc.'s shares until Inc. has cured its continuous disclosure deficiencies.
24. It cannot be in the public interest for those affected by MCTO's to create liquidity or solvency crises and then plead financial distress as the reason why partial revocations of the MCTO's are needed. The Commission should not countenance that behaviour by granting this or any other partial revocation of the Inc. MCTO for the benefit of Argus in these circumstances.

25. Argus should pursue whatever remedies it has against Lord Black or others or such assistance or financing from third parties (including Inc.) to cure this liquidity problem rather than coming forward to the Commission seeking relief.
26. A review of many of the recent decisions in which the Commission has issued partial revocations of CTO's discloses that they were made in "one-off" circumstances where the affected company was in the process of regularizing its affairs. There is no recent precedent of which the McLaren Group is aware in which an applicant in Argus' position has been granted relief for the purposes of paying dividends to its shareholders.
27. There is certainly no precedent that suggests that a self-induced liquidity crisis can support an application for a partial revocation of a MCTO.

Failure to disclose proposed purchaser of shares

28. In its Application, Argus does not advise who the proposed purchaser of the shares would be if its Application were granted. Argus confirms that neither Ravelston nor any of its affiliates would be the purchaser.
29. Lord Black and Ravelston recently supported a bid by Inc. to take Inc. private. This was the subject of a public hearing before the Commission in March, 2005. Lord Black's conduct in the course of the proposed going-private transaction was the subject of criticism by the Commission.
30. It continues to be in Lord Black's interests to take Inc. private. In order to do so, assuming that he could persuade the Commission to allow the proposed transaction to be put to Inc.'s minority common shareholders, Lord Black would need to be in a position to win the vote of the "majority of the minority" of common shareholders.
31. Argus' failure to disclose the proposed purchaser of the shares raises suspicions that these shares would be sold to a purchaser who supports Lord Black's interests in taking Inc. private.
32. Given the size of Inc.'s minority common share float, blocks of 200,000 shares will have a meaningful impact on any future vote on a Lord Black-sponsored going-private transaction.
33. The Argus Application clearly raises the prospect of future sales of Inc.'s shares in order to deal with Argus' inevitable solvency problems. Given Lord Black's control of Argus, this in turn raises concerns that Lord Black

will use Argus' alleged insolvency as a means of placing indirectly a significant block of shares into the hands of a "friendly" purchaser.

34. In other words, the Commission should be wary of permitting Argus to assist Lord Black in attempting to affect the outcome of any future vote on the privatization of Inc.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

Yours very truly,

PALIARE ROLAND ROSENBERG ROTHSTEIN LLP

"Gordon Capern"

Gordon Capern

GC:rm

Encl.

cc: Avi S. Greenspoon
cc: Harry Burkman
cc: Ken McLaren
cc: David Wilkes
cc: Andrew Wilkes
cc: Stephen Jarislowsky
cc: Chris Paliare
cc: Jeff Larry