

April 18, 2005

Our File No.: 04-4040

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

**Attention: The Secretary of the Commission**

Dear Sirs/Mesdames:

**Re: Hollinger Inc. - Application by Argus Corporation Limited for an Order to Vary the Hollinger MCTO**

Reference is made to the application of Argus and the Numbered Subsidiaries, submitted on their behalf on April 11, 2005 by Harry R. Burkman, for an order to vary the Hollinger MCTO (the "Application"). Unless otherwise indicated, terms used herein as defined terms have the same meanings herein as in the Application.

Hollinger has asked us to make these submissions on its behalf in respect of the Application, and requests that the facts and its views set out herein be considered by the OSC in its analysis of the Application. Hollinger is not seeking formal intervenor (or other) standing at the public hearing which has been called by the OSC to consider the Application.

On March 29, 2005, Hollinger (together with a wholly owned subsidiary, Domgroup Ltd.) commenced a civil claim against, among others, Ravelston, for more than \$600 million (the "Civil Claim"). Included in the Civil Claim are amounts owing by Ravelston to Hollinger which are secured by a General Security Agreement ("GSA") in respect of all of Ravelston's assets. As recited in the Application, those assets include 100 per cent of the outstanding Common and Class C Preference Shares of Argus. Moreover, Domgroup Ltd. holds security under three GSA's against substantially all of the assets of Ravelston as collateral for debts owing by Ravelston, which debts are in default. These assets include the shares of Hollinger and Argus owned by Ravelston. We understand that this security is being enforced. We also understand that a further GSA from Ravelston to Hollinger, in respect of further amounts due on April 30, 2005, is not yet in default and therefore not yet being enforced.

It is axiomatic that the value of Ravelston (and its ultimate ability to satisfy the Civil Claim) derives in part from its equity ownership position in Argus, the value of which in turn derives from the latter's ownership interest in Hollinger. To the extent that Ravelston causes Argus to dispose of shares of Hollinger and to use the proceeds for any purpose which would reduce the value of

Ravelston's equity in Argus, that reduction: (a) constitutes an erosion of Hollinger's collateral security against the assets of Ravelston; and (b) increases the risk to Hollinger that the amounts owing to it pursuant to the Civil Claim will not be fully realizable.

Hollinger's concerns in this regard are exacerbated by the statement in the Application (at paragraph 53) that "Ravelston has recently advised Argus that it is *unable* to advance additional funds to Argus ..." [italics added]. While Hollinger has some difficulty believing that Ravelston finds itself in such financial *extremis*, and believes that the appropriate funding source for Argus is its parent Ravelston, the fact that Ravelston is apparently taking the position described herein signals to Hollinger that recovery of amounts due to it under the Civil Claim will be challenging. In these circumstances, Hollinger submits that it would not be in the public interest for the OSC to facilitate the erosion of collateral security held by one reporting issuer (Hollinger) by enabling another reporting issuer (Argus) to dispose of assets forming (indirectly) part of that collateral security. This is particularly so where the proceeds are intended to be used, in part, to make non-mandatory (effectively optional) dividend payments on Argus' Preferred Shares.

Finally, while Hollinger acknowledges that the value of the Hollinger shares which are the subject matter of the Application might fairly be characterized as relatively minimal, Hollinger is concerned that the precedential effect of the relief, if granted, might presage further, perhaps serial applications by Argus for similar relief (perhaps in respect of increasingly greater numbers of the shares), in response to which there would be no principled or policy objection. In this regard, Hollinger submits that the OSC should consider the precedential impact of the relief sought in the Application and the potential cumulative adverse effect of subsequent share dispositions by Argus on Hollinger's security for the Civil Claim. Hollinger reserves the right to raise these arguments in any and all future applications in this regard.

Please feel free to contact the undersigned should you have any questions or comments in respect of these submissions.

Yours very truly,

**GOODMANS LLP**



Stephen H. Halperin

cc. Hollinger Inc. Directors  
Harry R. Burkman  
OSC Staff: Paul Hayward  
Johanna Superina

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