**IN THE MATTER OF THE SECURITIES ACT**
**R.S.O. 1990, c. S.5, AS AMENDED (the "Act")**

**- and -**

**IN THE MATTER OF**

**CERTAIN DIRECTORS, OFFICERS AND INSIDERS OF**

**HOLLINGER INTERNATIONAL INC.**

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**Schedule “A”**

Ontario Securities Commission | Commission des valeurs mobilières de l'Ontario | P.O. Box 55, 19th Floor 20 Queen Street West Toronto ON M5H 3S8 | CP 55, 19e étage 20, rue queen ouest Toronto ON M5H 3S8

Web site: www.osc.gov.on.ca
TDX 76
CDS-OSC

**IN THE MATTER OF THE SECURITIES ACT**
**R.S.O. 1990, c. S.5, AS AMENDED (the "Act")**

**AND**

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

**(BEING THE INDIVIDUALS AND ENTITIES LISTED IN SCHEDULE "A" HERETO)**

# ORDER

**(Paragraph 127(1)2)**

**WHEREAS** on May 18, 2004, each of the individuals and entities listed in Schedule "A" (individually, a "Respondent" and collectively, the "Respondents") was notified that the Director made an order (the "Temporary Order") that day under paragraph 2 of subsection 127(1) and subsection 127(5) of the Act that the Respondents cease trading in any securities of Hollinger International Inc. ("HLR"), subject to certain exceptions as provided for in the Temporary Order, for a period of 15 days from the date of the Temporary Order;

**AND WHEREAS** the Respondents were notified that a hearing would be held to determine if it would be in the public interest to make an order under paragraph 2 of subsection 127(1) of the Act that the Respondents cease trading in any securities of HLR permanently or for such period as is specified in the order;

**AND WHEREAS** the hearing was held on the 1st day of June, 2004;

**AND UPON** hearing the following evidence:

1. HLR is incorporated under the laws of Delaware and is a reporting issuer in the Province of Ontario.

2. Each of the Respondents is, or was, at some time since the end of the period covered by the last financial statements filed by HLR, namely since September 30, 2003, a director, officer or insider of HLR and during that time had, or may have had, access to material information with respect to HLR that has not been generally disclosed.

3. HLR failed to file its interim statements (and interim Management's Discussion & Analysis related thereto) for the three-month period ended March 31, 2004 as required to be filed under Ontario securities law on or before May 15, 2004.

4. HLR further failed to file its annual financial statements (and annual Management's Discussion & Analysis related thereto) and its Annual Information Form for the year ended December 31, 2003 by the required filing date under Ontario securities law, namely May 19, 2004.

5. As of the date of this order, HLR has not filed its interim statements (and interim Management's Discussion & Analysis related thereto) for the three-month period ended March 31, 2004, nor its annual financial statements (and annual Management's Discussion & Analysis related thereto) nor its Annual Information Form for the year ended December 31, 2003.

6. HLR is currently engaged in a strategic process as described in the material change report of HLR dated November 27, 2003 (the "Strategic Process"). The Strategic Process has been commenced by the board of directors of HLR and is being conducted through HLR's financial advisor, Lazard Frères & Co. LLC, to pursue a range of alternative strategic transactions for HLR. The Strategic Process may involve the sale or reorganization of all or a part of HLR's business and other possible transactions by means that may include asset sales, share sales or a merger, amalgamation, arrangement, business combination or other reorganization.

7. Hollinger Inc. ("Hollinger") is, directly and indirectly, the largest voting shareholder of HLR and is a reporting issuer in the Province of Ontario. On April 5, 2004, Hollinger filed a material change report disclosing that it had entered into an agency agreement in respect of a proposed offering and sale of up to 20,096,919 subscription receipts (the "Subscription Receipts") of Hollinger at a price of CDN$10.50 per Subscription Receipt for gross proceeds of CDN$211 million (the "Subscription Receipt Offering"). On April 7, 2004, Hollinger issued and filed a press release and material change report announcing the closing of the offering of Subscription Receipts. As described in the above-mentioned material change reports, the gross proceeds from the sale of the Subscription Receipts will be held in escrow for a certain period following the closing of the Subscription Receipt Offering, pending the satisfaction of certain escrow conditions. The satisfaction of certain of these escrow conditions may constitute or involve trades in securities of Hollinger and/or HLR.

**AND WHEREAS** the Commission is of the opinion that it is in the public interest to make this order;

**IT IS ORDERED** under paragraph 2 of subsection 127(1) of the Act that all trading, whether direct or indirect, by those persons listed in Schedule "A" in the securities of HLR, with the exception of

a) any trade in securities of HLR contemplated by or in connection with the Subscription Receipt Offering (including without limitation any transfers or conversions of any securities of HLR in connection with satisfying redemptions or retractions of any securities of Hollinger pursuant to a retraction request initiated by a person other than a

Respondent); and

b) any trade in securities of HLR contemplated by or in connection with any transaction directly or indirectly resulting or arising from the Strategic Process;

shall cease until two full business days following the receipt by the Commission of all filings HLR is required to make pursuant to Ontario securities law.

**DATED** at Toronto, this 1st day of June, 2004.

Ontario Securities Commission

"Susan Wolburgh Jenah" "Robert W. Davis"

Susan Wolburgh Jenah Robert W. Davis

"Suresh Thakrar"

Suresh Thakrar

**Schedule "A"**

509645 N.B. Inc.

509646 N.B. Inc.

1269940 Ontario Limited

2753421 Canada Limited

Amiel Black, Barbara

Argus Corporation Limited

Atkinson, Peter Y.

Black, Conrad M. (Lord)

Boultbee, J. A.

Burt, The Hon. Richard

Carroll, Paul A.

Colson, Daniel W.

Conrad Black Capital Corporation

Cowan, Charles G.

Creasey, Frederick A.

Cruickshank, John

Deedes, Jeremy

Dodd, David

Duckworth, Claire F.

Healy, Paul B.

Kipnis, Mark

Kissinger, The Hon. Henry A.

Lane, Peter K.

Loye, Linda

Maida, Joan

McCarthy, Helen

Meitar, Shmuel

O'Donnell-Keenan, Niamh

Paris, Gordon

Perle, The Hon. Richard N.

Radler, F. David

The Ravelston Corporation Limited

Rohmer, Richard, OC, QC

Ross, Sherrie L.

Samila, Tatiana

Savage, Graham

Seitz, The Hon. Raymond G.H.

Smith, Robert T.

Stevenson, Mark

Thompson, The Hon. James R.

Van Horn, James R.

Walker, Gordon W.

White, Peter G.

**Headnote**
Variation of cease trade order previously issued against certain directors, officers and other insiders of a reporting issuer in default of filings required under Ontario securities law – previous management and insider cease trade order (the MCTO) issued in response to earlier application by the issuer to the Commission under OSC Policy 57-603 *Defaults by Reporting Issuers in Complying with Financial Statement Filing Requirements* (the MCTO Policy) requesting that an MCTO be issued as an alternative to an issuer cease trade order – issuer remains in default but has filed default status reports on a biweekly basis in accordance with Part 3 of the MCTO Policy – in accordance with the issuer's prior undertaking, the issuer has advised the Commission of recent changes to the issuer's directors, officers and other insiders – MCTO varied pursuant to section 144 to reflect additional respondents and certain respondents omitted in the MCTO.

**Applicable Ontario Statutory Provisions**
Securities Act, R.S.O. 1990, c.S.5, as am., ss. 6(3), 127 and 144.

**Policies Citied**
OSC Policy 57-603 *Defaults by Reporting Issuers in Complying with Financial Statement Filing Requirements*

**IN THE MATTER OF THE SECURITIES ACT**
**R.S.O. 1990, c. S.5, AS AMENDED (the "Act")**

**AND**

**IN THE MATTER OF**

**CERTAIN DIRECTORS, OFFICERS AND INSIDERS OF**

**HOLLINGER INTERNATIONAL INC.**

**(BEING THE PERSONS AND COMPANIES LISTED**
**IN SCHEDULE "A" HERETO)**

**ORDER**

**(Paragraph 127(1)(2) and Section 144)**

**WHEREAS** on June 1, 2004, the Ontario Securities Commission (the "Commission") made an order (the "Hollinger International MCTO") under paragraph 2 of subsection 127(1) of the Act that all trading, whether direct or indirect, by the persons and companies listed in Schedule "A" (individually, a "Respondent" and collectively, the "Respondents") in the securities of Hollinger International Inc. ("Hollinger International") shall cease, subject to certain exceptions as provided for in the Hollinger International MCTO, until two full business days following the receipt by the Commission of all filings Hollinger International is required to make pursuant to Ontario securities law;

**AND WHEREAS** Hollinger International has, at the request of the staff of the Commission ("Staff"), made an application (the "Application") to vary the Hollinger International MCTO to reflect certain changes to the class of persons and companies who are officers, directors or insiders of Hollinger International since the date of the Hollinger International MCTO;

**AND UPON** considering the Application and the recommendation of Staff;

**AND UPON** Hollinger International having represented to the Commission that:

1. Hollinger International is incorporated under the laws of Delaware and is a reporting issuer in the Province of Ontario.

2. Hollinger International has failed to file its interim statements (and interim Management's Discussion & Analysis related thereto) for the three-month period ended March 31, 2004 as required to be filed under Ontario securities law on or before May 15, 2004.

3. Hollinger International has further failed to file its annual financial statements (and annual Management's Discussion & Analysis related thereto) and its Annual Information Form ("AIF") for the year ended December 31, 2003 by the required filing date under Ontario securities law, namely May 19, 2004.

4. Hollinger International has further failed to file its interim statements (and interim Management's Discussion & Analysis related thereto) for the six-month period ended June 30, 2004 and the nine-month period ended September 30, 2004 by the respective due dates of August 14, 2004 and November 15, 2004.

5. On January 18, 2005, Hollinger International filed its 2003 Form 10-K with the United States Securities and Exchange Commission, which form includes its audited financial statements for the fiscal year ended December 31, 2003 and related MD&A and will constitute Hollinger International's 2003 AIF for the purposes of Ontario securities law. On January 21, 2005, Hollinger International filed its audited financial statements for the fiscal year ended December 31, 2003 and related MD&A on SEDAR. In its press release of January 7, 2005, Hollinger International disclosed that it expected to file, within approximately two months after the filing of its 2003 10-K, its interim financial statements for the fiscal quarters ended March 31, June 30 and September 30, 2004.

6. Accordingly, as of the date of this Order, Hollinger International has rectified the filing deficiencies described in paragraph 3 of this Order but has not rectified the filing deficiencies described in paragraphs 2 and 4 of this Order.

7. On May 4, 2004, Hollinger International made an application to the Commission under OSC Policy 57-603 *Defaults by Reporting Issuers in Complying with Financial Statement Filing Requirements* (the "MCTO Policy") requesting that a Management and Insider Cease Trade Order (as that term is defined in the MCTO Policy) be issued as an

alternative to an Issuer Cease Trade Order (as that term is defined in the MCTO Policy).

8. In connection with this application, and in accordance with section 3.1 of the MCTO Policy, Hollinger International provided the Commission with

   a) an affidavit listing the names and positions/titles (if any) of each person or company that, in the opinion of Hollinger International, comes within the definition of "Defaulting Management and Other Insiders" (as that term is defined in the MCTO Policy); and

   b) an undertaking (the "Undertaking") to provide to the Commission, during the period of default, particulars of any changes to this information that is known to Hollinger International.

9. On May 18, 2004, the Director made a temporary order (the "Temporary Order") under paragraph 2 of subsection 127(1) and subsection 127(5) of the Act that the Respondents cease trading in any securities of Hollinger International, subject to certain exceptions as provided for in the Temporary Order, for a period of 15 days from the date of the Temporary Order;

10. On June 1, 2004, following a hearing on the matter, the Commission made the Hollinger International MCTO that provided that all trading, whether direct or indirect, by the Respondents in the securities of Hollinger International shall cease, subject to certain exceptions as provided for in the Hollinger International MCTO, until two full business days following the receipt by the Commission of all filings Hollinger International is required to make pursuant to Ontario securities law;

11. Since the date of the Hollinger International MCTO, Hollinger International has filed Default Status Reports on a biweekly basis in accordance with Part 3 of the MCTO Policy.

12. Since the date of the Hollinger International MCTO, there have been certain changes to the class of persons and companies that, in the opinion of Hollinger International, come within the definition of "Defaulting Management and Other Insiders". In accordance with the Undertaking, Hollinger International has advised the Commission of these changes, and now requests that the Hollinger International MCTO be varied to reflect such changes.

13. Hollinger International believes that, since the date of the Hollinger International MCTO, the following persons and companies have come within the definition of "Defaulting Management and Other Insiders" and accordingly should be named as additional respondents (collectively, the "Additional Respondents") in the Hollinger International MCTO:

    Donald M.J. Vale

Monique L. Delorme
James A. Richardson
Jonathan H. Marler
Robert Emmett Tyrrell
Robert J. Metcalfe
Allan Wakefield

14. Each of the Additional Respondents is, or was, at some time since the end of the period covered by the last financial statements filed by Hollinger International, namely since December 31, 2003 (which date reflects the latest filings that are referred to in paragraph 5), a director, officer or insider of Hollinger International and during that time had, or may have had, access to material information with respect to Hollinger International that has not been generally disclosed.

15. In addition, Hollinger International further requests that the list of Respondents appended to the Hollinger International MCTO as Schedule "A" be amended to include

Hollinger Inc.,
504468 N.B. Inc.,
509647 N.B. Inc.,
509643 N.B. Inc. and
509644 N.B. Inc. (collectively, the "Omitted Respondents").

The Omitted Respondents come within the definition of "Defaulting Management and Other Insiders" but were inadvertently omitted in the Hollinger International MCTO.

16. In addition, Hollinger International further consents to the request that the list of Respondents appended to the Hollinger International MCTO as Schedule "A" be amended to delete Mr. Charles G. Cowan (the "Redacted Respondent"). Mr. Cowan retired from all positions with Hollinger International on December 31, 2003. As a consequence of Hollinger International having met its filing requirements for the year ended December 31, 2003, as described in paragraph 5, Mr. Cowan no longer meets the definition of "Defaulting Management and Other Insiders".

**AND WHEREAS** the Commission is of the opinion that it is in the public interest to make this Order;

**IT IS ORDERED** under paragraph 2 of subsection 127(1) of the Act and under section 144 of the Act that the list of Respondents appended to the Hollinger International MCTO as Schedule "A" be varied

(a) to include the Additional Respondents and the Omitted Respondents, as those terms are defined in this Order; and

(b) to delete the Redacted Respondent, as that term is defined in this Order.

March 8, 2005

"David L. Knight" "Lorne Morphy"

**Schedule "A"**

509645 N.B. Inc.

509646 N.B. Inc.

1269940 Ontario Limited

2753421 Canada Limited

Amiel Black, Barbara

Argus Corporation Limited

Atkinson, Peter Y.

Black, Conrad M. (Lord)

Boultbee, J. A.

Burt, The Hon. Richard

Carroll, Paul A.

Colson, Daniel W.

Conrad Black Capital Corporation

Cowan, Charles G.

Creasey, Frederick A.

Cruickshank, John

Deedes, Jeremy

Dodd, David

Duckworth, Claire F.

Healy, Paul B.

Kipnis, Mark

Kissinger, The Hon. Henry A.

Lane, Peter K.

Loye, Linda

Maida, Joan

McCarthy, Helen

Meitar, Shmuel

O'Donnell-Keenan, Niamh

Paris, Gordon

Perle, The Hon. Richard N.

Radler, F. David

The Ravelston Corporation Limited

Rohmer, Richard, OC, QC

Ross, Sherrie L.

Samila, Tatiana

Savage, Graham

Seitz, The Hon. Raymond G.H.

Smith, Robert T.

Stevenson, Mark

Thompson, The Hon. James R.

Van Horn, James R.

Walker, Gordon W.

White, Peter G.

**Schedule “B”**

# HOLLINGER INC.

# NOTICE OF SPECIAL MEETING AND MANAGEMENT PROXY CIRCULAR

Hollinger

## IN CONNECTION WITH THE SPECIAL MEETING OF THE HOLDERS OF RETRACTABLE COMMON SHARES AND SERIES II PREFERENCE SHARES TO BE HELD ON THURSDAY, MARCH 31, 2005

## TO CONSIDER A PROPOSED GOING PRIVATE TRANSACTION BY WAY OF A CONSOLIDATION

**MARCH 4, 2005**

*The information contained herein is given as of March 4, 2005 except where otherwise indicated. The information contained herein concerning Hollinger International Inc. and its subsidiaries and/or The Ravelston Corporation Limited and its subsidiaries was supplied by such companies or has been taken from or is based on publicly available documents or records on file with Canadian securities regulatory authorities and other public sources and has not been independently verified by Hollinger Inc.*

*The proposed transaction described herein involves a consolidation in respect of the securities of a Canadian company. The consolidation is subject to disclosure requirements of Canada which are different from those of the United States.*

Hollinger

**HOLLINGER INC.**
10 Toronto Street
Toronto, Ontario
M5C 2B7

---

**NOTICE OF SPECIAL MEETING OF THE HOLDERS OF RETRACTABLE COMMON SHARES AND SERIES II PREFERENCE SHARES MARCH 31, 2005**

---

NOTICE IS HEREBY GIVEN that a special meeting (the ''**Meeting**'') of the holders of retractable common shares (the ''**Common Shares**'') and exchangeable non-voting preference shares Series II (the ''**Series II Preference Shares**'') of Hollinger Inc. (the ''**Corporation**'') will be held at The Gallery, TSX Broadcast & Conference Centre, The Exchange Tower, 130 King Street West, Toronto, Ontario, Canada, on **Thursday, March 31, 2005 at 10:00 a.m. (Toronto time)**, for the following purposes:

1. to consider and, if deemed appropriate, to pass, with or without amendment, a special resolution (the ''**CS Consolidation Resolution**'') of the holders of the Common Shares to amend the articles of the Corporation to effect; (a) a consolidation (the ''**CS Consolidation**'') of all of the issued and outstanding Common Shares on the basis of one post-CS Consolidation Common Share for every 5,766,783 pre-CS Consolidation Common Shares; and (b) the PS Consolidation (as defined below), all as more particularly described in the accompanying Management Proxy Circular of the Corporation;

2. to consider and, if deemed appropriate, to pass, with or without amendment, a special resolution (the ''**PS Consolidation Resolution**'') of the holders of the Series II Preference Shares to amend the articles of the Corporation to effect a consolidation (the ''**PS Consolidation**'') of all of the issued and outstanding Series II Preference Shares on the basis of one post-PS Consolidation Series II Preference Share for every 1,701,995 pre-PS Consolidation Series II Preference Shares, all as more particularly described in the accompanying Management Proxy Circular of the Corporation; and

3. to transact such further or other business as may properly come before the Meeting or any adjournment(s) or postponement(s) thereof.

A copy of the Management Proxy Circular and forms of proxy for use at the Meeting accompany this notice. The full text of the CS Consolidation Resolution and the PS Consolidation Resolution are set out in Appendices A and B, respectively, to the Management Proxy Circular.

The board of directors of the Corporation has fixed the close of business on Tuesday, March 1, 2005 as the record date for determining the holders of record of Common Shares and Series II Preference Shares who are entitled to receive notice of the Meeting and to attend and vote at the Meeting and any adjournment(s) or postponement(s) thereof.

If you do not attend the Meeting in person, you may appoint a proxyholder or one or more alternate proxyholders to attend and act at the Meeting in the manner and to the extent authorized by the proxy and with the authority conferred by the proxy. Shareholders are asked to promptly complete, sign, date and return the enclosed applicable form of proxy in the envelope provided and mail it to, or deposit it by hand with, the Proxy Department at Computershare Trust Company of Canada, 100 University Avenue, 11th floor, Toronto, Ontario M5J 2Y1. **To be effective, proxies must be received by the Corporation, or by Computershare Trust Company of Canada at its address set out in the preceding sentence, not later than 10:00 a.m. (Toronto time) on Tuesday, March 29, 2005, or, if in the case of any adjournment(s) or postponement(s) of the Meeting, not later than the close of business on the last business day preceding the day of the adjourned or postponed Meeting.**

Under Section 190 of the *Canada Business Corporations Act* (the ''**CBCA**''), a registered holder of: (a) Common Shares may dissent in respect of the CS Consolidation Resolution approving the CS Consolidation described in the accompanying Management Proxy Circular; and (b) Series II Preference Shares may dissent in respect of the CS Consolidation Resolution and the PS Consolidation Resolution approving the CS Consolidation and the PS Consolidation, respectively, described in the accompanying Management Proxy Circular. If the CS Consolidation and the PS Consolidation are completed, dissenting shareholders who comply with procedures set forth in the CBCA will be entitled to be paid the fair value of their shares. This dissent right is summarized in Appendix D to the Management Proxy Circular and Section 190 of the CBCA is set forth in Appendix E to the Management Proxy Circular. **Failure to strictly comply with the requirements set forth in Section 190 of the CBCA may result in the loss or unavailability of any right of dissent. Persons who are beneficial owners of Common Shares and/or Series II Preference Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that only the registered holders of such shares are entitled to dissent. Accordingly, if you are such a beneficial owner of Common Shares and/or Series II Preference Shares desiring to exercise your right of dissent, you must make arrangements for the Common Shares and/or Series II Preference Shares beneficially owned by you to be registered in your name prior to the time that the written objection to the CS Consolidation Resolution and/or the PS Consolidation Resolution, as applicable, is required to be received by the Corporation or, alternatively, make arrangements for the registered holder of your Common Shares and/or Series II Preference Shares to dissent on your behalf. Shareholders who previously submitted their Common Shares and/or Series II Preference Shares for retraction who wish to dissent should be aware that Section 190 of the CBCA requires, among other things, that a dissenting shareholder have a share certificate. Accordingly, if you are such a shareholder, you must make arrangements to withdraw your retraction request and obtain the return of your share certificate(s). In order to exercise your withdrawal right, shareholders should contact the Computershare Call Centre — Shareholder Services at 1 (800) 564-6253.**

DATED at Toronto, Ontario, as of the 4th day of March, 2005.

BY ORDER OF THE BOARD OF DIRECTORS

(Signed) DONALD M.J. VALE
*President*

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## INFORMATION FOR U.S. SHAREHOLDERS

**THE SECURITIES TO BE ISSUED OR DELIVERED IN CONNECTION WITH OR UPON COMPLETION OF THE CONSOLIDATION HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES *SECURITIES ACT OF 1933*, AS AMENDED, THE SECURITIES LAWS OF ANY STATE OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION, NOR IS SUCH REGISTRATION CONTEMPLATED. THE SECURITIES TO BE ISSUED OR DELIVERED IN CONNECTION WITH OR UPON COMPLETION OF THE CONSOLIDATION HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MANAGEMENT PROXY CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.**

**NO PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS MANAGEMENT PROXY CIRCULAR, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION SHOULD NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. THIS MANAGEMENT PROXY CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO PURCHASE, THE SECURITIES TO BE ISSUED OR DELIVERED IN CONNECTION WITH OR UPON COMPLETION OF THE CONSOLIDATION, OR THE SOLICITATION OF A PROXY, IN ANY JURISDICTION, TO OR FROM ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER, SOLICITATION OF AN OFFER OR PROXY SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS MANAGEMENT PROXY CIRCULAR NOR ANY ISSUANCE OR DELIVERY OF THE SECURITIES CONTEMPLATED IN CONNECTION WITH OR UPON COMPLETION OF THE CONSOLIDATION SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION SET FORTH HEREIN SINCE THE DATE OF THIS MANAGEMENT PROXY CIRCULAR.**

**SHAREHOLDERS SHOULD NOT CONSTRUE THE CONTENTS OF THIS MANAGEMENT PROXY CIRCULAR AS LEGAL, TAX OR FINANCIAL ADVICE AND SHOULD CONSULT WITH THEIR OWN PROFESSIONAL ADVISORS AS TO RELEVANT LEGAL, TAX, FINANCIAL OR OTHER MATTERS IN CONNECTION HEREWITH. IN PARTICULAR, THE U.S. TAX TREATMENT OF THE CONSOLIDATION AND THE RECEIPT OF CCPRs AND INTERNATIONAL A SHARES FOR SHAREHOLDERS THAT ARE U.S. PERSONS IS COMPLEX AND WILL DEPEND UPON THE SHAREHOLDER'S INDIVIDUAL CIRCUMSTANCES. SUCH U.S. PERSONS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS.**

The Corporation is a corporation existing under the laws of Canada. Some or all of the directors and officers of the Corporation, as well as experts named in this Management Proxy Circular, are residents of Canada or of another country other than the United States and all or a substantial portion of their assets and a portion of the assets of the Corporation are located outside the United States. As a result, it may be difficult for shareholders to effect service within the United States upon the directors, officers and experts who are not residents of the United States, to enforce their rights or any claims they may have arising under United States federal securities laws, or to realize in the United States upon judgments of courts of the United States predicated upon civil liability under United States federal securities laws. There is some doubt as to the enforceability in Canada against the Corporation or any of its directors, officers or experts who are not residents of the United States in original actions or in actions for enforcement of judgments of United States courts, of liabilities predicated solely upon United States federal securities laws.

The Corporation is subject to the informational requirements of the United States *Securities Exchange Act of 1934*, as amended, and, in accordance therewith, files reports, management proxy circulars and other information with the SEC. Such reports, management proxy circulars and other information can be inspected and copied at prescribed rates at the public reference facilities maintained by the SEC at 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. 20549, and free copies thereof may be obtained at the SEC's Internet website (*www.sec.gov*). Copies of such material can also be obtained by mail, upon payment of the SEC's customary charges, by writing to the principal office of the SEC at 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. 20549.

## FORWARD-LOOKING STATEMENTS

This Management Proxy Circular contains certain forward-looking statements. Words such as ''will'', ''expects'', ''anticipates'', ''intends'', ''plans'', ''believes'', ''seeks'', ''estimates'' and variations of such words and similar expressions are intended to identify these forward-looking statements. Specifically, and without limiting the generality of the foregoing, all statements included in this Management Proxy Circular that address activities, events or developments that the Corporation expects or anticipates will or may occur in the future, including such items as future capital (including the amounts and nature thereof), business strategies and measures to implement such strategies, competitive strengths, goals, expansion and growth, or references to the litigation or future success of the Corporation, its subsidiaries and the companies, joint ventures or partnerships in which the Corporation has equity investments are forward-looking statements. Actual results could differ materially from those reflected in the forward-looking statements as a result of: (i) general economic market or business conditions; (ii) the opportunities (or lack thereof) that may be presented to and pursued by the Corporation; (iii) competitive actions by other companies; (iv) changes in laws; and (vi) other factors, many of which are beyond the control of the Corporation.

**All written and oral forward-looking statements attributable to the Corporation, or persons acting on its behalf, are expressly qualified in their entirety by the cautionary statements set forth above. Readers of this Management Proxy Circular are cautioned not to place undue reliance on forward-looking statements contained in this Management Proxy Circular, which reflect the analysis of Management only as of the date of this Management Proxy Circular, or such earlier date as is otherwise indicated. The Corporation undertakes no obligation to release publicly the results of any revision to these forward-looking statements which may be made to reflect events or circumstances after the date of this Management Proxy Circular or to reflect the occurrence of unanticipated events.**

## IMPORTANT CONSIDERATIONS FOR SHAREHOLDERS

In considering the consolidation resolutions set forth herein, shareholders of the Corporation should carefully regard the following important considerations.

**AS OF THE DATE OF THIS MANAGEMENT PROXY CIRCULAR, THE CORPORATION IS NOT CURRENT IN ALL FILINGS IT IS REQUIRED TO MAKE PURSUANT TO APPLICABLE CANADIAN SECURITIES LAWS.** In particular, the Corporation has failed to file: (i) its interim financial statements (and interim management's discussion & analysis related thereto) for the three-month period ended March 31, 2004; (ii) its interim financial statements (and interim management's discussion & analysis related thereto) for the six-month period ended June 30, 2004; (iii) its interim financial statements (and interim management's discussion & analysis related thereto) for the nine-month period ended September 30, 2004; (iv) its annual financial statements (and annual management's discussion & analysis related thereto) for the year ended December 31, 2003; and (v) its annual information form for the year ended December 31, 2003. As the Corporation's 2003 annual financial statements are not complete, the Corporation has obtained an order of the Ontario Superior Court of Justice extending the time for calling the Corporation's 2004 annual shareholders' meeting to a date not later than June 30, 2005.

The Corporation's principal asset is its interest in Hollinger International Inc. As of March 3, 2005, the Corporation owned, directly or indirectly, approximately 17.4% of the equity and 66.8% of the voting interest in Hollinger International Inc. **AS OF THE DATE OF THIS MANAGEMENT PROXY CIRCULAR, HOLLINGER INTERNATIONAL INC. IS NOT CURRENT IN ALL FILINGS IT IS REQUIRED TO MAKE PURSUANT TO APPLICABLE CANADIAN SECURITIES LAWS.** In particular, Hollinger International Inc. has failed to file: (i) its interim financial statements (and interim management's discussion & analysis related thereto) for the three-month period ended March 31, 2004; (ii) its interim financial statements (and interim management's discussion & analysis related thereto) for the six-month period ended June 30, 2004; and (iii) its interim financial statements (and interim management's discussion & analysis related thereto) for the nine-month period ended September 30, 2004.

In June, 2004, the Ontario Securities Commission and various other Canadian securities regulatory authorities issued a cease trade order prohibiting certain current and former directors, officers and insiders of the Corporation from trading in securities of the Corporation, subject to certain exceptions. Such order will remain in place until two full business days after the Corporation's required filings with such regulators are brought up to date in compliance with applicable Canadian securities law. Applicable policies and notices of the Canadian securities regulatory authorities relating to management and insider cease trade orders provide that if an issuer has not filed its delinquent financial statements within two months from an issuer first notifying such authorities of its default, the issuer will generally be subject to a full issuer cease trade order.

On January 27, 2005, Hollinger International Inc. announced that the Special Committee of its board of directors had determined that the Shareholder Rights Plan (commonly known as a ''poison pill'') adopted on January 25, 2004 will continue in effect by its terms until February 5, 2014. Under the Plan, if any person or group acquires 20% or more of the voting power of Hollinger International Inc.'s outstanding common stock without the approval of the board of directors or the Corporate Review Committee of the board of directors of Hollinger International Inc., there would be a triggering event potentially causing significant dilution in the voting power of such person or group. Although the Plan exempts the Corporation as the current holder of over 20% of the voting power of Hollinger International Inc.'s common stock, it does not exempt any direct or indirect transferee of that interest.

Pursuant to an order of the Ontario Superior Court of Justice, Ernst & Young Inc. was appointed as inspector pursuant to subsection 229(1) of the CBCA to conduct an investigation of certain of the affairs of the Corporation. The mandate of Ernst & Young Inc. 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) between the Corporation (including any of its subsidiaries, other than Hollinger International Inc. or its subsidiaries), and a ''related party'' for the period January 1, 1997 to the date of the order. Although various interim reports of Ernst & Young Inc. have been filed with the Court, a final report of Ernst & Young Inc. has not been filed with the Court as of the date of this Management Proxy Circular and it is not anticipated that such a final report will be filed with the Court prior to the special meeting of shareholders of the Corporation.

The consolidation of the Corporation's outstanding shares being considered by the Corporation's shareholders at the special meeting would not be permitted under the Corporation's financing arrangements. However, pursuant to amendments to the indentures governing the Corporation's 11.875% Senior Secured Notes due 2011 for which consents were previously obtained by the Corporation from holders of a majority in aggregate principal amount of such senior notes, the Corporation would be permitted to effect the proposed consolidation of its shares. Such amendments will become effective if, and only if, all necessary corporate, shareholder and regulatory approvals in connection with the consolidation of the Corporation's outstanding retractable common shares have been obtained on or prior to March 31, 2005. In the event that all such approvals are not obtained by such date (including by reason of the meeting of shareholders being adjourned or postponed to a date after March 31, 2005), absent a further consent of the holders of a requisite amount of the Corporation's senior notes, the Corporation would not be permitted, under its financing arrangements, to implement the proposed consolidation. There can be no assurances that any such consent, if sought, could be obtained.

## GLOSSARY OF TERMS

*The following terms and expressions used herein have the following meanings, unless the context otherwise requires.*

''**Additional Amount per Share**'' means an additional amount per Common Share equal to the difference, if any, by which the mid-point of the Updated Valuation Range (rounded to two decimal places) exceeds $7.39, being the mid-point of the value range determined for the Common Shares in the Valuation;

''**Additional CCPR Funding Amount**'' has the meaning ascribed thereto under the heading ''Information Regarding the Consolidation and Going Private Transaction — CCPRs'';

''**affiliate**'' has the meaning ascribed thereto in the OSA;

''**Alternative Financial Information**'' means the unaudited market value balance sheet of the Corporation as at September 30, 2004 in which the Corporation's investments in subsidiaries and other companies (other than those that carry out head office functions) are not consolidated;

''**AMF**'' means the Autorité des marchés financiers (Québec);

''**Argus**'' means Argus Corporation Limited, a corporation existing under the laws of Canada, all of the voting securities of which are owned by RCL;

''**associate**'' has the meaning ascribed thereto in the OSA;

''**Board of Directors**'' or ''**Board**'' means the board of directors of the Corporation;

''**Business Day**'' means any day other than a Saturday, a Sunday or a day that is treated as a holiday at the Corporation's principal executive offices in Toronto, Ontario;

''**CBCA**'' means the *Canada Business Corporations Act*, as amended, and all regulations promulgated thereunder;

''**Catalyst**'' has the meaning ascribed thereto under the heading ''Information Regarding the Consolidation and Going Private Transaction — Background and Purpose of the Meeting'';

''**CCPR**'' means one contingent cash payment right created and allocated by the CCPR Trust;

''**CCPR Agreement**'' has the meaning ascribed thereto under the heading ''Information Regarding the Consolidation and Going Private Transaction — CCPRs'';

''**CCPR Declaration of Trust**'' means the declaration of trust governing the CCPR Trust to be entered into among the Corporation and the CCPR Trustees, pursuant to which the CCPRs are to be created and allocated;

''**CCPR Initial Term**'' has the meaning ascribed thereto under the heading ''Information Regarding the Consolidation and Going Private Transaction — CCPRs'';

''**CCPR Term**'' has the meaning ascribed thereto under the heading ''Information Regarding the Consolidation and Going Private Transaction — CCPRs'';

''**CCPR Trust**'' means a trust formed under the laws of the Province of Ontario pursuant to the CCPR Declaration of Trust and known as the ''Hollinger Inc. Contingent Cash Payment Rights Trust'';

''**CCPR Trust Consent**'' has the meaning ascribed thereto under the heading ''Information Regarding the Consolidation and Going Private Transaction — CCPRs'';

''**CCPR Trustees**'' has the meaning ascribed thereto under the heading ''Information Regarding the Consolidation and Going Private Transaction — CCPRs'';

''**Circular**'' means this Management Proxy Circular, including all appendices thereof;

''**Close of Business**'' on any given date means the time on such date (or, if such date is not a Business Day, the next following Business Day) at which the office of the Depositary in Toronto, Ontario becomes closed to the public;

''**Common Share Approvals**'' has the meaning ascribed thereto under the heading ''Information Regarding the Consolidation and the Going Private Transaction — Background and Purpose of the Meeting'';

''**Common Share Consideration**'' means $7.60 plus the Additional Amount per Share, if any, in cash for each Common Share held by Common Shareholders immediately prior to the Effective Date, as more fully described in this Circular;

''**Common Shareholders**'' means the holders of Common Shares, and ''**Common Shareholder**'' means any one of them;

''**Common Shares**'' means the retractable common shares in the capital of the Corporation existing prior to the CS Consolidation;

''**Consolidation**'' means, collectively, the CS Consolidation and the PS Consolidation;

''**Corporation**'' means Hollinger Inc., a corporation existing under the laws of Canada;

''**Court**'' means the Ontario Superior Court of Justice;

''**Court Order**'' has the meaning ascribed thereto under the heading ''Information Regarding the Consolidation and Going Private Transaction — CCPRs'';

''**CRA**'' means the Canada Revenue Agency;

''**CS Consolidation**'' means the consolidation of all of the issued and outstanding Common Shares on the basis of one New Common Share for every 5,766,783 Common Shares, as described in this Circular and the CS Consolidation Resolution;

''**CS Consolidation Resolution**'' means the special resolution of the Common Shareholders to be considered at the Meeting to effect the CS Consolidation and the PS Consolidation, substantially in the form set forth in Appendix A to this Circular;

''**Debt Commitments**'' has the meaning ascribed thereto under the heading ''Information Regarding the Consolidation and the Going Private Transaction — Background and Purpose of the Meeting'';

''**Delaware Order**'' has the meaning ascribed thereto under the heading ''Information Regarding the Corporation — Interests of Informed Persons in Material Transactions'';

''**Depositary**'' means Computershare Investor Services Inc.;

''**Directors' Share Unit Plan**'' has the meaning ascribed thereto under the heading ''Information Regarding the Corporation — Executive Compensation — Description of Directors' Remuneration'';

''**Dissenting Shareholder**'' means a Registered Shareholder who, in connection with either the CS Consolidation Resolution and/or the PS Consolidation Resolution, has exercised the right of dissent pursuant to Section 190 of the CBCA in strict compliance with the provisions thereof and has thereby become entitled to receive the fair value of the Common Shares and/or the Series II Preference Shares held by that Common Shareholder and/or Preferred Shareholder, as applicable, provided that a Registered Shareholder who fails to strictly comply with the requirements of Section 190 of the CBCA shall be deemed not to be a ''Dissenting Shareholder'';

''**E&Y Report**'' has the meaning ascribed thereto under the heading ''Information Regarding the Consolidation and Going Private Transaction — CCPRs'';

''**Effective Date**'' means, with respect to the CS Consolidation, the date shown on the certificate of amendment to be issued in respect of the CS Consolidation and, with respect to the PS Consolidation, the date shown on the certificate of amendment to be issued in respect of the PS Consolidation, each of which date is anticipated to be on or about April 8, 2005;

''**Effective Time**'' means 12:01 a.m. (Toronto time) on the Effective Date;

''**Enabling Transactions**'' has the meaning ascribed thereto under the heading ''Information Regarding the Consolidation and the Going Private Transaction — Background and Purpose of the Meeting'';

''**Final Adjudication**'' has the meaning ascribed thereto under the heading ''Information Regarding the Consolidation and Going Private Transaction — CCPRs'';

''**Final Payment**'' means the payment of the Additional Amount per Share, if any, in cash for each Common Share held by Common Shareholders immediately prior to the Effective Date in connection with the Common Share Consideration;

''**GMP**'' means GMP Securities Ltd.;

''**Hollinger Controlled Litigation**'' has the meaning ascribed thereto under the heading ''Information Regarding the Consolidation and Going Private Transaction — CCPRs'';

‘‘**Hollinger Controlled Litigation Proceeds**’’ has the meaning ascribed thereto under the heading ‘‘Information Regarding the Consolidation and Going Private Transaction — CCPRs’’;

‘‘**Hollinger Controlled Net Litigation Proceeds**’’ has the meaning ascribed thereto under the heading ‘‘Information Regarding the Consolidation and Going Private Transaction — CCPRs’’;

‘‘**Hollinger Defence Actions**’’ has the meaning ascribed thereto under the heading ‘‘Information Regarding the Consolidation and Going Private Transaction — CCPRs’’;

‘‘**Hollinger Escrow Account**’’ has the meaning ascribed thereto under the heading ‘‘Information Regarding the Consolidation and Going Private Transaction — CCPRs’’;

‘‘**Hollinger Independent Directors’ Trust**’’ has the meaning ascribed thereto under the heading ‘‘Information Regarding the Corporation — Interests of Informed Persons in Material Transactions’’;

‘‘**Hollinger L.P.**’’ means Hollinger Canadian Newspapers, Limited Partnership;

‘‘**Hollinger Management Agreement**’’ has the meaning ascribed thereto under the heading ‘‘Information Regarding the Corporation — Management Contracts’’;

‘‘**Hollinger MICTO**’’ has the meaning ascribed thereto under the heading ‘‘Information Regarding the Corporation — Management and Insider Cease Trade Orders’’;

‘‘**Indenture Default**’’ has the meaning ascribed thereto under the heading ‘‘Information Regarding the Consolidation and Going Private Transaction — CCPRs’’;

‘‘**Indentures**’’ means the indentures governing the Senior Secured Notes, as amended, amended and restated, supplemented or otherwise modified from time to time;

‘‘**Independent Committee**’’ means a committee of independent members of the Board of Directors currently consisting of Paul A. Carroll, Q.C., Robert J. Metcalfe, Donald M.J. Vale, Gordon W. Walker, Q.C. and Allan Wakefield;

‘‘**Independent Valuator**’’ means a valuator with appropriate qualifications selected by the Independent Privatization Committee that is independent of all interested parties (as such term is defined in OSC Rule 61-501) in respect of the Consolidation;

‘‘**Independent Privatization Committee**’’ means a committee of the Board of Directors established by way of resolution dated October 28, 2004 and currently consisting of Robert J. Metcalfe and Allan Wakefield, each of whom is independent of the Corporation and RCL, with Mr. Metcalfe as Chairman thereof;

‘‘**Initial CCPR Funding Amount**’’ has the meaning ascribed thereto under the heading ‘‘Information Regarding the Consolidation and Going Private Transaction — CCPRs’’;

‘‘**Initial Determination**’’ has the meaning ascribed thereto under the heading ‘‘Information Regarding the Consolidation and Going Private Transaction — CCPRs’’;

‘‘**Initial Payment**’’ means the payment of $7.60 in cash for each Common Share held by Common Shareholders immediately prior to at the Effective Date in connection with the Common Share Consideration;

‘‘**Inspection**’’ has the meaning ascribed thereto under the heading ‘‘Information Regarding the Corporation — Inspection’’;

‘‘**Inspector**’’ has the meaning ascribed thereto under the heading ‘‘Information Regarding the Corporation — Inspection’’;

‘‘**International**’’ means Hollinger International Inc., a corporation existing under the laws of the State of Delaware;

‘‘**International A Shares**’’ means the shares of Class A Common Stock in the capital of International;

‘‘**International B Shares**’’ means the shares of Class B Common Stock in the capital of International;

‘‘**International MICTO**’’ has the meaning ascribed thereto under the heading ‘‘Information Regarding the Corporation — Management and Insider Cease Trade Orders’’;

‘‘**International Statements**’’ means the audited annual financial statements of International for the year ended December 31, 2004;

‘‘**Letters of Transmittal**’’ means the letters of transmittal (printed on yellow and pink paper), to be completed by a Common Shareholder or Preferred Shareholder, as applicable, in order to receive the Common Share Consideration or the Preferred Share Consideration, respectively, in the forms accompanying this Circular, or facsimiles thereof;

‘‘**Litigation Account**’’ has the meaning ascribed thereto under the heading ‘‘Information Regarding the Consolidation and Going Private Transaction — CCPRs’’;

‘‘**Litigation Panel**’’ has the meaning ascribed thereto under the heading ‘‘Information Regarding the Consolidation and Going Private Transaction — CCPRs’’;

‘‘**Litigation Proceeds**’’ has the meaning ascribed thereto under the heading ‘‘Information Regarding the Consolidation and Going Private Transaction — CCPRs’’;

‘‘**Management**’’ means the management of the Corporation;

‘‘**Meeting**’’ means the special meeting of Common Shareholders and Preferred Shareholders to be held on Thursday, March 31, 2005 to consider and, if thought advisable, approve the CS Consolidation Resolution and the PS Consolidation Resolution, and any adjournment(s) or postponement(s) thereof;

‘‘**Minority Shareholders**’’ has the meaning ascribed thereto under the heading ‘‘Information Regarding the Consolidation and Going Private Transaction — Shareholder Approvals’’;

‘‘**Motion**’’ means the motion filed on February 25, 2005 in the Ontario Superior Court of Justice by the members of the Independent Committee for, among other things, advice and direction as to whether in the circumstances the Consolidation should be put to the Shareholders before the Inspector delivers its final report;

‘‘**Net Litigation Proceeds**’’ has the meaning ascribed thereto under the heading ‘‘Information Regarding the Consolidation and Going Private Transaction — CCPRs’’;

‘‘**New Common Shares**’’ means the retractable common shares in the capital of the Corporation following the CS Consolidation;

‘‘**New Series II Preference Shares**’’ means the exchangeable non-voting preference shares Series II in the capital of the Corporation following the PS Consolidation;

‘‘**Notice**’’ means the notice of the Meeting accompanying this Circular;

‘‘**Option Plan**’’ has the meaning ascribed thereto under the heading ‘‘Information Regarding the Corporation — Options/Stock Appreciation Rights’’;

‘‘**Options**’’ has the meaning ascribed thereto under the heading ‘‘Information Regarding the Corporation — Options/Stock Appreciation Rights’’;

‘‘**OSA**’’ means the *Securities Act* (Ontario), as amended, together with all regulations, rules, instruments and policies promulgated thereunder;

‘‘**OSC**’’ means the Ontario Securities Commission;

‘‘**OSC Rule 61-501**’’ means OSC Rule 61-501 — Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions;

‘‘**Panel Controlled Holdback**’’ has the meaning ascribed thereto under the heading ‘‘Information Regarding the Consolidation and Going Private Transaction — CCPRs’’;

‘‘**Panel Controlled Litigation**’’ has the meaning ascribed thereto under the heading ‘‘Information Regarding the Consolidation and Going Private Transaction – CCPRs’’;

‘‘**Panel Controlled Litigation Payments**’’ has the meaning ascribed thereto under the heading ‘‘Information Regarding the Consolidation and Going Private Transaction — CCPRs’’;

‘‘**Panel Controlled Litigation Proceeds**’’ has the meaning ascribed thereto under the heading ‘‘Information Regarding the Consolidation and Going Private Transaction — CCPRs’’;

‘‘**Panel Controlled Net Litigation Proceeds**’’ has the meaning ascribed thereto under the heading ‘‘Information Regarding the Consolidation and Going Private Transaction — CCPRs’’;

‘‘**Policy Q-27**’’ means Policy Statement No. Q-27 of the AMF;

‘‘**Preferred Share Consideration**’’ means 0.46 of an International A Share for each Series II Preference Share held by Preferred Shareholders immediately prior to the Effective Date, as more fully described in this Circular;

‘‘**Preferred Shareholders**’’ means the holders of Series II Preference Shares, and ‘‘**Preferred Shareholder**’’ means any one of them;

‘‘**PS Consolidation**’’ means the consolidation of all of the issued and outstanding Series II Preference Shares on the basis of one New Series II Preference Share for every 1,701,995 Series II Preference Shares, as described in this Circular and the PS Consolidation Resolution;

‘‘**PS Consolidation Resolution**’’ means the special resolution of the Preferred Shareholders to be considered at the Meeting to effect the PS Consolidation, substantially in the form set forth in Appendix B to this Circular;

‘‘**PS Dividend**’’ has the meaning ascribed thereto under the heading ‘‘Information Regarding the Consolidation and Going Private Transaction — Anticipated Dividend on the Outstanding Series II Preference Shares’’;

‘‘**RCL**’’ means The Ravelston Corporation Limited, a corporation existing under the laws of the Province of Ontario;

‘‘**Record Date**’’ means Tuesday, March 1, 2005, the record date for receiving notice of and voting at the Meeting;

‘‘**Registered Shareholder**’’ means a holder of Common Share(s) and/or Series II Preference Share(s) shown as a holder on the books or records of the Corporation;

‘‘**Required Deposit**’’ has the meaning ascribed thereto under the heading ‘‘Information Regarding the Consolidation and Going Private Transaction — CCPRs’’;

‘‘**RMI**’’ means Ravelston Management Inc., a corporation existing under the laws of the Province of Ontario;

‘‘**SEC**’’ means the United States Securities and Exchange Commission;

‘‘**SEC Clearance**’’ has the meaning ascribed thereto under the heading ‘‘Information Regarding the Consolidation and Going Private Transaction — Regulatory Matters’’;

‘‘**Senior Secured Notes**’’ means the Corporation’s 11.875% Senior Secured Notes due 2011 issued pursuant to the Indentures;

‘‘**Series II Preference Shares**’’ means the exchangeable non-voting preference shares Series II in the capital of the Corporation existing prior to the PS Consolidation;

‘‘**Series III Preference Shares**’’ means the non-voting preference shares Series III in the capital of the Corporation;

‘‘**Services Agreements**’’ has the meaning ascribed thereto under the heading ‘‘Information Regarding the Corporation — Management Contracts’’;

‘‘**Share Escrow Agreement**’’ has the meaning ascribed thereto under the heading ‘‘Information Regarding the Consolidation and the Going Private Transaction — Terms and Effect of the Series II Preference Share Consolidation’’;

‘‘**Shareholder Payment Litigation Account**’’ has the meaning ascribed thereto under the heading ‘‘Information Regarding the Consolidation and Going Private Transaction — CCPRs’’;

‘‘**Shareholders**’’ means, collectively, the Common Shareholders and the Preferred Shareholders, and ‘‘**Shareholder**’’ means any one of them;

‘‘**Shares**’’ means, collectively, the Common Shares and the Series II Preference Shares;

‘‘**Specified Claims**’’ means: (i) all causes of action or claims by the Corporation against RCL and related parties (other than subsidiaries of the Corporation) in respect of or in relation to related party transactions or matters of the Corporation arising prior to the Effective Time, including matters referred to in the E&Y Report other than any debts recorded in the books and records of the Corporation reflected in the Alternative Financial Information; and (ii) any payments received in connection with any causes of action or claims referred to in (i) above regardless of whether or not any proceedings have been commenced;

‘‘**Specified Litigation**’’ has the meaning ascribed thereto under the heading ‘‘Information Regarding the Consolidation and Going Private Transaction — CCPRs’’;

‘‘**Subscription Receipts**’’ has the meaning ascribed thereto under the heading ‘‘Information Regarding the Corporation — Interests of Informed Persons in Material Transactions’’;

‘‘**Tax Act**’’ means the *Income Tax Act* (Canada), including all regulations made thereunder, and all amendments to such statute and regulations from time to time;

‘‘**TSX**’’ means the Toronto Stock Exchange;

‘‘**United States**’’ or ‘‘**U.S.**’’ means the United States of America, its territories and possessions, any State of the United States and the District of Columbia;

‘‘**Updated Valuation**’’ means the Valuation as it relates to the Common Shares, as revised and updated in writing by an Independent Valuator (and delivered by such Independent Valuator to the Independent Privatization Committee) solely to reflect, to the extent necessary, new information set out in International’s Form 10-K filed with the SEC in respect of the International Statements (the ‘‘**Updated Information**’’), such Updated Valuation to be as of the effective date of the Valuation, solely incorporating the Updated Information and, to the extent possible, using the same methodology and assumptions used in the Valuation, except to the extent the Independent Valuator determines, in its professional judgment, that such methodology or assumptions must be adjusted in view of the Updated Information;

‘‘**Updated Valuation Delivery Date**’’ means the date on which an Independent Valuator delivers the Updated Valuation to the Independent Privatization Committee;

‘‘**Updated Valuation Range**’’ means the value range determined for the Common Shares in the Updated Valuation;

‘‘**U.S. Exchange Act**’’ means the United States *Securities Exchange Act of 1934*, as amended;

‘‘**U.S. Holders**’’ has the meaning ascribed thereto under the heading ‘‘Information Regarding the Consolidation and Going Private Transaction — Regulatory Matters’’;

‘‘**U.S. Securities Act**’’ means the United States *Securities Act of 1933*, as amended;

‘‘**Valuation**’’ means the formal written valuation of the Common Shares and the Series II Preference Shares dated March 6, 2005 and effective as of March 1, 2005 delivered by GMP to the Independent Privatization Committee, a copy of which is attached as Appendix C to this Circular; and

‘‘**White Consulting Agreement**’’ has the meaning ascribed thereto under the heading ‘‘Information Regarding the Corporation — Management Contracts’’.

## SUMMARY OF CIRCULAR

*The following is a summary of certain significant information appearing elsewhere in this Circular. Certain capitalized terms used in this summary are defined in the Glossary of Terms. This summary is qualified in its entirety by the more detailed information appearing elsewhere in this Circular, including the Appendices hereto. Shareholders are urged to read this Circular and the Appendices hereto in their entirety. All currency amounts herein unless otherwise indicated are expressed in Canadian dollars.*

### Date, Time and Place of Meeting

The Meeting will be held on Thursday, March 31, 2005, at 10:00 a.m. (Toronto time) at The Gallery, TSX Broadcast & Conference Centre, The Exchange Tower, 130 King Street West, Toronto, Ontario, Canada, unless otherwise adjourned or postponed.

### Record Date

The record date for the determination of Shareholders entitled to notice of and to attend and vote at the Meeting is Tuesday, March 1, 2005. As of March 1, 2005, there were 34,945,776 Common Shares and 1,701,995 Series II Preference Shares outstanding.

### Background and Purpose of the Meeting

The Meeting has been called at the instigation of RCL to ask Shareholders to consider, and if thought advisable, to pass, with or without amendment, the CS Consolidation Resolution and the PS Consolidation Resolution authorizing and effecting the Consolidation, resulting in the Corporation becoming a direct and indirect wholly-owned subsidiary of RCL.

See the discussion under the heading ''Information Regarding the Consolidation and the Going Private Transaction — Background and Purpose of the Meeting''.

### Terms and Effect of the Common Share Consolidation

If the CS Consolidation Resolution is passed, and certain other conditions are satisfied, the CS Consolidation will become effective at the Effective Date, which date is anticipated to be on or about April 8, 2005, upon the filing of the articles of amendment and the issuance of a certificate of amendment giving effect thereto.

At the Effective Time, each Common Shareholder (other than a Dissenting Shareholder) will be entitled to one New Common Share for every 5,766,783 Common Shares held by the Common Shareholder immediately prior to the Effective Date. Certificates representing fractional interests in a New Common Share will not be issued. Those Common Shareholders holding fewer than 5,766,783 Common Shares each, being all Common Shareholders other than, directly or indirectly, RCL, will be entitled to be paid the sum of $7.60 and the Additional Amount per Share, if any, in cash for each Common Share held immediately prior to the Effective Date. A registered holder of Common Shares who becomes entitled to be paid an amount including a fraction of $0.01 will be paid an amount rounded to the nearest $0.01, the amount $0.005 being rounded upwards.

In addition, immediately after the Effective Time, each Common Shareholder (other than Dissenting Shareholders and, if the SEC Clearance is not obtained, any U.S. Holders) will receive one CCPR for each outstanding Common Share held by such Common Shareholder immediately prior to the Effective Time; provided however, that if the SEC Clearance is not obtained, no Common Shareholder who has not completed a Letter of Transmittal and certified therein that it is not a U.S. Holder shall receive a CCPR until such time as the Depositary receives such certification.

See the discussion under the heading ''Information Regarding the Consolidation and the Going Private Transaction — Terms and Effect of the Common Share Consolidation''.

Dissenting Shareholders will be entitled to be paid the fair value for their Common Shares in accordance with the provisions of the CBCA. See the discussion under the heading ''Right of Dissent''.

### Terms and Effect of the Series II Preference Share Consolidation

If the PS Consolidation Resolution and the CS Consolidation Resolution are passed, the PS Consolidation will become effective at the Effective Date, which date is anticipated to be on or about April 8, 2005, upon the filing of the articles of amendment and the issuance of a certificate of amendment giving effect thereto.

At the Effective Time, each Preferred Shareholder (other than a Dissenting Shareholder) will be entitled to one New Series II Preference Share for every 1,701,995 Series II Preference Shares held by the Preferred Shareholder immediately prior to the Effective Date. Certificates representing fractional interests in a New Series II Preference Share will not be issued. Those Preferred Shareholders holding fewer than 1,701,995 Series II Preference Shares each, being all Preferred Shareholders, will be entitled to receive 0.46 of an International A Share for each Series II Preference Share held immediately prior to the Effective Date. A registered holder of Series II Preference Shares who becomes entitled to receive a fractional interest in an International A Share will receive such number of International A Shares rounded to the nearest whole number, the number 0.5 being rounded upwards.

In addition, prior to the Effective Time, it is anticipated that the Board will declare and pay all outstanding accrued dividends on the Series II Preference Shares prior to effecting the CS Consolidation.

See the discussion under the heading ''Information Regarding the Consolidation and the Going Private Transaction — Terms and Effect of the Series II Preference Share Consolidation''.

Dissenting Shareholders will be entitled to be paid the fair value for their Series II Preference Shares in accordance with the provisions of the CBCA. See the discussion under the heading ''Right of Dissent''.

**Shareholder Approvals**

In order to become effective, the CS Consolidation Resolution must be approved 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 Shareholders.

In order to become effective, the PS Consolidation Resolution must be approved 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.

See the discussion under the heading ''Information Regarding the Consolidation and the Going Private Transaction — Shareholder Approvals''.

**CCPRs**

The Independent Committee will, pursuant to a court order, cause the CCPR Trust to be formed. In the event that such court order is not obtained, the Independent Committee and the Corporation will explore mutually acceptable alternatives pursuant to which the CCPR Trust can be formed. CCPRs will be allocated or managed by the CCPR Trustees. The CCPR Trust will be established prior to March 31, 2005.

The CCPR Declaration of Trust will declare that one CCPR will be created for each Common Share outstanding immediately prior to the Effective Time (including for the avoidance of doubt, directly and indirectly, RCL), other than Common Shares in respect of which holders have exercised dissent rights and, if the SEC Clearance is not obtained, any U.S. Holders. If the CS Consolidation is not implemented, the CCPR Trust will terminate. The CCPRs will represent a beneficial interest in the CCPR Trust. The CCPRs will not represent obligations, or security on the assets, of the Corporation. The CCPRs will not be assignable or transferable except solely by operation of law or by testamentary will. No certificate or other evidence of a CCPR will be issued other than an appropriate notation in a register to be maintained by or on behalf of the CCPR Trustees. Each CCPR will represent an entitlement to be paid a *pro rata* share of the Net Litigation Proceeds, when such Net Litigation Proceeds can be transferred to or held in an account owned by the CCPR Trust.

See discussion under the heading ''Information Regarding the Consolidation and Going Private Transaction — CCPRs''

**Anticipated Dividend on the Outstanding Series II Preference Shares**

As a result of certain provisions in the articles of the Corporation relating to the Series II Preference Shares, in order to proceed with the CS Consolidation, the Board must declare and pay all outstanding accrued dividends on the Series II Preference Shares (as at March 4, 2005, an aggregate of approximately US$4.24 million or approximately US$2.49 per Series II Preference Share) prior to effecting the CS Consolidation. Subject to obtaining the requisite Common Shareholder approval in connection with the CS Consolidation, the Corporation anticipates that the Board will be in a position to declare and pay all accrued dividends on the Series II Preference Shares outstanding by the Effective Date.

**Valuation**

GMP was engaged on November 23, 2004 by the Independent Privatization Committee to prepare an independent valuation of the Corporation on a per share basis. In the 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 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. See the discussion under the heading ''Information Regarding the Consolidation and the Going Private Transaction — Valuation'' and Appendix C to this Circular.

**Updated Valuation**

Promptly following the public release by International of the International Statements, an Independent Valuator will prepare an Updated Valuation of the Common Shares. The Corporation will publicly disclose the Updated Valuation Range via press release immediately upon receipt of same from the Independent Valuator.

As part of the Common Share Consideration, each holder of Common Shares (other than, directly or indirectly, RCL and Dissenting Shareholders) will receive, subject to applicable laws (including solvency requirements), the Additional Amount per Share, if any, in cash, which amount shall be rounded to the nearest cent. In no event will the Additional Amount per Share be less than nil. The Additional Amount per Share, if any, will be paid as soon as reasonably practicable following the Updated Valuation Delivery Date, and in any event, within ten Business Days thereof.

See the discussion under the heading ''Information Regarding the Consolidation and the Going Private Transaction — Updated Valuation''.

**Retraction Status of Common Shares**

In the event that the Common Share Approvals are obtained on or prior to March 31, 2005, in which case the amendments to the Indentures will become effective, the Board has determined at this time that the Corporation will be in a position to honour retractions of the outstanding Common Shares immediately following receipt of such approvals. In the event that the Common Share Approvals are not obtained by March 31, 2005, the current terms of the Indentures would, barring amendments thereto, preclude the Corporation from honouring retractions of the outstanding Common Shares for the foreseeable future.

**Independent Privatization Committee**

Due to the relationship between the Corporation and RCL and as provided in OSC Rule 61-501 and Policy Q-27, the Board appointed the Independent Privatization Committee to review and consider the Consolidation and to make recommendations to the Board. At a meeting of the Independent Privatization Committee held on March 6, 2005, after considering the terms of the Consolidation, the Valuation, the advice of its legal and financial advisors and various additional matters, including such matters discussed under ''Information Regarding the Consolidation and Going Private Transaction — Independent Privatization Committee — Factors Considered by Independent Privatization Committee in Making its Recommendations'', the Independent Privatization Committee unanimously concluded that:

(a) although the Common Share Consideration is above the range of value per Common Share as determined pursuant to the Valuation, the Independent Privatization Committee could not, in the absence of a fairness opinion from GMP and given the unique and unusual circumstances set out in the Valuation, reach a conclusion or make a recommendation as to whether the Common Share Consideration is fair, from a financial point of view, to the Common Shareholders (other than RCL and certain of its affiliates entities);

(b) notwithstanding the conclusion outlined in (a) above, in light of the revised terms of the Common Share Consideration, which included the Additional Amount per Share, and the issuance of CCPRs, the Board should authorize submitting the CS Consolidation to the Common Shareholders for their consideration provided that the Common Shareholders are fully informed of the limitations, assumptions and qualifications of the Valuation;

(c) the Board should not make any recommendation with respect to how Common Shareholders should vote in respect of the CS Consolidation;

(d) although the Preferred Share Consideration is consistent with the rights, privileges, restrictions and conditions attaching to the Series II Preference Shares (and, in particular, with respect to the rights of retraction attaching to the Series II Preference Shares), given that Preferred Shareholders will be in no better position as a result of the completion of the PS Consolidation, the Independent Privatization Committee could not reach a conclusion or make a recommendation as to whether the Preferred Shareholders should vote in favour of the PS Consolidation;

(e) notwithstanding the conclusion outlined in (d) above, there is no assurance that the Corporation, given the terms of the Indentures, would be able to honour retractions of the Series II Preference Shares in the future and as a result, the Board should authorize submitting the PS Consolidation to the Preferred Shareholders for their consideration; and

(f) the Board should not make any recommendation with respect to how Preferred Shareholders should vote in respect of the PS Consolidation.

See discussion under the heading ''Information regarding the Consolidation and the Going Private Transaction — Independent Privatization Committee''.

**Board of Directors**

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 Consolidation to the Shareholders for their approval. The Board carefully considered the report of the Independent Privatization Committee and 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.

See discussion under the heading ''Information Regarding the Consolidation and Going Private Transaction — Board of Directors — Recommendations''.

**Motion to the Court**

On February 25, 2005, the members of the Independent Committee filed the Motion for, among other things, advice and direction as to whether in the circumstances the Consolidation should be put to the Shareholders before the Inspector delivers its final report. The Motion was heard on March 7, 2005. 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 seeking advice and direction pending any further steps taken by any party based on the decisions that were to be made by the directors in connection with the Consolidation.

**Procedure for Receipt of Consideration**

If the CS Consolidation is effected, each Common Shareholder (other than, directly or indirectly, RCL and Dissenting Shareholders) will receive: (a) the Initial Payment as soon as practicable after the Effective Date; and (b) the Final Payment, if any, as soon as practicable after the Updated Valuation Delivery Date. If the PS Consolidation is effected, each Preferred Shareholder (other than Dissenting Shareholders) will receive the Preferred Share Consideration as soon as practicable after the Effective Date. In order for such Shareholders to receive the Common Share Consideration and the Preferred Share Consideration, respectively, they must first complete and sign the appropriate enclosed Letters of Transmittal (printed on yellow paper for Common Shareholders and pink paper for Preferred Shareholders) and return same, together with the certificate(s) representing their Shares held, and all other requisite documentation, to the Depositary in accordance with the procedures specified in the appropriate enclosed Letters of Transmittal.

In addition, immediately after the implementation of the CS Consolidation, each Common Shareholder (other than Dissenting Shareholders and, if the SEC Clearance is not obtained, any U.S. Holders) will receive one CCPR for each outstanding Common Share held immediately prior to the Effective Time. See ''Information Regarding the Consolidation and the Going Private Transaction — CCPRs''.

As soon as practicable following the Effective Date in respect of the CS Consolidation and/or the PS Consolidation, as the case may be, and receipt of all required documentation, the Depositary will send, or cause to be sent, to each Shareholder who has submitted a duly signed and completed Letter of Transmittal in accordance with the foregoing: (a) in the case of a Common Shareholder, a cheque for the aggregate Initial Payment payable in respect of the Common Shares held by such Common Shareholder; and (b) in the case of a Preferred Shareholder, a share certificate representing the aggregate Preferred Share Consideration payable in respect of the Series II Preference Shares held by such Preferred Shareholder. If applicable, as soon as practicable following the Updated Valuation Delivery Date and receipt of all required documentation, the Depositary will send, or cause to be sent, to each Common Shareholder who has submitted a duly signed and completed Letter of Transmittal in accordance with the foregoing a cheque for the aggregate Final Payment payable in respect of the Common Shares held by such Common Shareholder.

In the case of a Shareholder who has lost or misplaced such Shareholder's Share certificate(s), delivery of the appropriate consideration will be made promptly upon receipt by the Depositary of a letter describing the loss and all other documents required by the Corporation and the Depositary to establish proper entitlement.

See the discussion under the heading ''Information Regarding the Consolidation and the Going Private Transaction — Procedure for Receipt of Consideration''.

**Canadian Federal Income Tax Considerations**

Common Shareholders (including any Dissenting Shareholders) will generally realize a capital gain (or capital loss) on the receipt of cash in lieu of fractional New Common Shares on the CS Consolidation. Preferred Shareholders (including any Dissenting Shareholders) will generally realize a capital gain (or capital loss) on the receipt of International A Shares in lieu of fractional New Series II Preference Shares on the PS Consolidation. The tax implications of receiving CCPRs are also discussed under the heading ''Canadian Federal Income Tax Considerations''.

Shareholders (including any Dissenting Shareholders) who are not resident in Canada for purposes of the Tax Act will be subject to the notification and withholding provisions of section 116 of the Tax Act as is described in the discussions under the heading ''Canadian Federal Income Tax Considerations''.

The foregoing is qualified in its entirety by a more detailed summary that appears under the heading ''Canadian Federal Income Tax Considerations''. **Shareholders should consult their own tax advisors as to the particular consequences to them with respect to their Shares.**

**Effect of the Consolidation on Markets and Listings**

In the event that either or both of the CS Consolidation Resolution and the PS Consolidation Resolution are passed, it is intended that, on or shortly after the Effective Date, 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 Preferred Shareholders 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. Upon such order being issued, the Corporation would no longer be subject to the ongoing disclosure and other obligations currently imposed in Canada upon the Corporation as a reporting issuer. In the event that the requisite approval of the Preferred Shareholders is not obtained in respect of the PS Consolidation Resolution, there can be no assurance that such order would be issued.

**Right of Dissent**

Registered holders of Common Shares have the right to dissent in respect of the CS Consolidation Resolution and to be paid the fair value of their Common Shares, provided they strictly comply with the provisions of applicable law. Similarly, registered holders of Series II Preference Shares have the right to dissent in respect of the PS Consolidation Resolution and the CS Consolidation Resolution and to be paid the fair value of their Series II Preference Shares, provided they strictly comply with the provisions of applicable law. **Failure by a Dissenting Shareholder to adhere strictly to the requirements of Section 190 of the CBCA may result in the loss or unavailability of rights under that section.**

See the discussion under the heading ''Right of Dissent'' as well as Appendices D and E to this Circular.

## GENERAL PROXY INFORMATION

### Solicitation of Proxies

**This Circular and the information contained herein are furnished in connection with the solicitation of proxies being made by or behalf of Management to be used at the Meeting of Common Shareholders and Preferred Shareholders to be held on Thursday, March 31, 2005 at 10:00 a.m. (Toronto time), and at any adjournment(s) or postponement(s) thereof.** It is expected that the solicitation will be primarily by mail but proxies may also be solicited personally or by telephone by directors, officers or employees of the Corporation. All costs of the solicitation will be borne directly by the Corporation. Unless otherwise noted herein, all information set forth herein is given as at March 4, 2005.

The registered office of the Corporation is 10 Toronto Street, Toronto, Ontario M5C 2B7.

### Appointment and Revocation of Proxies

**The persons specified as the proxyholder in the enclosed forms of proxy are representatives of Management and are directors and/or officers of the Corporation. Each Registered Shareholder has the right to appoint a proxyholder, who need not be a Shareholder, to attend and act for the Shareholder and on the Shareholder's behalf at the Meeting other than the persons designated in the enclosed forms of proxy. This right may be exercised by striking out the names of the designated persons and inserting the name of such other proxyholder in the blank space provided in the enclosed forms of proxy or by completing other proxies in proper form.** To be valid, a proxy must be executed by the Shareholder, or his or her attorney duly authorized in writing, and deposited with the Corporation or the Depositary at its Proxy Department at 100 University Avenue, 11th Floor, Toronto, Ontario M5J 2Y1 at any time prior to 10:00 a.m. (Toronto time) on Tuesday, March 29, 2005, or in the case of any adjournment(s) or postponement(s) of the Meeting, the Close of Business on the last Business Day preceding the day of the adjourned or postponed Meeting. If the Shareholder is a corporation, the proxy must be executed by an officer or properly appointed attorney thereof. A prepaid envelope addressed to the Depositary is enclosed with this Circular for convenience.

Any Shareholder who has given a proxy has the right to revoke it at any time as to any matter on which a vote has not already been cast pursuant to the authority conferred by it by duly executing (or such Shareholder's attorney authorized in writing duly executing, or if such Shareholder is a corporation, an officer or attorney thereof duly authorized in writing duly executing) another form of proxy bearing a later date and depositing the same before the specified time or by signing a written revocation of proxy and depositing that instrument of revocation at the registered office of the Corporation at any time up to and including the Close of Business on the last Business Day preceding the day of the Meeting (or, in the case of any adjournment(s) or postponement(s) of the Meeting, the Close of Business on the last Business Day preceding the day of the adjourned or postponed Meeting at which the proxy is to be used) or with the Chair of the Meeting on the day of the Meeting or adjourned or postponed Meeting or in any other manner permitted by law. If such written instrument is deposited with the Chair of the Meeting on the day of the Meeting or any adjourned or postponed Meeting, such instrument will not be effective with respect to any matter on which a vote has already been cast pursuant to such proxy.

**The execution or exercise of a proxy does not constitute a written objection for the purpose of Section 190 of the CBCA. For information on Dissenting Shareholder rights, see the discussion under the heading ''Right of Dissent'' elsewhere in this Circular as well as Appendices D and E to this Circular.**

### Advice to Non-Registered Holders

**The section applies to beneficial holders of Shares only. The information set forth in this section is of significant importance to many holders of Shares, as a number of Shareholders do not hold Shares in their own names.** Only Registered Shareholders, or the persons they appoint as their proxies, are recognized and permitted to attend and vote at the Meeting. However, in many cases, Shares beneficially owned by a holder (a ''**Non-Registered Holder**'') are registered either:

(a) in the name of an intermediary (an ''**Intermediary**'') that the Non-Registered Holder deals with in respect of the Shares, such as, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans; or

(b) in the name of a clearing agency (such as CDS & Co., the registration name for The Canadian Depository for Securities Limited) of which the Intermediary is a participant.

Shares held by an Intermediary or its agent or nominee can only be voted (for or against resolutions) upon the instructions of the Non-Registered Holder. In Canada, without specific instructions, an Intermediary or its agent or nominee is prohibited from voting shares for the Intermediary's clients. Therefore, Non-Registered Holders should ensure that instructions respecting the voting of their Shares are communicated to the appropriate person or that the Shares are duly registered in their names. If a Non-Registered Holder so requests, and provides an Intermediary or its agent or nominee with appropriate documentation, the Intermediary, agent or nominee must appoint the Non-Registered Holder or a nominee of the Non-Registered Holder as proxyholder.

In accordance with the requirements of applicable Canadian regulatory policies, including, without limitation, National Instrument 54-101 of the Canadian Securities Administrators, the Corporation has distributed copies of the Notice, this Circular and the Letters of Transmittal and forms of proxy (collectively, the ''**Meeting Materials**'') to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Intermediaries are also required to seek voting instructions from Non-Registered Holders in advance of a shareholders' meeting. Very often, Intermediaries will use service companies to forward the Meeting Materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive Meeting Materials will either:

(i) be given a proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature) which is restricted as to the number of Shares beneficially owned by the Non-Registered Holder but which is otherwise uncompleted. This form of proxy need not be signed by the Non-Registered Holder. In this case, the Non-Registered Holder who wishes to submit a proxy should otherwise properly complete the form of proxy and deposit it with the Depositary at its Proxy Department at 100 University Avenue, 11th Floor, Toronto, Ontario M5J 2Y1; or

(ii) more typically, be given a voting instruction form which must be completed and signed by the Non-Registered Holder in accordance with the directions on the voting instruction form (which may in some cases permit the completion of the voting instruction form by telephone or electronic means).

The purpose of these procedures is to permit Non-Registered Holders to direct the voting of the Shares they beneficially own. Should a Non-Registered Holder who receives either a proxy or a voting instruction form wish to attend and vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should strike out the names of the persons named in the proxy and insert the Non-Registered Holder's (or such other person's) name in the blank space provided or, in the case of a voting instruction form, follow the corresponding instructions on the form. **In either case, Non-Registered Holders should carefully follow the instructions of their Intermediaries and their service companies.**

A Non-Registered Holder may revoke a voting instruction form or a waiver of the right to receive Meeting Materials and to vote given to an Intermediary at any time by written notice to the Intermediary, except that an Intermediary is not required to act on a revocation of a voting instruction form or of a waiver of the right to receive materials and to vote that is not received by the Intermediary at least seven days prior to the Meeting.

**Voting of Proxies**

**The forms of proxy forwarded to Shareholders with this Circular, when properly executed, confer discretionary authority upon the proxyholder with respect to amendment(s) or variation(s) of the matters identified in the Notice or other matter(s) which may properly come before the Meeting.** Management knows of no amendment(s) or variation(s) or other matter(s) to come before the Meeting other than the matters referred to in the accompanying Notice. However, if any amendment(s) or variation(s) or other matter(s) which are not now known to Management should properly come before the Meeting, the Shares represented by the proxies will be voted on such amendment(s) or variation(s) or other matter(s) in accordance with the best judgment of the respective proxyholders.

On any ballot that may be called for, the Common Shares and the Series II Preference Shares represented by properly executed proxies in favour of the persons designated in the printed portion of the enclosed forms of proxy will be voted for or against the matter identified in the Notice or any other matter(s) which may properly come before the Meeting in accordance with the specifications made on the forms of proxy by the Shareholders. **In the absence of such**

**specification or any direction to the contrary, the Common Shares and the Series II Preference Shares represented by proxies solicited by Management will not be voted on any ballot for or against the CS Consolidation Resolution or the PS Consolidation Resolution, as applicable, to effect the CS Consolidation and PS Consolidation, respectively.**

### Authorized Capital, Voting Shares and Principal Holders Thereof

The authorized capital of the Corporation consists of an unlimited number of preference shares, issuable in series, an unlimited number of Common Shares, an unlimited number of exchangeable non-voting preference shares Series I, an unlimited number of Series II Preference Shares and an unlimited number of Series III Preference Shares. The issued capital of the Corporation consists solely of the Common Shares and the Series II Preference Shares.

Each holder of Common Shares of record at the Close of Business on the Record Date will be entitled at the Meeting, with respect to the CS Consolidation Resolution, to one vote for each Common Share held by such holder. Each holder of Series II Preference Shares of record at the Close of Business on the Record Date will be entitled at the Meeting, with respect to the PS Consolidation Resolution, to one vote for each Series II Preference Share held by such holder.

The Corporation will prepare, not later than ten days after the Record Date, a list of holders of Shares who were registered on the records of the Corporation or its transfer agent, Computershare Trust Company of Canada, as of the Record Date. Each Shareholder named on the list is entitled, upon providing satisfactory identification to the scrutineers, to vote the Shares shown in such list as being held by such Shareholder (other than Shares for which a proxy has been given and not revoked) at the Meeting. Any person who is a transferee of Shares acquired after the Record Date and who produces properly endorsed certificates for such Shares or otherwise establishes ownership thereof and who demands, not later than ten days prior to the Meeting, that the Corporation include his or her name on this list of Shareholders, is also entitled to vote at the Meeting.

On March 4, 2005, there were 34,945,776 Common Shares issued and outstanding and entitled to vote on such matters coming before the holders of Common Shares at the Meeting. To the knowledge of the directors and executive officers of the Corporation, as at the date hereof, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the outstanding Common Shares except as follows. RCL beneficially owns, directly or indirectly, or exercises control or direction over, a total of 27,363,170 Common Shares or approximately 78.3% of the outstanding Common Shares. Conrad (Lord) Black indirectly controls RCL and therefore beneficially owns, directly or indirectly, or exercises control or direction over, approximately 78.3% of the outstanding Common Shares. The address of RCL is 10 Toronto Street, Toronto, Ontario M5C 2B7.

On March 4, 2005, there were 1,701,995 Series II Preference Shares issued and outstanding and entitled to vote on such matters coming before the holders of Series II Preference Shares at the Meeting. To the knowledge of the directors and executive officers of the Corporation, as at the date hereof, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the outstanding Series II Preference Shares except as follows. Catalyst beneficially owns, directly or indirectly, or exercises control or direction over, 1,398,000 Series II Preference Shares or approximately 82.1% of the outstanding Series II Preference Shares. The address of Catalyst is 79 Wellington Street West, Maritime Life Tower, Suite 3475, TD Bank Centre, Toronto, Ontario M5K 1J3.

## INFORMATION REGARDING THE CONSOLIDATION AND GOING PRIVATE TRANSACTION

### Background and Purpose of the Meeting

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 the Corporation as follows: (a) Jefferies & Company, Inc. was engaged to, among other things, solicit consents from the holders of Senior Secured Notes for amendments to the Indentures which would facilitate a privatization of the Corporation; and (b) Westwind Partners Inc. was engaged to assist the Corporation in, among other things, structuring a proposed privatization of the Corporation and monetizing certain real estate properties owned by a subsidiary of the Corporation.

Following the meeting of the Board held on September 27, 2004, Management, after considering various alternatives and the advice of the Corporation's financial advisors and legal counsel, determined that the proposed privatization of the Corporation would take the form of the Consolidation. Thereafter, Jefferies & Company, Inc. approached certain institutional holders of the Senior Secured Notes and negotiated, on behalf of the Corporation, the terms and conditions of amendments to the Indentures to permit the Consolidation and arrangements for the Debt Commitments.

Pursuant to an undertaking of the Corporation and others in favour of Catalyst Fund General Partner I Inc. (''**Catalyst**''), a holder of Series II Preference Shares, the Corporation 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 the Corporation 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 and the meeting was adjourned to be reconvened on October 28, 2004. Following the meeting of the Board, counsel for the Corporation 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.

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.

On October 28, 2004, RCL, through its Chairman and Chief Executive Officer, Conrad (Lord) Black, formally advised the Board in writing of the proposed Consolidation. Following receipt of RCL's written intention with respect to the proposed Consolidation, the Board established 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 their opinion, the proposed Consolidation is in the best interests of the Corporation, the holders of the Common Shares and/or the holders of the Series II Preference Shares.

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 the 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 the Corporation receiving consents from holders of a majority in aggregate principal amount of the outstanding Senior Secured 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 RCL) for cash pursuant to: (i) the CS Consolidation; (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, and the retirement of all outstanding Series II Preference Shares for International A Shares owned, directly or indirectly, by the Corporation 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. (Under the Indentures, the Corporation is permitted to retire outstanding Series II Preference Shares for International A Shares pursuant to retraction requests). In the absence of these amendments, the Corporation would be prohibited under the Indentures from implementing the Consolidation. The amendments to the Indentures also permit the Corporation to incur additional indebtedness in an aggregate amount outstanding not to exceed US$40.0 million through the issuance of additional Senior Secured 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 (including by reason of the meeting of Shareholders being adjourned or postponed to a date after March 31, 2005), absent a further consent of the holders of a requisite amount of the Senior Secured Notes, the Corporation would not be permitted under its financing arrangements to implement the Consolidation. There can be no assurances that any such consent, if sought, could be obtained; 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 Secured Notes, such amount to be drawn down by the Corporation 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 Secured Notes may be used solely for payments in connection with the Consolidation and payments ancillary thereto or necessary in connection therewith.

On November 16, 2004, the Independent Privatization Committee received written notification from RCL that, in connection with the proposed Consolidation, RCL would support such transaction on the following terms: (i) holders of Common Shares (other than RCL 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.

On March 6, 2005, the Board of Directors received written notification from RCL that, in connection with the proposed Consolidation, RCL would support such transaction on the following amended terms: (i) holders of Common Shares (other than RCL and certain of its affiliated entities) would receive $7.60 in cash for each share held by them plus the Additional Amount per Share, if any; and (ii) holders of Series II Preference Shares would receive 0.46 of an International A Share for each share held by them. In addition, immediately after the Effective Time, each Common Shareholder (other than Dissenting Shareholders and, if the SEC Clearance is not obtained, any U.S. Holders) would receive one CCPR for each outstanding Common Share held by such Common Shareholder immediately prior to the Effective Time.

**Terms and Effect of the Common Share Consolidation**

Subject to obtaining the requisite Common Shareholder approval as discussed below, the declaration and payment of all outstanding accrued dividends on the Series II Preference Shares as discussed below, the filing of articles of amendment, and the issuance of a certificate of amendment therefor, the CS Consolidation will become effective on the Effective Date.

The CS Consolidation, which is being carried out pursuant to Section 173 of the CBCA, will be effected in accordance with the terms of the CS Consolidation Resolution, substantially in the form set forth in Appendix A to this Circular. If the CS Consolidation Resolution is passed, it is expected that the CS Consolidation will become effective on the Effective Date, upon filing of the articles of amendment and the issuance of a certificate of amendment giving effect thereto.

At the Effective Time:

(a) all of the Common Shares (but excluding those held by the Dissenting Shareholders) will be changed into New Common Shares on the basis of one New Common Share for every 5,766,783 Common Shares;

(b) holders of Common Shares will not be entitled to receive certificates representing fractional interests in a New Common Share, and will not be entitled to exercise any of the rights of Common Shareholders in respect of any fractional interests in a New Common Share other than the right to receive payment, without interest, of the sum of $7.60 and the Additional Amount per Share, if any, in cash for each Common Share held by such holders immediately prior to the Effective Date;

(c) a registered holder of Common Shares who becomes entitled, on the CS Consolidation becoming effective, to receive payment of an amount that includes a fraction of $0.01 will be paid an amount rounded to the nearest $0.01, the amount $0.005 being rounded upwards;

(d) New Common Shares will only be issued, directly or indirectly, to RCL (which will become the sole direct and indirect shareholder of the Corporation);

(e) a Dissenting Shareholder will be entitled to be paid the fair value for such Dissenting Shareholder's Common Shares by the Corporation, in accordance with the provisions of the CBCA, and the Common Shares held by such Dissenting Shareholder will be cancelled at the Effective Time; and

(f) all Common Shares will no longer be outstanding.

In addition, immediately after the Effective Time, each Common Shareholder (other than Dissenting Shareholders and, if the SEC Clearance is not obtained, any U.S. Holders) will receive one CCPR for each outstanding Common Share held by such Common Shareholder immediately prior to the Effective Time. The CCPRs will not be assignable or transferable except by sole operation of law or by testamentary will. No certificate or other evidence of a CCPR will be issued other than an appropriate notation in a register to be maintained by or on behalf of the CCPR Trustees. Each CCPR will represent an entitlement to be paid a *pro rata* share of the Net Litigation Proceeds. See ''— CCPRs''.

Dissenting Shareholders will be entitled to be paid the fair value of their Common Shares in accordance with the provisions of the CBCA. For a full description of such right of dissent, see the discussion under the heading ''Right of Dissent'' as well as Appendices D and E to this Circular.

The tax implications of the CS Consolidation and the CCPRs for Common Shareholders are summarized under the heading ''Canadian Federal Income Tax Considerations''.

**Terms and Effect of the Series II Preference Share Consolidation**

Subject to obtaining the requisite Preferred Shareholder and Common Shareholder approvals as discussed below, the filing of articles of amendment, and the issuance of a certificate of amendment therefor, the PS Consolidation will become effective on the Effective Date.

The PS Consolidation, which is being carried out pursuant to Section 173 of the CBCA, will be effected in accordance with the terms of the PS Consolidation Resolution, substantially in the form set forth in Appendix B to this Circular. If the PS Consolidation Resolution is passed, it is expected that the PS Consolidation will become effective on the Effective Date, upon filing of the articles of amendment and the issuance of a certificate of amendment giving effect thereto.

At the Effective Time:

(a) all of the Series II Preference Shares (but excluding those held by the Dissenting Shareholders) will be changed into New Series II Preference Shares on the basis of one New Series II Preference Share for every 1,701,995 Series II Preference Shares;

(b) holders of Series II Preference Shares will not be entitled to receive certificates representing fractional interests in a New Series II Preference Share, and will not be entitled to exercise any of the rights of Preferred Shareholders in respect of any fractional interests in a New Series II Preference Share other than the right to receive 0.46 of an International A Share for each Series II Preference Share held by such holders immediately prior to the Effective Date;

(c) a registered holder of Series II Preference Shares who becomes entitled, on the PS Consolidation becoming effective, to receive a fractional interest in an International A Share will receive such number of International A Shares rounded to the nearest whole number, the number 0.5 being rounded upwards;

(d) given the number of issued and outstanding Series II Preference Shares, no New Series II Preference Shares are expected to be issued;

(e) a Dissenting Shareholder will be entitled to be paid the fair value for such Dissenting Shareholder's Series II Preference Shares by the Corporation, in accordance with the provisions of the CBCA, and the Series II Preference Shares held by such Dissenting Shareholder will be cancelled at the Effective Time; and

(f) all Series II Preference Shares will no longer be outstanding.

The closing price of the International A Shares on the New York Stock Exchange on March 4, 2005 was US$11.50.

In addition, prior to the Effective Time, it is anticipated that the Board will declare and pay all outstanding accrued dividends on the Series II Preference Shares prior to effecting the CS Consolidation. See ''— Anticipated Dividend on the Outstanding Series II Preference Shares''.

Preferred Shareholders are advised that the International A Shares to be delivered to them in connection with the PS Consolidation, like the International A Shares deliverable upon retractions of Series II Preference Shares, will not and have not been registered under the U.S. securities laws, including the U.S. Securities Act, and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. The particulars of any restrictions on resale will depend on the specific circumstances of each Preferred Shareholder and the Preferred Shareholders are advised to consult their own legal advisors with respect to the applicable resale restrictions. International A Shares may not be offered or delivered to any person to whom such offer or delivery would be unlawful. See ''— Regulatory Matters''.

In connection with the terms of the offering of Subscription Receipts (see ''Information Regarding the Corporation — Interests of Informed Persons in Material Transactions''), the Corporation entered into an escrow and custodial agreement (the ''**Share Escrow Agreement**'') dated April 7, 2004 with, among others, Computershare Trust Company of Canada, as escrow agent. Pursuant to such agreement, the Corporation caused to be deposited into escrow all of the International A Shares owned, directly or indirectly, by the Corporation. Under the terms of the Share Escrow Agreement, the escrow agent will release escrowed shares from time to time in order to satisfy retraction requests from the holders of Series II Preference Shares in accordance with the rights, privileges, restrictions and conditions attaching to the Series II Preference Shares in the articles of the Corporation. The Share Escrow Agreement provides that the agreement automatically terminates when no Series II Preference Shares remain issued and outstanding. In the event that the PS Consolidation Resolution is approved at the Meeting and the PS Consolidation is effected, all of the International A Shares owned, directly or indirectly, by the Corporation will be released from escrow and the Depositary will deliver, following receipt of all required documentation, such number of shares to the Preferred Shareholders as is required in order to satisfy the Preferred Share Consideration.

Dissenting Shareholders will be entitled to be paid the fair value of their Series II Preference Shares in accordance with the provisions of the CBCA. For a full description of such right of dissent, see the discussion under the heading ''Right of Dissent'' as well as Appendices D and E to this Circular.

The tax implications of the PS Consolidation and the PS Dividend for Preferred Shareholders are summarized under the heading ''Canadian Federal Income Tax Considerations''.

**CCPRs**

The negotiation and execution of definitive written agreements and receipt of all necessary regulatory and judicial approvals in connection with the issuance of the CCPRs will be a condition to the completion of the CS Consolidation.

*CCPR Trust*

The Independent Committee will, pursuant to a court order, cause the CCPR Trust to be formed. In the event that such court order is not obtained, the Independent Committee and the Corporation will explore mutually acceptable alternatives pursuant to which the CCPR Trust can be formed. CCPRs will be allocated or managed by up to three trustees (the ''**CCPR Trustees**'') appointed by the current Independent Committee. It is understood that in accepting the appointment as CCPR Trustees, the CCPR Trustees will agree to act in the best interests of the holders of CCPRs and will thus be obligated to exercise their authority in a manner consistent with such interests.

The CCPR Trust will be established prior to March 31, 2005, after taking into account accounting, tax and liability issues, securities laws and other relevant considerations. It will be a condition of any structure that all necessary regulatory and judicial approvals have been obtained prior to the Effective Date (including, (i) rulings from applicable regulators to ensure that the CCPR Trust does not become a reporting issuer or registrant as a direct or indirect result of the CCPRs; (ii) rulings from applicable regulators for the Corporation that permit the distribution of CCPRs without complying with the registration or prospectus requirements of applicable Canadian securities laws; and (iii) confirmation from staff of the SEC that the CCPRs may be issued to U.S. persons without registration. For the avoidance of doubt, if SEC clearance is not obtained by March 31, 2005, all Common Shareholders, except for U.S. Common Shareholders, will be issued CCPRs as described below. To the extent SEC clearance is obtained after March 31, 2005, CCPRs may be issued to U.S. holders of Common Shares.

*CCPRs*

The CCPR Declaration of Trust will declare that one CCPR will be created for each Common Share outstanding immediately prior to the Effective Time (including for the avoidance of doubt, directly and indirectly, RCL), other than

Common Shares in respect of which holders have exercised dissent rights and, if the SEC Clearance is not obtained, any U.S. Holders. If the CS Consolidation is not implemented, the CCPR Trust will terminate. The CCPRs will represent a beneficial interest in the CCPR Trust. The CCPRs will not represent obligations, or security on the assets, of the Corporation. The CCPRs will not be assignable or transferable except solely by operation of law or by testamentary will. No certificate or other evidence of a CCPR will be issued other than an appropriate notation in a register to be maintained by or on behalf of the CCPR Trustees. Each CCPR will represent an entitlement to be paid a *pro rata* share of the Net Litigation Proceeds, when such Net Litigation Proceeds can be transferred to or held in an account owned by the CCPR Trust.

*CCPR Agreement*

The CCPR Trust and the Corporation will enter into a definitive agreement (the ''**CCPR Agreement**'') in form and substance satisfactory to the Independent Committee and RCL to, among other things, establish the Litigation Panel to pursue certain litigation on behalf of the Corporation and the shareholders of the Corporation as well as require the Corporation to fund certain costs of such litigation.

An application/motion will be brought prior to March 31, 2005 for an order of the Court (the ''**Court Order**'') approving the CCPR Trust and the CCPR Agreement pursuant to Section 240 of the CBCA and/or the *Trustee Act* (Ontario) (which Court Order will be in form and substance satisfactory to the Independent Committee and RCL). The parties will further agree that the Court Order will include a provision providing for the resolution of disputes as to the operation of the CCPR Agreement and guidance in respect of the interpretation thereof in a summary manner that will not prejudice or disrupt any ongoing litigation.

*Litigation Panel*

Pursuant to the Court Order, the three CCPR Trustees of the CCPR Trust will constitute the Litigation Panel (the ''**Litigation Panel**''). The members of the Litigation Panel will have no personal liability for any costs associated with the Specified Litigation. The Litigation Panel will, during the CCPR Term, have the sole power and authority to commence (including in the name of the Corporation), direct and supervise all matters involving the Panel Controlled Litigation including, without limitation, the ability to settle such litigation. The Litigation Panel may in respect of Panel Controlled Litigation (to the extent practicable and if in its reasonable judgment it is in the best interests of the holders of the CCPRs), commence proceedings for or in the name of the Shareholders in order to advance any causes of action regarding Specified Claims which Shareholders could lawfully pursue (the ''**Shareholder Litigation**''). Nothing contained in the CCPR Agreement would prejudice any Shareholder from bringing any action against the Corporation for which it may be entitled under applicable law. In carrying out its direction and supervision of the Panel Controlled Litigation, the Litigation Panel shall take into consideration, among other things, the costs of any particular action against the benefit most likely obtained therefrom.

Pursuant to the Court Order, the Corporation will be required during the CCPR Term to permit the members of the Litigation Panel and their representatives to inspect the documents, books and records in the possession, custody or control of the Corporation as the Litigation Panel determines, acting reasonably, are relevant to the Specified Litigation. Pursuant to the Court Order, the Corporation will also agree, during the CCPR Term, to preserve the documents, books and records of the Corporation for the period commencing on January 1, 1997 and ending on the Effective Time and not to destroy or otherwise dispose of any such documents, books and records, without first obtaining the prior written consent of the Litigation Panel. During the CCPR Term, the Litigation Panel will have full audit rights with respect to any expenses incurred by the Corporation in conducting the Hollinger Controlled Litigation.

Appropriate procedures will be implemented to provide that the CCPR Trustees, and failing them, the Court, will be entitled to appoint new CCPR Trustees (who will, for greater certainty, at all times constitute the Litigation Panel) in the event of the resignation, termination, death or incapacity of one or more CCPR Trustee, provided that none of the new CCPR Trustees shall be former or current directors or officers of, or consultants or advisors to, the Corporation or RCL.

The CCPR Trust and the Corporation will agree to indemnify and save harmless the CCPR Trustees and the members of the Litigation Panel from and against any and all liability, damages, costs (including reasonable counsel fees and disbursements), charges and expenses arising out of or related to any act or omission done or permitted by them to be done in connection with the execution of the duties of their office as CCPR Trustees and members of the Litigation Panel or by reason of their being or having been Trustees or members of the Litigation Panel other than for bad faith, wilful misconduct, gross negligence, breach of trust (in the case of the CCPR Trustees only) or material breach of their obligations under the definitive documentation. The CCPR Trust will also use its commercially reasonable efforts during the CCPR Term to obtain standard insurance coverage for the CCPR Trustees and members of the Litigation Panel.

The reasonable compensation of the Litigation Panel will be approved by the Court Order and will be paid out of the Litigation Account. For greater certainty, the Court Order will not require the payment of such compensation.

*Specified Litigation*

The proceeds that will be the subject matter of the CCPRs and the Court Order will comprise: (i) any existing or future litigation proceedings to advance Specified Claims initiated against RCL and RCL related entities or persons (other than subsidiaries of the Corporation but including any current or former directors, officers or employees of RCL and the Corporation), including all counterclaims in respect thereof; (ii) any payments received by the Corporation on account of Specified Claims whether or not litigation has been commenced in respect thereof; (iii) if not pursued or settled by the Corporation, any existing or future claims by the Corporation against certain professional advisors or consultants to the Corporation in respect of events or causes of action arising prior to the Effective Time, including counterclaims in respect thereof ((i), (ii) and (iii), collectively, the ''**Panel Controlled Litigation**''); and (iv) any existing or future litigation proceedings initiated or to be initiated by the Corporation as plaintiff, against certain other professional advisors or consultants to the Corporation in respect of events or causes of action arising prior to the Effective Time, including counterclaims in respect thereof (the ''**Hollinger Controlled Litigation**''). The Panel Controlled Litigation and the Hollinger Controlled Litigation are referred to collectively as the ''**Specified Litigation**''.

For the avoidance of doubt, the Specified Litigation will not include: (i) actions in which the Corporation acts as the defendant (other than counterclaims referred to above) (such actions, if in respect of an event or cause of action arising prior to the Effective Time, being ''**Hollinger Defence Actions**''); and (ii) any cause of action arising after the Effective Time.

The Corporation has agreed to use its commercially reasonable efforts to cause all related parties subject to Panel Controlled Litigation to conduct such litigation in a timely manner.

*Panel Controlled Net Litigation Proceeds*

''**Panel Controlled Net Litigation Proceeds**'' means the amount received during the CCPR Term in proceeds, including awards for costs and interest, in the Panel Controlled Litigation (the ''**Panel Controlled Litigation Proceeds**''), including on account of the settlement of any Panel Controlled Litigation (after deducting taxes, if any, payable thereon by the Corporation as hereinafter provided) less the aggregate of: (A) any judgment, settlement or other amounts paid or payable by or on behalf of the Corporation (net of any tax benefit received in connection therewith) in or in relation to the Panel Controlled Litigation (including any amounts paid or payable on account of the settlement of any Panel Controlled Litigation or as a result of counterclaims arising from or related to the Panel Controlled Litigation, or on account of costs or interest); (B) all costs and expenses incurred with respect to the Panel Controlled Litigation; and (C) all costs and expenses incurred with respect to the establishment and administration of the CCPR Trust, including all expenses of the Litigation Panel (including indemnification costs), fees or other compensation payable to members of the Litigation Panel, fees and costs of any person retained by the Litigation Panel, including lawyers and accountants (the items listed in (A), (B) and (C) above are referred to as ''**Panel Controlled Litigation Payments**''). If the Corporation contends that the costs and expenses incurred in connection with the Panel Controlled Litigation are excessive in the circumstances, the Corporation may seek direction from the Court, which direction shall, subject to any applicable appeals, bind the Litigation Panel.

*Funding and the Litigation Account*

Contemporaneously with the implementation of the CS Consolidation, the Corporation will be required under the CCPR Agreement to make an initial cash payment of $5.0 million (the ''**Initial CCPR Amount**'') into a separate escrow bank account of the Corporation controlled by the Litigation Panel (the ''**Litigation Account**''). If the Litigation Panel presents to the Corporation a certificate setting forth a *bona fide* purpose for which it reasonably believes that additional funding is required by it to conduct the Panel Controlled Litigation or pay Panel Controlled Litigation Payments, the Corporation will be required to immediately pay up to an additional $5.0 million (the ''**Additional CCPR Amount**'') into the Litigation Account. In the event that the Corporation disputes having to pay the Additional CCPR Amount, the Corporation will immediately be required to: (i) deposit fifty percent (50%) of the requested amount (the ‘‘**Required Deposit**’’) into the Litigation Account pending resolution of the dispute; and (ii) apply to the Court for advice and direction regarding the payment of the Required Deposit and the Additional CCPR Amount.

The Initial CCPR Amount and the Additional CCPR Amount will only be used to fund the Panel Controlled Litigation and Panel Controlled Litigation Payments. At the end of the CCPR Term, any unused balance of the Initial CCPR Amount or the Additional CCPR Amount will be returned to the Corporation.

The Corporation will be required to deposit into the Litigation Account any Panel Controlled Litigation Proceeds received by it during the CCPR Term. Such deposits will be made immediately following receipt of such Panel Controlled Litigation Proceeds.

The Litigation Account will be transferred to and become an account of the CCPR Trust at the earliest possible opportunity provided that it would not cause a default or an event of default or otherwise cause or permit the acceleration of indebtedness under the Indentures (an ‘‘**Indenture Default**’’). Until such transfer, the Litigation Account and all money therein will remain the property of the Corporation.

Proceeds deposited in the Litigation Account will be used to fund the Panel Controlled Litigation and Panel Controlled Litigation Payments. The Corporation has acknowledged that proceeds so deposited in the Litigation Account will not be used to fund any costs or expenses relating to or in connection with the preparation of the E&Y Report, all of which costs and expenses are for the sole account of the Corporation.

Notwithstanding, the foregoing, any Panel Controlled Litigation Proceeds which are payable to or on behalf of the former Shareholders pursuant to the Shareholder Litigation will, to the extent possible, be deposited in escrow into a separate account of the CCPR Trust controlled by the Litigation Panel (the ‘‘**Shareholder Payment Litigation Account**’’), provided that it would not result in an Indenture Default. The Shareholder Payment Litigation Account will be transferred to and become an account of the CCPR Trust at the earliest possible opportunity provided that it would not result in an Indenture Default. Until such transfer, the Shareholder Payment Litigation Account and all money therein will remain the property of the Corporation.

*Distribution of Panel Controlled Net Litigation Proceeds*

At such time as the Litigation Account is transferred to the CCPR Trust, the Panel Controlled Net Litigation Proceeds may be distributed by the CCPR Trustees to the holders of the CCPRs as determined by the CCPR Trustees. If not all of the Panel Controlled Litigation has been subject to full and final settlement or a final and binding (without right of appeal) adjudicative determination has not been made (a ‘‘**Final Adjudication**’’) at the time of distribution, the CCPR Trustees may determine a holdback (the ‘‘**Panel Controlled Holdback**’’) of such amount as they determine in their sole discretion necessary to provide for any remaining Panel Controlled Litigation Payments. The Panel Controlled Holdback (together with any interest earned thereon) will be utilized to satisfy any remaining Panel Controlled Litigation Payments, with the balance, if any, to be distributed to the holders of CCPRs (net of taxes on interest deemed to be earned on the Panel Controlled Holdback) at such time as the CCPR Trustees determine, acting reasonably, that such amount is not required to satisfy any Panel Controlled Litigation Payments.

In no event will the status of the Hollinger Controlled Litigation or the Hollinger Defence Actions have any effect on whether the CCPR Trustees are able to distribute Panel Controlled Net Litigation Proceeds.

*Hollinger Controlled Litigation*

The Corporation will have the sole power and duty to direct and supervise all matters involving the Hollinger Controlled Litigation including, without limitation, the ability to settle such litigation and nothing will oblige the Corporation to pursue any particular Hollinger Controlled Litigation or take any action in respect thereof. In carrying out its direction and supervision of the Hollinger Controlled Litigation, the Corporation will take into consideration, among other things, the costs of any particular action against the benefit most likely obtained therefrom. The Corporation will have the sole responsibility for the funding of the Hollinger Controlled Litigation.

‘‘**Hollinger Controlled Net Litigation Proceeds**’’ means the amount received during the CCPR Term in proceeds, including awards for costs and interest, in the Hollinger Controlled Litigation (the ‘‘**Hollinger Controlled Litigation Proceeds**’’), including on account of the settlement of any Hollinger Controlled Litigation (after deducting taxes, if any, payable thereon by the Corporation as hereinafter provided) less the aggregate of: (A) any judgment, settlement or other amounts paid or payable (net of any tax benefit received in connection therewith) by the Corporation in or in relation to the Hollinger Controlled Litigation or the Hollinger Defence Actions (other than mutually acceptable carve-outs relating to ordinary course litigation in which the Corporation is defendant) (including any amounts paid or payable by the Corporation on account of the settlement of any Hollinger Controlled Litigation or the Hollinger Defence Actions or as a result of counterclaims arising from or related to the Hollinger Controlled Litigation or Hollinger Defence Actions), or on account of costs and interest; and (B) all costs and expenses incurred with respect to the Hollinger Controlled Litigation and the Hollinger Defence Actions (the items listed in (A) and (B) above are referred to as ‘‘**Hollinger Controlled Litigation Payments**’’).

In the event that Hollinger Controlled Net Litigation Proceeds result in a negative balance, any amounts payable thereunder will be the sole responsibility of the Corporation. The Panel Controlled Litigation Proceeds and Hollinger Controlled Litigation Proceeds are referred to collectively as the ‘‘**Litigation Proceeds**’’ and the Panel Controlled Net Litigation Proceeds and Hollinger Controlled Net Litigation Proceeds are referred to collectively as the ‘‘**Net Litigation Proceeds**’’.

The Corporation will deposit into a separate escrow bank account of the Corporation controlled by the Litigation Panel (the ‘‘**Hollinger Escrow Account**’’) all of the Hollinger Controlled Litigation Proceeds received by it. The Hollinger Escrow Account will be transferred to and become an account of the CCPR Trust at the earliest possible opportunity provided that it would not result in an Indenture Default. The Corporation will be entitled to use the monies deposited in the Hollinger Escrow Account, regardless of ownership, to pay for Hollinger Controlled Litigation. Until such transfer, the Hollinger Escrow Account and all money therein, will remain the property of the Corporation.

At such time as the Hollinger Escrow Account is transferred to the CCPR Trust, the Hollinger Controlled Net Litigation Proceeds will be distributed by the CCPR Trustees to the holders of the CCPRs. If not all of the Hollinger Controlled Litigation has been subject to Final Adjudication, the Corporation, may at the time of any distribution, pursuant to an agreement with the Litigation Panel (acting reasonably) determine a holdback of such amount as determined to be necessary to pay Hollinger Controlled Litigation Payments. Such holdback (together with any interest earned thereon) will be utilized to satisfy any Hollinger Controlled Litigation Payments with the balance if any to be distributed to the holders of CCPRs (net of taxes on interest deemed to be earned on such holdback amount) at such time as the Litigation Panel and the Corporation determine, acting reasonably, that such amount is not required to satisfy the Hollinger Controlled Litigation Payments. The CCPR Agreement will include a provision to the effect that upon settlement of a Specified Claim, RCL will be required to pay only the Minority Shareholder proportion thereof, provided that all holders of CCPRs will be responsible for their proportionate share of expenses and any holdback.

*Tax Matters*

The initial determination (‘‘**Initial Determination**’’) of whether and to what extent Panel Controlled Litigation Proceeds and/or Hollinger Controlled Litigation Proceeds, as the case may be, are subject to tax will be made by the Litigation Panel, acting reasonably and in consultation with its and the Corporation’s tax advisors. The Initial Determination will be submitted to the Corporation for approval. If the Corporation, acting reasonably and in consultation with its tax advisors, does not accept the Initial Determination, the parties agree that they will: (a) where possible, obtain the views of the CRA as to whether or to what extent the payment is subject to tax and the parties will agree to be bound by such views; and (b) where the CRA is unwilling or unable to provide such a view, the parties will refer the issue to a tax advisor acceptable to both parties and the parties will be bound by the views of such advisor. For purposes of determining the amount of tax payable in respect of Net Litigation Proceeds, the rate of tax used will be the relevant combined Canadian federal and provincial income tax rate applicable to the Corporation in the taxation year the Litigation Proceeds are required to be recognized for Canadian federal and provincial income tax purposes.

*CCPR Term*

Each of the CCPR Trust and the CCPR Agreement will have a term ending on June 10, 2011 (the ‘‘**Initial CCPR Term**’’). If, at the end of the Initial CCPR Term or, if applicable, at the end of the first additional two year period, not all of the Specified Litigation has been subject to Final Adjudication or final payment in connection therewith (for this purpose, Specified Litigation means that Specified Litigation in respect of which an action has been commenced prior to the expiry of the Initial CCPR Term), the Litigation Panel may if it reasonably believes that it is in the best interests of the holders of the CCPRs, extend the Initial CCPR Term for up to two consecutive additional two year periods (the ‘‘**CCPR Term**’’), provided that such extensions do not necessitate registration of the CCPRs under applicable securities legislation or result in the Corporation or the CCPR Trust becoming a reporting issuer under such legislation. For greater certainty, payments of any Specified Claims made after the Initial CCPR Term but prior to the expiry of the CCPR Term will be required to be paid into the Litigation Account.

The Litigation Panel may, in its sole discretion, reduce the term of the CCPR Trust and the CCPR Agreement, if it determines, in its sole discretion, that the Specified Litigation has been subject to Final Adjudication and all final payments in connection therewith have been made or there is no longer a reasonable prospect of the payment of any further Litigation Proceeds. In addition, the Litigation Panel may, in its sole discretion, reduce the term of the CCPR Trust and the CCPR Agreement, in connection with the settlement of the Specified Litigation.

Without the prior written consent of the Litigation Panel, the Corporation will be prohibited during the CCPR Term from: (i) undertaking any extraordinary corporate transaction, such as a merger, consolidation or other business combination involving the Corporation or any of its subsidiaries (other than International or its subsidiaries); (ii) undertaking any direct or indirect sale, lease or transfer of a significant part of the assets of the Corporation or any of its subsidiaries (other than International or its subsidiaries); (iii) undertaking a reorganization, recapitalization, dissolution or liquidation of the Corporation or any of its subsidiaries (other than International or its subsidiaries); or (iv) declaring or paying any dividends or any other distribution (including the repayment of indebtedness) to its shareholders or related parties, in each case, if any of the foregoing could reasonably be expected to have an adverse effect on the ability of the Litigation Panel (or CCPR Trustees, as the case may be) to pursue a claim or distribute proceeds to the holders of CCPRs or if it would otherwise materially adversely prejudice the Litigation Panel in any of its other activities.

Without the prior written consent of the Litigation Panel, the Corporation will be prohibited during the CCPR Term from incurring any indebtedness for borrowed money (whether new or in the form of a refinancing of the Senior Secured Notes) if, in connection therewith, it grants covenants which would be more onerous than the Indentures with respect to the ability of the Corporation to transfer the Net Litigation Proceeds, the Litigation Account, the Shareholder Payment Litigation Account or the Hollinger Escrow Account to the CCPR Trust or which would extend such restrictions past March 10, 2011.

*Restrictions under the Indentures*

The Corporation will not transfer, or assume any obligation to transfer, the Net Litigation Proceeds, the Litigation Account, the Shareholder Payment Litigation Account or the Hollinger Escrow Account to the CCPR Trust, if any such transfer would (either with the giving of notice or the passage of time, or both) cause an Indenture Default and no obligation will arise until such time as any such transfer would not cause an Indenture Default. If any such transfer or obligation would (either with the giving of notice or the passage of time, or both) cause an Indenture Default, the Corporation will be required to pay to the CCPR Trust that portion of the Net Litigation Proceeds that can be paid without causing an Indenture Default and the balance of the Net Litigation Proceeds will be required to be paid as soon as practicable thereafter in a manner that will not cause an Indenture Default. The Corporation will be entitled to rely on the opinion of the Corporation's New York counsel in determining if any Indenture Default would be caused by any such transfer or obligation.

In no event will the Corporation, without the prior written consent of the Litigation Panel, obtain any consent from the holders of the Senior Secured Notes with respect to any matter (subject to mutually agreed upon carve-outs to be contained in the CCPR Agreement relating to, among other things, amendments relating to financial and other reporting obligations), unless and until it has first (or contemporaneously therewith) obtained the consent of the holders of the Senior Secured Notes permitting the Corporation to transfer the Net Litigation Proceeds, the Litigation Account, the Shareholder Payment Litigation Account and the Hollinger Escrow Account to the CCPR Trust. This will not prevent the retirement, redemption or termination of the Senior Secured Notes or the taking of any action by the Corporation required under the terms of the Indentures as existing on the date of the establishment of the CCPR Trust or the obtaining of waivers thereunder.

Until such time as there are no restrictions under the Indentures or otherwise that would apply to prevent the transfer by the Corporation of the Net Litigation Proceeds, the Litigation Account, the Shareholder Payment Litigation Account or the Hollinger Escrow Account to the CCPR Trust, the Corporation will not, without the prior written consent of the Litigation Panel, be permitted to make aggregate annual payments in excess of $10.0 million to shareholders, directors, officers, or senior employees or other related parties, including the respondents in Court file number 04-CL-5563 (but excluding directors, officers, employees and shareholders who are not related to RCL or any of its affiliates or associates) including in respect of management fees, consulting fees, salaries, bonuses, dividends, repayment of indebtedness or distributions of any kind.

*Reports*

The CCPR Trustees will furnish a report to the holders of CCPRs and the Court: (i) annually, which report will include annual financial statements of the CCPR Trust, and which may provide a summary of any material developments relating to the Specified Litigation together with an unaudited cash receipt and disbursement statement relating to the Specified Litigation; and (ii) at any other time deemed appropriate by the Litigation Panel. The contents of the report will not include any matter that is subject to any solicitor client or litigation privilege. In order to facilitate the preparation of the aforementioned report as it relates to Hollinger Controlled Litigation, and otherwise to keep the Litigation Panel apprised of developments in the Hollinger Controlled Litigation, the Corporation will from time to time within seven Business Days after a request therefor, provide to the Litigation Panel a report in respect of the Hollinger Controlled Litigation in substance sufficient to enable the Litigation Panel to prepare such report. The Litigation Panel will not disclose any information in the report that is privileged or confidential information of the Corporation or that could otherwise prejudice the position of the Corporation in respect of any Specified Litigation.

*Amendments*

Any amendments to the CCPR Agreement will require the consent of the CCPR Trust and the Corporation.

**Anticipated Dividend on the Outstanding Series II Preference Shares**

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 U.S. withholding taxes. To date, International has declared regular and special dividends in the gross 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 the Corporation relating to the Series II Preference Shares, in order to proceed with the CS Consolidation, the Board must declare and pay all outstanding accrued dividends on the Series II Preference Shares (as at March 4, 2005, an aggregate of approximately US$4.24 million or approximately US$2.49 per Series II Preference Share) prior to effecting the CS Consolidation. Subject to obtaining the requisite Common Shareholder approval in connection with the CS Consolidation, the Corporation anticipates that the Board will be in a position to declare and pay all accrued dividends on the Series II Preference Shares outstanding by the Effective Date (the ''**PS Dividend**'').

**Retraction Status of Common Shares**

Retractions of Common Shares submitted after May 31, 2004 are suspended at this time. As of March 4, 2005, an aggregate of 395,665 Common Shares (approximately 1.1% of the Common Shares) had been submitted for retraction (and not processed), all with a retraction price of $9.00 per share. The current retraction price per Common Shares is fixed at $4.65.

In the event that the Common Share Approvals are obtained on or prior to March 31, 2005, in which case the amendments to the Indentures will become effective, the Board has determined at this time that the Corporation will be in a position to honour retractions of the outstanding Common Shares immediately following receipt of such approvals. In the event that the Common Share Approvals are not obtained by March 31, 2005, the current terms of the Indentures would, barring amendments thereto, preclude the Corporation from honouring retractions of the outstanding Common Shares for the foreseeable future.

As the Effective Date will not take place until after March 31, 2005, Shareholders who previously submitted their Common Shares for retraction who wish to obtain the Common Share Consideration and CCPRs should make arrangements to withdraw their retraction request prior to the Meeting. In order to exercise withdrawal rights, Shareholders should contact the Computershare Call Centre — Shareholder Services at 1 (800) 564-6253.

**Shareholder Approvals**

In order to become effective, the CS Consolidation Resolution must be approved 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) in order to comply with the requirements of OSC Rule 61-501 and Policy Q-27, as described below, a majority of the votes cast by Minority Shareholders.

OSC Rule 61-501 and Policy Q-27 require that, in addition to any other required shareholder approval, in order to complete a business combination or going private transaction, the approval of a majority of the votes cast by Minority Shareholders of affected equity securities be obtained. In relation to the CS Consolidation, the ''**Minority Shareholders**'' will be all holders of Common Shares, other than the following: (i) RCL; (ii) any ''related parties'' of RCL (as defined, for the purposes of OSC Rule 61-501 and Policy Q-27) who would not be equally treated; and (iii) any person or company acting jointly or in concert with the foregoing. To the best of the Corporation's knowledge, the votes attaching to approximately 27,366,016 Common Shares will be excluded from this vote.

In order to become effective, the PS Consolidation Resolution must be approved 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 for the PS Consolidation Resolution at the Meeting would not prevent the CS Consolidation from proceeding, if the CS Consolidation Resolution is approved by the Common Shareholders as set out above.**

The forms of proxy delivered with this Circular provide a means for a Shareholder to vote for or against the CS Consolidation Resolution and the PS Consolidation Resolution, as applicable. **The forms of proxy further provide that if a Shareholder using the proxy does not specify whether such Shares are to be voted for or against the CS Consolidation Resolution or the PS Consolidation Resolution, as applicable, the proxyholder will not vote for or against such resolution.**

RCL has informed the Corporation it intends to vote the Shares owned by it, directly or indirectly, in favour of the CS Consolidation Resolution and the PS Consolidation Resolution.

**Regulatory Matters**

The issuance by the CCPR Trust of the CCPRs to the Common Shareholders (other than Dissenting Shareholders and, if the SEC Clearance is not obtained, any U.S. Holders) will require an exemption to be provided by applicable Canadian securities regulatory authorities (including the OSC) from the registration and prospectus requirements of applicable Canadian securities legislation. The issuance of the CCPRs is subject to the CCPR Trust obtaining such an exemption. While there can be no assurance that the exemption will be obtained prior to the Effective Time, or at all, the Corporation is seeking to obtain the exemption by the time of the holding of the Meeting.

In order to complete the PS Consolidation, the Corporation must provide notice to the OSC and the other applicable securities regulatory authorities in Canada pursuant to subsections 35(1)(14)(ii) and 72(1)(h)(ii) of the OSA and equivalent provisions under the securities legislation of the other provinces and territories of Canada in respect of the trade of the International A Shares held by it which will be transferred to holders of Series II Preference Shares as a result of the PS Consolidation. Following the giving of such notice, each of the OSC and such other applicable Canadian securities regulatory authorities may inform the Corporation within ten days of the notice that it objects to the proposed trade and thereby remove the Corporation's ability to rely on the stipulated exemptions. In such event, the Corporation would be unable to proceed with the PS Consolidation irrespective of whether or not the holders the Series II Preference Shares duly pass the PS Consolidation Resolution as set out above.

International A Shares that are otherwise deliverable in connection with the PS Consolidation will only be delivered in any jurisdiction to persons to whom applicable laws and regulations permit such delivery, including pursuant to any available exemption or regulatory relief from such laws and regulations, and who provide the covenants, representations and warranties required by the Letter of Transmittal applicable to the Series II Preference Shares.

The International A Shares owned, directly or indirectly, by the Corporation are currently subject to the International MICTO. As a result of the International MICTO, in order to effect the PS Consolidation and the delivery of the International A Shares owned, directly or indirectly, by the Corporation to holders of Series II Preference Shares in connection therewith, the Corporation must obtain from the OSC an order to vary the International MICTO to permit the trades of International A Shares, and acts in further thereof, contemplated by the PS Consolidation. The completion of the PS Consolidation is subject to the International MICTO having been varied as at the Effective Time. Work is in progress in order to obtain the required variation to the International MICTO.

Certain holders of the Shares are currently subject to the Hollinger MICTO. In order to effect the CS Consolidation and/or the PS Consolidation, the Corporation may be required to obtain from the OSC an order to vary the Hollinger MICTO. In the event that such variation is required, the Corporation intends to seek and obtain the appropriate orders by the time of the holding of the Meeting.

U.S. securities laws generally restrict the offer or sale of securities to U.S. persons without registration with the SEC, and such restrictions could be deemed to apply to any proposed distribution of the CCPRs to any Common Shareholders who are U.S. persons. Accordingly, unless the Corporation obtains confirmation from the staff of the SEC that they do not object to the distribution of CCPRs to U.S. persons without registration (''**SEC Clearance**''), following implementation of the CS Consolidation, Common Shareholders who are U.S. holders within the meaning of the U.S. Securities Act (''**U.S. Holders**'') would not receive or be entitled to any of the benefits of the CCPRs in respect of Common Shares held by them. The Corporation is seeking the SEC Clearance from the SEC staff.

As noted above under ''Important Considerations for Shareholders'', the Corporation's ability to implement the proposed Consolidation is dependent on the effectiveness of certain amendments to the Indentures, which in turn, is dependent on, among other things, the Corporation obtaining all necessary regulatory approvals for the Consolidation. The Corporation intends to take all necessary action to obtain all such regulatory approvals.

**Independent Privatization Committee**

*Formation and Organization of the Independent Privatization Committee*

On October 28, 2004, at a meeting of the Board, RCL through its Chairman and Chief Executive Officer, Conrad (Lord) Black, formally advised the Board in writing of a proposed consolidation of all of the issued and outstanding Common Shares and all of the issued and outstanding Series II Preference Shares which would result in RCL or its subsidiaries being the only shareholders of the Corporation. Following receipt of RCL's written intention with respect to the proposed Consolidation, the Board concluded that it would be appropriate to appoint a committee comprised of directors independent from management of the Corporation, RCL and their respective affiliates.

At the October 28, 2004 meeting, the Board appointed Robert J. Metcalfe (Chairman), Allan Wakefield and Gordon W. Walker, Q.C. as members of the Independent Privatization Committee. Gordon W. Walker, Q.C. resigned from the Independent Privatization Committee on November 24, 2004 in order to assume the position of Chairman of the Corporation. After November 24, 2004, Messrs. Metcalfe and Wakefield comprised the Independent Privatization Committee. The members of the Independent Privatization Committee do not hold any securities of the Corporation, RCL or any affiliates thereof.

On November 16, 2004, the Independent Privatization Committee received written notification from RCL that, in connection with the proposed Consolidation, RCL would support such transaction on the following terms: (i) the Common Shareholders (other than RCL and certain of its affiliated entities) would receive $7.25 in cash for each Common Share pursuant to the CS Consolidation; and (ii) the Preferred Shareholders would receive 0.46 of an International A Share for each Series II Preference Share pursuant to the PS Consolidation.

Each of the two members of the Independent Privatization Committee has extensive business experience and is independent from the ''interested parties'' as defined under OSC Rule 61-501. Neither of the members of the Independent Privatization Committee: (i) is an employee of, or an insider, associate or affiliate of RCL or any affiliate thereof, or has held such position during the previous five years; or (ii) may benefit from the Consolidation in a manner that is different from the Minority Shareholders in the event that the Consolidation becomes effective. No non-independent persons participated in the Independent Privatization Committee's decision making deliberations.

The mandate of the Independent Privatization Committee was to, among other things, conduct a thorough review of the proposed Consolidation and make recommendations to the Board in respect thereof in order to permit the Board to make a recommendation to Shareholders with respect to the proposed Consolidation. The Independent Privatization Committee was empowered to establish rules and procedures relating to the conduct of its business. The Independent Privatization Committee was also empowered to retain legal counsel or other professional advisors, at the expense of the Corporation, as it deemed appropriate to assist it in performing its mandate on such terms and conditions as the Independent Privatization Committee deemed appropriate and to engage an independent financial advisor to provide a formal valuation in accordance with the requirements of OSC Rule 61-501 and Policy Q-27 and to otherwise assist the Independent Privatization Committee in its deliberations.

*Summary of Proceedings of the Independent Privatization Committee*

The Independent Privatization Committee retained Wildeboer Dellelce LLP to act as its independent legal counsel.

OSC Rule 61-501 and Policy Q-27 provide that, unless exempted, an issuer proposing to carry out a ''business combination'' transaction is required to engage an independent valuator to prepare a valuation of the ''affected securities'' and to provide to the holders of the affected securities a summary of such valuation. In this instance, the affected securities are the Common Shares. From November 5, 2004 to November 22, 2004, the Independent Privatization Committee met with potential financial advisors in connection with the preparation of an independent valuation. The Independent Privatization Committee interviewed and reviewed the credentials, experience, financial expertise and proposed terms of engagement of several candidates.

On November 23, 2004, the Independent Privatization Committee retained GMP as its financial advisor to: (i) prepare the Valuation; (ii) provide an opinion as to the fairness, from a financial point of view, of the Common Share Consideration and the Preferred Share Consideration; and (iii) provide a solvency valuation for inclusion in the Circular. The Independent Privatization Committee placed no limitations or restrictions on the analysis to be undertaken by GMP.

The terms and conditions of GMP's engagement were set out in an engagement letter dated November 23, 2004 (the ''**GMP Engagement Letter**''). GMP's engagement was subsequently amended to reflect certain changes in fee structure and to provide that GMP was no longer required to deliver a fairness opinion or solvency valuation. Pursuant to the GMP Engagement Letter, GMP confirmed that it had no prior or existing relationships with the Corporation, RCL, Conrad (Lord) Black, Peter G. White or F. David Radler or any of their respective associates or affiliates. The Independent Privatization Committee was satisfied that GMP met the applicable standards for independence under OSC Rule 61-501 and Policy Q-27. The fee payable to GMP by the Corporation under the terms of its engagement is not contingent in whole or in part on the conclusions of GMP or the completion of the Consolidation and was determined by negotiation between the Independent Privatization Committee and GMP.

The Independent Privatization Committee met numerous times during the period from October 28, 2004 to March 6, 2005, the date of its formal report to the Board, both with and without its legal and financial advisors, to conduct various discussions and meetings related to the fulfillment of its mandate, including: to consider its responsibilities; to discuss the legal and regulatory requirements applicable to the Consolidation; to discuss the relevant issues arising from the structure of the Consolidation, including the fact that the Consolidation was a ''going private transaction''/''business combination'' under applicable securities laws; to consider issues regarding the lack of current financial disclosure of the Corporation and International; to consider the impact of proceedings and investigations by applicable securities regulatory authorities against the Corporation and International; to consider issues regarding the impact on the Valuation of outstanding litigation both for and against the Corporation and International; to review and evaluate the consideration being offered to Shareholders pursuant to the Consolidation; to review and discuss the draft Valuation and the limitation of scope, as well as the assumptions and qualifications contained in such draft Valuation; to receive and review the Valuation; and to consider and make its recommendations to the Board. In addition, the Independent Privatization Committee and its advisors met with and/or had telephone discussions with various parties, including Conrad (Lord) Black, as well as certain other current and former members of management of the Corporation and their legal and financial advisors. Other material proceedings of the Independent Privatization Committee are described below.

On November 30, 2004, the Independent Privatization Committee and its legal and financial advisors met with litigation counsel to the independent directors of the Corporation. The Independent Privatization Committee and its advisors were orally apprised of the status of certain Canadian litigation matters involving or affecting the Corporation, including the Inspection. From November 30, 2004 to the date of its formal report to the Board, the Independent Privatization Committee and its advisors were periodically provided updates as to the status of Canadian litigation matters involving the Corporation. The Independent Privatization Committee also met regularly with the Inspector to assist the Inspector in obtaining information necessary for the Inspection and to obtain an understanding of the status of the Inspection.

On January 14, 2005, the Independent Privatization Committee and its legal and financial advisors met, via teleconference, with special U.S. litigation counsel to the Corporation. The Independent Privatization Committee and its advisors were orally apprised of the status of certain U.S. litigation matters involving or affecting the Corporation.

From January 14, 2005 to the date of its formal report to the Board, the Independent Privatization Committee and its advisors were periodically provided updates as to the status of U.S. litigation matters involving the Corporation.

In mid-January 2005, the Independent Privatization Committee also met with GMP to review its plans in connection with the preparation of the Valuation and fairness opinion. At that meeting, GMP advised the Independent Privatization Committee that, given the unique and unusual circumstances of the Corporation, including the nature and extent of litigation surrounding the Corporation, the lack of current financial statements for the Corporation or International and the ongoing Inspection, GMP would be unable to provide a fairness opinion in respect of the Consolidation, nor would it be able to give comfort as to the solvency of the Corporation following the Consolidation.

On February 14, 2005, legal advisors to the Independent Privatization Committee, counsel to GMP and counsel to the Corporation had discussions with the OSC regarding the scope of the Valuation and the limitations of such Valuation (including, certain material assumptions and qualifications it would likely contain) given the unique and unusual circumstances of the Corporation. The Independent Privatization Committee was kept apprised of the discussions between the OSC and GMP and its counsel with respect to the scope of the Valuation.

The Corporation is subject to the Inspection and as of the date of the Independent Privatization Committee's report to the Board, the Inspector was still in the process of completing the Inspection. Given that it appeared unlikely that a final report of the Inspector would be filed prior to March 31, 2005, during the period from mid-February 2005 to March 6, 2005, the Independent Privatization Committee, together with the Board, negotiated the terms of the CCPR Trust with RCL.

As of the date of the Independent Privatization Committee's report to the Board, International was not current in its continuous disclosure obligations under applicable Canadian and United States securities laws. Given that it appeared unlikely that International would be up to date with its continuous disclosure obligations as at March 31, 2005, during the period from mid-February 2005 to March 6, 2005, the Independent Privatization Committee, together with the Board, negotiated the terms of a contingent payment to Common Shareholders based on the results of the Updated Valuation, which is to be completed following the publication of the International Statements. See ''— Updated Valuation''.

The Independent Privatization Committee considered requesting an extension from RCL of its support for the Consolidation beyond March 31, 2005 for an additional period of 60 to 90 days, in order to (i) provide the Inspector additional time to complete or substantially complete the Inspection, and (ii) provide International additional time to become up to date in its continuous disclosure obligations. However, it was far from certain that such an additional time period would be sufficient to complete the Inspection or permit the release of the International Statements. The Independent Privatization Committee was further cognizant of the fact that the consent of the holders of Senior Secured Notes, which is necessary in order to complete the Consolidation, expires on March 31, 2005. As a result, in February 2005, the Independent Privatization Committee contacted Jefferies & Company, Inc., the agent of the Corporation with respect to the Senior Secured Notes, to explore the likelihood of obtaining an extension to the consent of the holders of the Senior Secured Notes. Jefferies & Company, Inc. advised the Independent Privatization Committee that, due to a number of factors, such consent would be very difficult to obtain, if at all, and would likely result in significant additional expense to the Corporation.

On March 1, 2005, the Independent Privatization Committee received an oral presentation from GMP, together with a draft Valuation, setting out the expected valuation range per Common Share, the methodology it employed and relevant analysis, as well as the assumptions, limitations and qualifications that it intended to apply in reaching its conclusions in the Valuation. The Independent Privatization Committee questioned GMP concerning its methodology and qualifications, closely reviewed the analysis undertaken by GMP and discussed the requirement for a valuation of the Series II Preference Shares.

Between March 1, 2005 and March 6, 2005, the Independent Privatization Committee had further discussions with respect to the Valuation.

On March 4, 2005, the Independent Privatization Committee met with Conrad (Lord) Black, Peter G. White and J.A. Boultbee, directors and officers of RCL, and advised them that it had some concerns with respect to certain issues relating to the Consolidation, including: (i) that the proposed consideration of $7.25 per Common Share was likely to be at the low end of the range per Common Share in the Valuation; (ii) the uncertainty of value in respect of potential litigation; and (iii) the impact, if any, on the valuation range of the Common Shares following the release of the International Statements.

On March 6, 2005, the Board received written notification from RCL that, in connection with the proposed CS Consolidation, RCL would support such transaction on the following amended terms. Each Common Shareholder (other than RCL and certain of its affiliated entities) would receive $7.60 for each Common Share held at the time that articles of amendment are filed effecting the CS Consolidation, subject to a potential upward adjustment pursuant to the payment of the Additional Amount per Share following the publication of the International Statements. In addition, each Common Shareholder (other than Dissenting Shareholders and, if the SEC Clearance is not obtained, any U.S. Holders) would receive a CCPR; provided however, that if the SEC Clearance is not obtained, no Common Shareholder who has not completed a Letter of Transmittal and certified therein that it is not a U.S. Holder shall receive a CCPR until such time as the Depositary receives such certification.

On March 6, 2005, the Independent Privatization Committee also received from GMP its final Valuation, in which GMP estimated that, as at March 1, 2005, the fair market value of the Common Shares was in the range of $7.21 to $7.57 per Common Share and the value of the Series II Preference Shares was equivalent to 0.46 of an International Share per Series II Preference Share.

In considering the Valuation and fulfilling its mandate, the Independent Privatization Committee reviewed the methodology utilized by GMP, the assumptions underlying the methodology and the conclusions to be drawn from GMP's analysis. In particular, the Independent Privatization Committee noted that the Valuation is limited in scope given certain ''unique and unusual circumstances''. See ''— Valuation — Key Assumptions and Limitations''.

*Recommendations of Independent Privatization Committee*

At a meeting of the Independent Privatization Committee held on March 6, 2005, after considering the terms of the Consolidation, the Valuation, the advice of its legal and financial advisors and various additional matters, including the matters discussed below under the heading ''— Factors Considered by Independent Privatization Committee in Making its Recommendations'', the Independent Privatization Committee unanimously concluded that:

(a) although the Common Share Consideration is above the range of value per Common Share as determined pursuant to the Valuation, the Independent Privatization Committee could not, in the absence of a fairness opinion from GMP and given the Unique and Unusual Circumstances set out in the Valuation, reach a conclusion or make a recommendation as to whether the Common Share Consideration is fair, from a financial point of view, to the Minority Shareholders;

(b) notwithstanding the conclusion outlined in (a) above, in light of the revised terms of the Common Share Consideration of March 6, 2005, which included the Additional Amount per Share, and the issuance of the CCPRs, the Board should authorize submitting the CS Consolidation to the Common Shareholders for their consideration provided that the Common Shareholders are fully informed of the limitations, assumptions and qualifications of the Valuation;

(c) the Board should not make any recommendation with respect to how Common Shareholders should vote in respect of the CS Consolidation;

(d) although the Preference Share Consideration is consistent with the rights, privileges, restrictions and conditions attaching to the Series II Preference Shares (and, in particular, with respect to the rights of retraction attaching to the Series II Preference Shares), given that Preferred Shareholders will be in no better position as a result of completion of the PS Consolidation, the Independent Privatization Committee could not reach a conclusion or make a recommendation as to whether the Preferred Shareholders should vote in favour of the PS Consolidation;

(e) notwithstanding the conclusion outlined in (d) above, there is no assurance that the Corporation, given the terms of the Indentures, would be able to honour retractions of the Series II Preference Shares in the future and as a result, the Board should authorize submitting the PS Consolidation to the Preferred Shareholders for their consideration; and

(f) the Board should not make any recommendation with respect to how Preferred Shareholders should vote in respect of the PS Consolidation.

At the conclusion of its deliberations, the Independent Privatization Committee was satisfied that there had been an adequate process of investigation and deliberation to ensure that any decision made was made in good faith on an informed basis in the best interests of the Corporation and so as to properly protect the interests of the Minority Shareholders and the Preferred Shareholders.

*Factors Considered by Independent Privatization Committee in Making its Recommendations*

Despite the fact the Independent Privatization Committee recommends that the Board make no recommendation to the Minority Shareholders or the Preferred Shareholders as to how they should vote in respect of the Consolidation, there are a number of factors that led the Independent Privatization Committee to the conclusion that the Minority Shareholders and the Preferred Shareholders should be provided with an opportunity to consider the merits of the Consolidation. The Independent Privatization Committee took notice that:

1. in order for the CS Consolidation to be effective, it must be approved by a majority of votes cast by Minority Shareholders present in person or represented by proxy at the Meeting and entitled to vote on the CS Consolidation;

2. in light of: (i) the controlling share ownership position of RCL of approximately 78.3% of the outstanding Common Shares; (ii) the fact that since the public announcement of the proposed Consolidation, the Corporation has not received any proposals for an alternative transaction; (iii) the fact that there has been no indication from RCL of a desire to divest its interest in the Corporation; (iv) the continued lack of liquidity and limited trading volume of the Common Shares; and (v) the well publicized difficulties that the Corporation has encountered recently, the ability of the Minority Shareholders to sell their Common Shares and to realize on their investment is limited. Through the CS Consolidation, the Minority Shareholders will have the ability to dispose of all of their Common Shares for cash consideration that, in the absence of the CS Consolidation, might not otherwise be available;

3. RCL requested that the Board call a meeting of Shareholders to consider the Consolidation and could requisition a meeting if the Board failed to do so;

4. any net amount received in connection with the CCPR Trust and any amount received pursuant to the Updated Valuation would have the effect of increasing the aggregate consideration paid to Minority Shareholders for their Common Shares;

5. subject to the limitations, assumptions, qualifications and scope limitations set forth in Valuation, the Common Share Consideration is above the range of value per Common Share determined by GMP pursuant to the Valuation;

6. the Common Share Consideration represents a premium of approximately 76% to the closing market price of the outstanding Common Shares on the TSX of $4.31 on October 28, 2004 (the day that the proposed Consolidation was publicly announced), prior to taking into account any further consideration that may be received by Minority Shareholders pursuant to the Updated Valuation or as a result of the CCPR;

7. the difficulty of providing liquidity to Shareholders in the near term given the damage done to the Corporation's reputation;

8. GMP would be unable to provide a fairness opinion in light of the factors described under the heading ''Unique and Unusual Circumstances'' in the Valuation;

9. Minority Shareholders will be provided with an appraisal remedy in accordance with the provisions of the CBCA, should they choose to dissent from the CS Consolidation and, accordingly, they will have an opportunity to claim additional consideration for their Common Shares;

10. notwithstanding that pursuant to the articles of the Corporation, a Preferred Shareholder is entitled to make an irrevocable election to require the Corporation to redeem all or any of its Series II Preference Shares in consideration for, at the Corporation's option: (i) the transfer to such holder of (x) 0.46 of an International A Share for each Series II Preference Share to be redeemed, and (y) such number or fraction of an International A Share as is equal to the amount of any dividends or distributions declared and unpaid on the Series II Preference Shares plus any dividends or distributions declared on the International A Shares in respect of which a dividend has not been declared on the Series II Preference Shares on the date of transfer of the International A Shares; or (ii) cash (in Canadian dollars) of an equivalent value therefor, there is no assurance that the Corporation will be in a position to honour retractions of Series II Preference Shares in the future;

11. Preferred Shareholders will be provided with an appraisal remedy in accordance with the provisions of the CBCA, should they choose to dissent from the PS Consolidation or the CS Consolidation and, accordingly, they will have an opportunity to claim additional consideration for the Series II Preference Shares;

12. the difficulty the Corporation is facing with respect to certain regulatory matters could lead to the Common Shares and the Series II Preference Shares no longer being eligible to trade on the TSX and this could, in turn, result in a lack of an established market for the Common Shares and the Series II Preference Shares; and

13. the Independent Privatization Committee also examined whether it should consider other alternatives to enhance value to Shareholders. The Independent Privatization Committee sought and received advice in this regard from a legal and practical perspective. The Independent Privatization Committee was of the view that RCL's ownership position in the Corporation and the current litigious relationship between the Corporation and International made the possibility of an alternative transaction in the circumstances very limited.

The foregoing list of factors considered by the Independent Privatization Committee is not intended to be exhaustive. In view of the wide variety of factors considered in connection with its evaluation of the Consolidation, the Independent Privatization Committee did not find it practicable to, and did not, quantify or otherwise attempt to assign relative weight to specific factors in reaching its respective determinations. In addition, individual members of the Independent Privatization Committee may have given different weight to different factors. The Independent Privatization Committee recognized that, while the consummation of the CS Consolidation gives the Common Shareholders the opportunity to realize a premium over the prices at which the Common Shares were traded prior to the public announcement of the CS Consolidation, accepting the CS Consolidation will eliminate a Common Shareholder's ability to participate in the possible future growth and profits of the Corporation.

In order to arrive at its recommendations, the Independent Privatization Committee: obtained the advice of both its legal counsel and GMP; completed an examination of the terms and conditions of the Consolidation and completed a detailed examination of the Valuation; in considering the Valuation, had discussions with senior management of the Corporation with respect to, among other things, the business, financial condition and prospects of the Corporation; and examined all other documents and information that the Independent Privatization Committee, after consulting with its legal counsel, considered relevant to review in order to make recommendations with respect to the Consolidation. Although GMP and the Independent Privatization Committee's legal counsel provided advice to the Independent Privatization Committee, the conclusions and recommendations of the Independent Privatization Committee are solely those of the Independent Privatization Committee.

*Other Considerations*

As a result of the inability of the Independent Privatization Committee or GMP to gain access to the management of International or its financial advisors, the Independent Privatization Committee relied upon public information regarding International for purposes of the Valuation, and the recommendations of the Independent Privatization Committee are subject to the fact that such recommendations do not reflect various future events which may occur in respect of the business, affairs and operations of International and its subsidiaries, including, among other things: (a) any recent and planned developments in International and its subsidiaries' business, affairs and operations or any other material facts or material changes in respect thereof that are not yet publicly announced; (b) the prospects for growth and profitability of International and its subsidiaries; (c) the effect, if any, of any potential restatement of the financial statements of International; and (d) the effect of any potential divestiture of assets by International.

For the purposes of their deliberations, the Independent Privatization Committee assumed the completeness and accuracy of all information publicly filed with securities regulators in respect of International and its subsidiaries. The Independent Privatization Committee also advises that Shareholders should: (a) monitor the trading prices of the Common Shares between the date hereof and March 31, 2005; (b) monitor the trading prices of the International A Shares between the date hereof and March 31, 2005; (c) monitor the financial press and SEDAR for any announcements with respect to the Inspection and other announcements which may affect the Unique and Unusual Circumstances outlined in the Valuation; and (d) carefully review the information contained in the Circular, including the detailed terms and conditions of the Consolidation and the Valuation, including the assumptions and qualifications and risks outlined therein as well as the tax consequences to Shareholders of the Consolidation.

The Independent Privatization Committee is of the view that Shareholders should come to their own decision as to whether to vote in favour of or against the Consolidation. Shareholders are urged to consult with their investment dealer, stockbroker, financial advisor, lawyer or other professional advisor in determining whether to vote in favour of or against the Consolidation. Shareholders are advised that the Consolidation may have tax consequences and Shareholders should consult their professional tax advisors.

**Board of Directors — Recommendations**

The Board, acting through its Independent Committee, with Peter G. White not participating, has met numerous times since October 28, 2004 and has taken an active role in reviewing the proposed Consolidation. In this regard, the Board has had numerous meetings with the Independent Privatization Committee and GMP.

The members of the Independent Committee obtained their own independent legal counsel to advise on a variety of issues arising from the proposed Consolidation, including to consider whether the cash payment payable by the Corporation to the Common Shareholders holding fewer than 5,766,783 Common Shares will be in compliance with applicable solvency tests.

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 Consolidation to the Shareholders for their approval. The Board carefully considered the report of the Independent Privatization Committee and 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.

Peter G. White, a director, officer and indirect shareholder of RCL, declared his interest in the Consolidation and abstained from voting with respect to the above resolutions of the Board. See ''Interest of Certain Persons in the Consolidation''.

**Motion to the Court**

On February 25, 2005, the members of the Independent Committee filed the Motion for, among other things, advice and direction as to whether in the circumstances the Consolidation should be put to the Shareholders before the Inspector delivers its final report.

The Motion also sought an order approving an increase of $10.0 million to the Hollinger Independent Directors' Trust, confirmation of the deposit of an additional $1.5 million to such fund (see ''Information Regarding the Corporation — Interests of Informed Persons in Material Transactions'') and the establishment of a similar fund in favour of two financial executives of the Corporation with a deposit of $500,000. The Motion further sought an order approving payments to the directors of the Corporation (other than Peter G. White) in the event of the termination of their tenure as directors and a retention bonus in the event that the Corporation continues as a public company after March 31, 2005, in each case, in an amount equal to a multiple of fees paid to such directors since November 18, 2004.

Certain holders of Common Shares intervened on the Motion. The Motion was heard on March 7, 2005. At the hearing on the Motion, arguments were presented by counsel for various interested parties to Mr. Justice Colin L. Campbell, including counsel for the OSC who advised of the ongoing involvement of the OSC in connection with the Meeting and the proposed Consolidation. 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 seeking advice and direction pending any further steps taken by any party based on the decisions that were to be made by the directors in connection with the Consolidation.

With respect to the matters before the Court in respect of indemnification of directors and officers of the Corporation, Mr. Justice Campbell ruled that, at least in the first instance, such matters were to be dealt with by the Board. The Court also held that, following any such decision by the Board, if it were necessary that the matter be returned before the Court, any interested party was at liberty to do so. No order was issued by the Court in respect of matters related to directors' remuneration.

**Valuation**

*Engagement of GMP by the Independent Privatization Committee*

OSC Rule 61-501 and Policy Q-27 provide that, unless exempted, an issuer proposing to carry out a ''business combination''/''going private transaction'' is required to engage an independent valuator to prepare a valuation of the affected securities and to provide to the holders of the affected securities a summary of such valuation.

Once constituted, the Independent Privatization Committee retained GMP as financial advisor and valuator to the Independent Privatization Committee. GMP was asked to prepare and deliver to the Independent Privatization Committee an independent valuation of the outstanding Common Shares, on a per share basis, in accordance with OSC

Rule 61-501 and Policy Q-27, and to prepare and deliver a valuation of the outstanding Series II Preference Shares, on a per share basis. A formal engagement letter was executed on December 14, 2004, and an amendment to the engagement letter was executed on February 25, 2005 (collectively, the ''**Engagement Letter**'').

*Independence of GMP*

GMP is not an insider, associate or affiliate of the Corporation, certain specified parties (including Conrad (Lord) Black, RCL, Peter G. White and F. David Radler) (collectively, the ''**Interested Parties**'') or any of their respective affiliates or associates. GMP has neither provided financial advisory services nor participated in any financings involving the Corporation, the Interested Parties or any of their respective affiliates or associates. The fees payable to GMP under the Engagement Letter on the delivery of the Valuation are not contingent upon the conclusions reached by GMP in the Valuation or upon the success of the Consolidation. There are no understandings, agreements or commitments between GMP, the Interested Parties or any of their respective affiliates or associates with respect to any future business dealings. However, GMP may in the future, in the ordinary course of business, seek to perform financial advisory or investment banking services for any one or more of them from time to time.

GMP acts as a trader and dealer, both as principal and agent, in all major Canadian financial markets and, as such, may have had or may in the future have positions in securities of the Corporation and, from time to time, may have executed or may execute transactions on behalf of the Corporation or on behalf of other clients for which it receives compensation. As an investment dealer, GMP conducts research on securities and may, in the ordinary course of business, provide research reports and investment advice to its clients on investment matters, including matters involving an investment in the Corporation.

*Credentials of GMP*

GMP is a Canadian-based investment bank with offices in Toronto, Calgary and Montreal, Canada and Geneva, Switzerland, which provides research and corporate finance advice and services, and engages in securities trading and investment banking. GMP carries on investment banking activities, institutional and retail securities trading activities. In Canada, GMP is an investment banking firm with operations in all facets of corporate finance, mergers and acquisitions, equity sales and trading and investment research. GMP has participated in a significant number of transactions involving private and public companies and has experience in preparing valuations. GMP is not in the business of providing auditing services and is not controlled by a financial institution.

*Key Assumptions and Limitations*

In the Valuation, GMP noted various unique and unusual circumstances (the ''**Unique and Unusual Circumstances**'') surrounding the Consolidation including:

1. Neither the Corporation nor International is in compliance with certain aspects of the applicable continuous disclosure requirements of Canadian and U.S. securities laws, the non-compliance of which includes the failure to file certain materials, as disclosed in the Circular;
2. The Corporation is currently the subject of an Inspection pursuant to an order of the Court;
3. The Corporation and International are each currently engaged in litigation that may materially affect the value of the securities of the Corporation;
4. The Corporation and/or International may be the subject of future enforcement proceedings by regulatory authorities in Canada and/or the U.S.;
5. A Special Committee of the board of directors of International has investigated certain related party transactions involving certain former executive officers and certain and former directors of International and the Corporation; and
6. GMP has had no access to the operational and executive management of International.

**In addition to the foregoing, GMP made certain material assumptions in preparing the Valuation. The Valuation provides that certain assumptions used by GMP in the preparation thereof are, in the professional judgment of GMP, based upon the best information reasonably available to GMP at the time of the preparation of the Valuation, that such assumptions may prove to be inaccurate and actual results achieved with respect to matters based upon such assumptions will vary from those used by GMP and such variations may be material.**

*Valuation Conclusion*

Subject to the limitations, assumptions, qualifications and scope limitations stated in the Valuation:

(a) GMP estimates, as of March 1, 2005, the fair market value of the Common Shares is in the range of $7.21 to $7.57 per share; and

(b) GMP is of the view that the value of a Series II Preference Share is equivalent to 0.46 of an International A Share. In this regard, GMP has determined that the appropriate approach with respect to the valuation of the Series II Preference Shares is to value same in relation to the retraction right to receive International A Shares, rather than a range of values expressed in dollars.

**The foregoing discussion is qualified in its entirety by, and should be read in conjunction with, the Valuation attached as Appendix C to this Circular. Shareholders are urged to read the Valuation in its entirety.**

**Prior Valuations**

To the knowledge of the directors and senior officers of the Corporation, there has not been any prior valuation made in respect of the Corporation, its securities or material assets for which disclosure is required to be made in this Circular in the 24 months before the date hereof.

The offers made by Press Holdings International Limited on January 27, 2004 to purchase all of the issued and outstanding Common Shares on the basis of $8.44 per share and Series II Preference Shares on the basis of $9.53 per share are the only bona fide prior offers for the Shares in the past 24 months. The offers were terminated on March 2, 2004. For detailed information concerning the offers and the background to the offers, reference is made to the directors' circular dated February 9, 2004 relating thereto on the public file with the securities commissions and other similar regulatory authorities in Canada which can be accessed via the Internet at *www.sedar.com*.

**Updated Valuation**

Promptly following the public release by International of the International Statements, an Independent Valuator will prepare an Updated Valuation of the Common Shares. The Independent Valuator and the Updated Valuation will be under the supervision and direction of the Independent Privatization Committee. The CS Consolidation will not be implemented until an engagement letter has been entered into with an Independent Valuator in connection with the Updated Valuation. The Corporation will publicly disclose the Updated Valuation Range via press release immediately upon receipt of same from the Independent Valuator.

As part of the Common Share Consideration, each holder of Common Shares (other than, directly or indirectly, RCL and Dissenting Shareholders) will receive, subject to applicable laws (including solvency requirements), the Additional Amount per Share, if any, in cash, which amount shall be rounded to the nearest cent. In no event will the Additional Amount per Share be less than nil. The Additional Amount per Share, if any, will be paid as soon as reasonably practicable following the Updated Valuation Delivery Date, and in any event, within ten Business Days thereof. See ''— Procedure for Receipt of Consideration''.

RCL will guarantee the payment obligations of the Corporation in respect of the Additional Amount per Share. In addition, RCL and certain of its related parties will provide a release in favour of the Independent Valuator for claims arising out of the Updated Valuation and will indemnify the Independent Valuator against claims as a result of the performance of the services rendered by the Independent Valuator in connection with the Updated Valuation.

**Procedure for Receipt of Consideration**

If the CS Consolidation is effected, each Common Shareholder (other than, directly or indirectly, RCL and Dissenting Shareholders) will be entitled to receive: (a) the Initial Payment as soon as practicable after the Effective Date; and (b) the Final Payment, if any, as soon as practicable after the Updated Valuation Delivery Date. If the PS Consolidation is effected, each Preferred Shareholder (other than Dissenting Shareholders) will be entitled to receive the Preferred Share Consideration as soon as practicable after the Effective Date. In order for such Shareholders to receive the Common Share Consideration and the Preferred Share Consideration, respectively, they must first complete and sign the appropriate enclosed Letters of Transmittal (printed on yellow paper for Common Shareholders and pink paper for Preferred Shareholders) and return same, together with the certificate(s) representing their Shares held, and all other requisite documentation, to the Depositary in accordance with the procedures specified in the appropriate enclosed Letters of Transmittal.

As soon as practicable following the Effective Date of the CS Consolidation and/or the PS Consolidation, as the case may be, and receipt of all required documentation, the Depositary will send, or cause to be sent, to each Shareholder who has submitted a duly signed and completed Letter of Transmittal in accordance with the foregoing: (a) in the case of a Common Shareholder, a cheque for the aggregate Initial Payment payable in respect of the Common Shares held by such Common Shareholder; and (b) in the case of a Preferred Shareholder, a share certificate representing the aggregate Preferred Share Consideration payable in respect of the Series II Preference Shares held by such Preferred Shareholder. If applicable, as soon as practicable following the Updated Valuation Delivery Date and receipt of all required documentation, the Depositary will send, or cause to be sent, to each Common Shareholder who has submitted a duly signed and completed Letter of Transmittal in accordance with the foregoing a cheque for the aggregate Final Payment payable in respect of the Common Shares held by such Common Shareholder.

Certificates representing fractional interests in a New Common Share or New Series II Preference Share will not be issued. After the Effective Time, the existing share certificates representing: (i) Common Shares (held by Shareholders other than, directly or indirectly, RCL and Dissenting Shareholders) will represent only the right to receive a cheque or cheques representing the aggregate Common Share Consideration, without interest, payable in respect thereof; and (ii) Series II Preference Shares (held by Shareholders other than Dissenting Shareholders) will represent only the right to receive a share certificate representing the aggregate Preferred Share Consideration deliverable in respect thereof.

*Consideration*

The Corporation shall deposit, or cause to be deposited, with the Depositary at any time at or prior to the Effective Time, sufficient: (a) funds (by cheque, bank or wire transfer or other means) to pay the aggregate amount required to fund the aggregate Initial Payment from the cash resources of the Corporation; and (b) International A Shares owned, directly or indirectly, by the Corporation, to deliver the aggregate amount required to satisfy the Preferred Share Consideration. If applicable, the Corporation shall deposit, or cause to be deposited, with the Depositary promptly following the Updated Valuation Delivery Date, sufficient funds (by cheque, bank or wire transfer or other means) to pay the aggregate amount required to fund the aggregate Final Payment from the cash resources of the Corporation. The deposit of foregoing funds and shares with the Depositary is to be paid by the Depositary to or to the order of or delivered to or to the order of the respective holders of Shares, in the case of cash, without interest, on presentation and surrender at the offices of the Depositary in the City of Toronto, of the applicable Letter of Transmittal and the share certificate(s) identified in the applicable Letter of Transmittal, with all other requisite documentation. At the Effective Time, the Shares in respect of which such deposit is made shall be deemed to be cancelled. Subject to the next paragraph below, the Corporation shall be fully and completely discharged from its obligation to pay or deliver the Common Share Consideration and the Preferred Share Consideration to such holders of Shares and thereafter the rights of such holders shall be limited to receiving, in the case of cash, without interest, subject to withholding, from the Depositary their proportionate part of the money or shares so deposited for their Shares, on presentation and surrender of the said share certificates held by them respectively (and all other requisite documentation) as specified above. Any interest on any funds so deposited shall belong to the Corporation.

In addition, immediately after the implementation of the CS Consolidation, each Common Shareholder (other than Dissenting Shareholders and, if the SEC Clearance is not obtained, any U.S. Holders) will receive one CCPR for each outstanding Common Share held immediately prior to the Effective Time; provided however, that if the SEC Clearance is not obtained, no Common Shareholder who has not completed a Letter of Transmittal and certified therein that it is not a U.S. Holder shall receive a CCPR until such time as the Depositary receives such certification. CCPRs do not form part of the Common Share Consideration. See ''— CCPRs''.

Subject to applicable law, after the expiration of six months following the applicable Effective Date, any remaining monies or International A Shares on deposit with the Depositary will be returned to the Corporation or its successors. Where a duly completed and executed Letter of Transmittal and the share certificate(s) identified in that Letter of Transmittal are delivered to the Depositary thereafter with all other requisite documentation, the obligations of the Corporation or its successors to make payment in respect of the Common Shares Consideration or to deliver the Preferred Share Consideration will, subject to any applicable law, be satisfied from the general corporate funds or holdings of International A Shares of the Corporation or its successors.

Under no circumstances will interest accrue or be paid by the Corporation, its successors or the Depositary on the Common Share Consideration, including without limitation, for any delay in making payment.

*Letters of Transmittal and Surrender of Share Certificates*

A Letter of Transmittal (printed on yellow paper) for use by Common Shareholders and a Letter of Transmittal (printed on pink paper) for use by Preferred Shareholders are enclosed with this Circular for the surrender of share certificates. The details for the surrender of such share certificates to the Depositary at the addresses in Toronto of the Depositary are set out in the Letters of Transmittal. In order to receive the Common Share Consideration and/or the Preferred Share Consideration, as applicable, a Shareholder must first deliver and surrender to the Depositary all share certificates representing such Shareholder's Shares, together with the applicable Letter(s) of Transmittal duly completed and executed in accordance with the instructions set out therein, on such form or in otherwise acceptable form and such other documents as the Corporation and the Depositary may reasonably require.

Only Registered Shareholders or the persons they appoint as their proxies are required to complete, sign and submit the Letters of Transmittal. Shareholders who own Shares beneficially: (a) through an intermediary (including, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered registered retirement savings plans, registered retirement income funds, registered education savings plans and similar plans); or (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited and the Depository Trust Company), are not required to submit a Letter of Transmittal. The intermediary or the clearing agency, as the case may be, should take the appropriate steps to ensure the Depositary receives the necessary documentation. **Shareholders whose Shares are registered in the name of a broker, investment dealer, bank, trust company or other nominee must contact their nominee holder to arrange for the surrender of their Shares**.

*Residency Status and Withholding*

Each Shareholder will be required in the applicable Letter of Transmittal to represent and warrant that such Shareholder is, or is not, a non-resident of Canada for the purposes of the Tax Act. Each Shareholder who is a non-resident of Canada for the purposes of the Tax Act should deliver, together with the applicable Letter of Transmittal and such other required documents and certificates, as applicable, a clearance certificate issued by the CRA under Section 116 of the Tax Act (and provincial clearance certificates issued by any relevant provincial tax authority under analogous provisions of applicable provincial income tax legislation) satisfactory to the Corporation in respect of the disposition of the holder's fractional interest in a New Common Share or New Series II Preference Shares, as applicable, pursuant to the Consolidation. **Such clearance certificate should be delivered even if the non-resident Shareholder is not taxable on the disposition of the Shares.**

Each Shareholder who is a nominee or agent (such as a stock broker) holding legal title to Shares on behalf of one or more beneficial owners is required to indicate in a letter attached to the applicable Letter of Transmittal how many of such shares are held on behalf of beneficial owners who are non-residents of Canada for the purposes of the Tax Act, the name of such beneficial owners and the number of the Shares so held on behalf of each such beneficial owner. In respect of each such non-resident beneficial owner, the nominee or agent should deliver a clearance certificate issued by the CRA under Section 116 of the Tax Act (and provincial clearance certificates issued by any relevant provincial tax authority under analogous provisions of applicable provincial income tax legislation) satisfactory to the Corporation in respect of the disposition of the holder's fractional interest in a New Common Share or New Series II Preference Shares, as applicable, pursuant to the Consolidation, as more fully described above. In the event that the nominee or agent fails to deliver the requisite clearance certificate described above with a Letter of Transmittal, the Corporation intends to deduct and withhold from the Common Share Consideration or Preferred Share Consideration otherwise payable to any such holder such amounts as the Corporation may become liable for under Canadian income tax law.

Unless the Depositary receives from a non-resident Shareholder or from a nominee or agent of a non-resident Shareholder, as the case may be, a clearance certificate relating to the payment of the Common Share Consideration or Preferred Share Consideration on the Consolidation (which certificate must be satisfactory to the Corporation in its sole discretion and must set out a ''certificate limit'' that is not less than the aggregate Common Share Consideration and/or Preferred Share Consideration, as applicable, to be received by such Shareholder), the Depositary intends to withhold, on behalf of the Corporation, from the Common Share Consideration and/or Preferred Share Consideration, as applicable, to be received by such Shareholder as tax for the account of the non-resident Shareholder, the amount for which the Corporation may become liable under Section 116 of the Tax Act (and any analogous provision of provincial income tax legislation). If a satisfactory clearance certificate has not been received by the Corporation before the third Business Day before the 30th day of the month following the month in which the Consolidation occurs, the Corporation will remit to the CRA and the appropriate provincial tax authorities, the amount required to be remitted. Similar withholdings and remittances will apply to:

(a) a Shareholder who fails to represent and warrant whether such Shareholder is, or is not, a non-resident of Canada for the purposes of the Tax Act; and

(b) the beneficial owner of Shares held by nominees or agents who fail to deliver with the applicable Letter of Transmittal a letter indicating how many of such Shares are held on behalf of beneficial owners who are non-residents of Canada for the purposes of the Tax Act, the name of such beneficial owners and the number of the Shares so held on behalf of each such beneficial owner.

**Non-resident Shareholders are urged to contact their own tax advisors as soon as possible in order to obtain advice and assistance in connection with the application for a clearance certificate under Section 116 of the Tax Act (and any analogous clearance certificate from the corresponding provincial tax authorities), as the process of obtaining such a certificate may take several weeks.**

*Lost Certificates*

A Shareholder who has lost or misplaced such Shareholder's Share certificate(s) should complete the applicable Letter of Transmittal as fully as possible and forward it, together with a letter describing the loss, to the Depositary. The Depositary will assist in making the necessary arrangements to establish proper entitlement (which may include an affidavit and a bonding requirement) for payment of the Common Share Consideration or delivery of the Preferred Share Consideration in accordance with the terms of the Consolidation.

*Method of Delivery*

The method of delivery of share certificates or the Letters of Transmittal, and all other required documents is at the option and risk of the person delivering them. The Corporation recommends that such documents be delivered by hand to the Depositary, at the offices noted in the Letters of Transmittal, and a receipt obtained therefore, or if mailed, that registered mail, with return receipt requested, be used.

Shareholders holding Shares that are registered in the name of a broker, investment dealer, bank, trust company or other nominee must contact their nominee holder to arrange for the surrender of their Shares.

*Payment and Delivery of the Consideration*

Assuming due delivery of the required documentation, as soon as practicable: (A) after the Effective Date, the Depositary will forward, or cause to be forwarded: (i) cheques for the Initial Payment, without interest, to which a Shareholder is entitled; and (ii) share certificates for the Preferred Share Consideration to which a Shareholder is entitled; and (B) if applicable, after the Updated Valuation Delivery Date, the Depositary will forward, or cause to be forwarded cheques for the Final Payment, without interest, to which a Shareholder is entitled, in each case, by first class mail to the address of the Shareholder as specified in the applicable Letter of Transmittal, unless the Shareholder indicates to the Depositary that he or she wishes to pick up the cheque(s) and/or share certificate(s) representing the Common Share Consideration and the Preferred Share Consideration, as applicable, in which case the cheques and/or share certificate(s) will be available at the Toronto offices of the Depositary for pick-up by such holder. Under no circumstances will interest be payable on the Common Share Consideration by reason of any delay in paying the Common Share Consideration (or any part thereof) or otherwise.

*Prescription Period*

Any certificate which prior to the Effective Date represented issued and outstanding Shares which has not been surrendered with all other instruments required by the Letters of Transmittal on or prior to the sixth anniversary of the Effective Date will cease to represent any claim or interest of any kind or nature against the Corporation, the Depositary or their respective successors.

*Determination of Validity*

All questions as to the delivery and surrender of certificates, the delivery and form of documents and the validity, eligibility (including time of receipt) and acceptance for payment of any delivery and surrender of certificates will be determined by the Corporation, in its sole discretion, which determination shall be final and binding on all parties.

The Corporation reserves the absolute right to reject any or all deliveries and surrenders of share certificates, Letters of Transmittal and any other requisite documentation determined by it not to be in proper form or the acceptance for payment of or payment for which may, in the opinion of the Corporation's counsel, be unlawful. The Corporation also reserves the absolute right to waive any of the conditions of the delivery and surrender of share certificates or any defect or irregularity in any delivery or surrender of share certificates. No delivery and surrender of share certificates will be deemed to be properly made until all defects and irregularities have been cured or waived. None of the Corporation, the Depositary or any other person will be under any duty or obligation to give notification of any defect or irregularity in deliveries and surrenders or incur any liability for failure to give any such notice. The Corporation's interpretation of the terms and conditions of the Consolidation (including, without limitation, the delivery and surrender of share certificates and Letters of Transmittal) will be final and binding on all parties.

### Judicial Developments

Prior to the pronouncement of OSC Rule 61-501 and Policy Q-27, Canadian courts had, in a few instances, granted preliminary injunctions to enjoin transactions which constituted ''business combination'' or ''going private'' transactions within the meaning of OSC Rule 61-501 and Policy Q-27, respectively. The current trend in both legislation and in Canadian jurisprudence is towards permitting ''business combination'' or ''going private'' transactions to proceed subject to compliance with requirements intended to ensure procedural and substantive fairness to the minority shareholders.

Shareholders should consult their legal advisors for a determination of their legal rights with respect to any transaction which may constitute a ''business combination'' or ''going private'' transaction.

## CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is, in the opinion of Fogler, Rubinoff LLP, Canadian counsel to the Corporation, a summary of the principal Canadian federal income tax considerations under the Tax Act, as of the date hereof, generally applicable to a Shareholder in respect of the Consolidation and in respect of the PS Dividend.

This summary is generally applicable to Shareholders who, for purposes of the Tax Act, hold their Shares (including International A Shares to be distributed to Preferred Shareholders on the PS Consolidation) and CCPRs as capital property, and who deal at arm's length and are not affiliated with the Corporation. The Shares, the International A Shares and the CCPRs will generally constitute capital property to a holder thereof unless the holder holds such securities in the course of carrying on a business, or the holder has acquired such securities in a transaction or transactions considered to be an adventure in the nature of trade. Certain holders whose Shares might not otherwise qualify as capital property may be entitled to obtain such qualification in certain circumstances by making the election permitted by subsection 39(4) of the Tax Act. This summary does not apply to a Shareholder who is a non-resident insurer or a ''specified financial institution'' as defined in the Tax Act, is otherwise a ''financial institution'' subject to the mark-to-market rules contained in the Tax Act, a Shareholder in respect of which International is or will be a ''foreign affiliate'' within the meaning of the Tax Act or a Shareholder who acquired Shares on the exercise of employee or director stock options. Such Shareholders should consult their own tax advisors regarding their particular circumstances.

This summary is based on the current provisions of the Tax Act and counsel's understanding of the current publicly available statements of the administrative practices of the CRA. The summary takes into account all proposed amendments (the ''**Tax Proposals**'') to amend the Tax Act and the regulations thereto publicly announced by the Minister of Finance (Canada) prior to the date hereof but there is no certainty that the Tax Proposals will be enacted in the form proposed, if at all. The summary does not otherwise take into account or anticipate any changes in law or in the CRA's practices, whether by judicial, governmental or legislative decisions or action, nor does it take into account tax legislation or considerations of any province, territory or foreign jurisdiction. The provisions of provincial income tax legislation vary from province to province in Canada and in some cases differ from federal income tax legislation.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Shareholder, and no representations with respect to the income tax consequences to any particular Shareholder are made. Accordingly, Shareholders should consult their own tax advisors for advice with respect to the tax consequences to them of the Consolidation and the PS Dividend in their particular circumstances, including the application and effect of the income and other tax laws of any country, province, state or local tax authority.**

**Residents of Canada**

The following summary is only applicable to Shareholders who are resident or are deemed to be resident in Canada for purposes of the Tax Act.

*PS Dividend*

In the case of a Preferred Shareholder who is an individual, the amount of the PS Dividend received by such Preferred Shareholder will be included in computing such Preferred Shareholder's income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations under the Tax Act. The receipt of the PS Dividend may give rise to liability for alternative minimum tax.

In the case of a Preferred Shareholder that is a corporation, the amount of the PS Dividend received will be included (subject to the potential application of subsection 55(2) of the Tax Act as discussed below) in computing such Preferred Shareholder's income and generally will be deductible in computing taxable income. Under subsection 55(2) of the Tax Act, a Preferred Shareholder that is a corporation may be required to recognize all or a portion of the PS Dividend received as a capital gain from the disposition of a capital property. Preferred Shareholders that are corporations should consult with their tax advisors.

A Preferred Shareholder which is a ''private corporation'' as defined in the Tax Act (or any other corporation resident in Canada and controlled by or for the benefit of an individual or a related group of individuals) may be liable to pay a refundable tax under Part IV of the Tax Act in respect of the PS Dividend.

*CS Consolidation and CCPRs*

On the payment of the Common Share Consideration in lieu of a fractional New Common Share arising on the CS Consolidation, a Common Shareholder will not be considered to have received a dividend (by virtue of the Corporation's status as a ''mutual fund corporation'' under the Tax Act), but will be considered to have disposed of the Common Shareholder's Common Shares for proceeds of disposition equal to the fair market value of the consideration so received. Each Common Shareholder will realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition of the Common Shares, net of any reasonable costs of disposition, to the Common Shareholder exceeds (or are less than) the adjusted cost base of the Common Shares.

The proceeds of disposition of the Common Shares will be equal to the aggregate of the amount of cash and the fair market value at the time of receipt of CCPRs received by a Common Shareholder for his or her Common Shares. The cost of a CCPR to a Common Shareholder will be equal to such fair market value. As the amount to be received as a result of the CCPRs, if any, is uncertain, the fair market value thereof is unclear. Common Shareholders will be required to value the CCPRs based on all available facts and circumstances at the Effective Time. Although not free from doubt, a Common Shareholder who disposes of a CCPR may realize a capital gain (or capital loss) to the extent that the proceeds received therefor, net of any costs of disposition, exceed (or are less than) the adjusted cost base of the CCPR to the Common Shareholder. A Common Shareholder who receives an interim payment under a CCPR may realize a capital gain to the extent that the amount of the payment exceeds the portion of the adjusted cost base of the CCPR to the Common Shareholder that is reasonably attributable to that payment. It is possible, however, that all amounts received by a Common Shareholder in respect of a CCPR would be treated as ordinary income.

A Common Shareholder may be required to include in income for a particular taxation year the portion of the net income of the CCPR Trust for a taxation year, including ordinary income or the taxable part of net realized capital gains, regardless of whether or not a Common Shareholder receives a cash payment from the CCPR Trust in such taxation year in respect of a CCPR.

*PS Consolidation*

By virtue of the PS Consolidation, the Preferred Shareholders will receive a certain number of International A Shares. A Preferred Shareholder will not be considered to have received a dividend (by virtue of the Corporation's status as a ''mutual fund corporation'' under the Tax Act), but will be considered to have disposed of the Preferred Shareholder's Series II Preference Shares for proceeds of disposition equal to the fair market value of the International A Shares so received immediately prior to the Effective Time. Each Preferred Shareholder will realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition of the Series II Preference Shares, net of any reasonable costs of disposition, to the Preferred Shareholder exceeds (or are less than) the adjusted cost base of the Series II Preference Shares.

The cost of an International A Share so acquired by a Preferred Shareholder will be equal to the fair market value of the International A Share immediately prior to the Effective Time. The adjusted cost base of an International A Share will be averaged with the cost of all other International A Shares held by the Preferred Shareholder at that time as capital property.

*Tax Treatment of Capital Gains and Capital Losses*

A Shareholder will be required to include in income one-half of the amount of any capital gain (a ''**taxable capital gain**'') resulting from the disposition and will be required to deduct one-half of the amount of any capital loss (an ''**allowable capital loss**'') against taxable capital gains realized by the Shareholder in the year of disposition. Allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding years or carried forward and deducted in any following year against taxable capital gains realized in such years to the extent and under the circumstances described in the Tax Act.

Taxable capital gains realized by a Canadian-controlled private corporation may be subject to an additional $6\frac{2}{3}\%$ refundable tax. Capital gains realized by an individual, including a trust other than certain specified trusts, may give rise to alternative minimum tax under the Tax Act.

In the case of a Shareholder that is a corporation, the amount of any capital loss otherwise determined resulting from the disposition of the Shareholder's fractional interest in a Share may be reduced by the amount of dividends previously received or deemed to have been received thereon in accordance with the detailed provisions of the Tax Act in that regard. Analogous rules may apply where a corporation is a member of a partnership or a beneficiary of a trust which owns a fractional interest in a Share. These rules also apply where a trust or partnership (of which a corporation is a beneficiary or a member) is a member of a partnership or beneficiary of a trust that owns a fractional interest in a Share.

*Deferred Plans and Foreign Property*

A CCPR will not constitute a ''qualified investment'' for a trust governed by a registered retirement savings plan (''**RRSP**''), a registered retirement income fund (''**RRIF**''), a deferred profit sharing plan (''**DPSP**'') (collectively, the ''**Deferred Plans**'') or a registered education savings plan (''**RESP**''). As a result, if a trust governed by an RRSP or RRIF acquires a CCPR, the fair market value thereof at the time it was acquired by the trust must be included in the income of the annuitant under the RRSP or RRIF, as the case may be. If such a trust subsequently disposes of the CCPR, the annuitant is entitled to a deduction equal to the lesser of the amount previously included in the income of the annuitant and the proceeds of disposition of the CCPR. A trust governed by an RRSP or RRIF will be subject to tax on the income, including capital gains, earned from the CCPR. If a trust governed by a DPSP acquires a CCPR, the trust must pay a special tax equal to the fair market value of the CCPR at the time of acquisition. Upon a subsequent disposition of the CCPR, the trust would be entitled to a refund equal to the lesser of the amount of the special tax previously imposed and the proceeds of disposition of the CCPR. If a trust governed by an RESP acquires a CCPR, the trust must pay a special tax equal to 1% of the fair market value of the CCPR at the end of each month in which such trust holds the CCPR. **Common Shareholders that are trusts governed by an RRSP, RRIF, DPSP or RESP should consult their tax advisors with respect to the tax consequences to them (and to the annuitants, beneficiaries or subscribers thereunder) of holding CCPRs, including the potential advantages to them of selling their Common Shares prior to the Effective Date.**

As at the date hereof, the International A Shares would constitute a ''qualified investment'' for Deferred Plans and RESPs by virtue of such shares being listed on the New York Stock Exchange.

The International A Shares will constitute ''foreign property'' for purposes of the Tax Act. Deferred Plans and certain other investors generally exempt from tax will be subject to the tax under Part XI of the Tax Act if, at the end of any month, the cost amount (as defined in the Tax Act) of foreign property held by such investor exceeds, generally, 30% of the total cost amount of all property held by it. RESPs are not subject to the foreign property rules. The CCPRs would constitute ''foreign property'' for purposes of the Tax Act. Tax Proposals released on February 23, 2005 will, if enacted, eliminate the foreign property rule limits for 2005 and subsequent calendar years.

*Dividends on International A Shares*

The Canadian dollar equivalent of any dividends received (before deduction of any withholding tax as may be applicable) by a holder on International A Shares will be included in computing income. Such dividends received by a holder who is an individual will not be eligible for the dividend tax credit. Such dividends received by a holder that is a corporation will not be eligible for the intercorporate dividend deduction in the Tax Act.

Subject to certain limitations, withholding tax as may be imposed by the United States on dividends paid by International will be treated as foreign income tax which may be eligible for credit against the holder's Canadian federal income tax or as a deduction in computing the holder's income.

A holder that is a ''Canadian controlled private corporation'' (as defined in the Tax Act) may be liable to pay an additional refundable tax of $6\frac{2}{3}$% with respect to dividends received on the International A Shares.

*Disposition of International A Shares*

The tax consequences to a holder on the disposition of International A Shares will generally be the same as that described under the heading ''— Tax Treatment of Capital Gains and Capital Losses'' above.

*Foreign Investment Entity Tax Proposals*

The Preferred Shareholders will receive International A Shares pursuant to the PS Consolidation.

On October 30, 2003, revised Tax Proposals were released regarding the taxation of certain interests held by Canadian residents in certain non-resident entities (e.g. International) which will be applicable for taxation years commencing after 2002 (the ''**FIE Proposals**''). If the FIE Proposals are enacted as proposed, where a Canadian resident holds shares, other than shares that are an ''exempt interest'', in a corporation that constitutes a ''foreign investment entity'' at the corporation's taxation year-end, the Canadian resident generally will be required to either (i) include in income for the Canadian resident's taxation year that includes such year-end an amount determined as a prescribed percentage of the Canadian resident's designated cost of such shares at the end of each month ending in the Canadian resident's taxation year at which time the shares were held by the Canadian resident, or (ii) in certain circumstances, include in (or deduct from) income on an annual basis any increase (or decrease) in the value of that interest. International will not be a foreign investment entity at the end of its taxation year if, at that time, the carrying value of all of its investment property is not greater than one-half of the ''carrying value'' of all of its property, or if its principal undertaking is not an ''investment business'', within the meaning of those terms in the FIE Proposals. It is unclear whether International currently is a ''foreign investment entity'' within the meaning of the FIE Proposals and no assurances can be given as to its status in the future.

In any event, the FIE Proposals will not apply in a taxation year of a holder, if at the end of the taxation year of International that ends in such year, the International A Shares are ''exempt interests''. The International A Shares will constitute exempt interests at a particular time if:

(a) it is reasonable to conclude that the holder has, at that time, no ''tax avoidance motive'' (within the meaning of the FIE Proposals) in respect of the such shares;

(b) throughout the period, in International's taxation year that includes that time, during which the holder held the shares in International, it is resident for purposes of the Tax Act in a country in which there is a prescribed exchange (which includes the United States) and such shares are listed on a prescribed stock exchange (which includes the New York Stock Exchange); and

(c) throughout such period, the shares are an ''arm's length interest'' of the holder within the meaning of the FIE Proposals.

The determination of whether a holder will have a tax avoidance motive in respect of the International A Shares within the meaning of the FIE Proposals will depend upon the particular circumstances of the holder. Based upon a certificate of an officer of the Corporation, Fogler, Rubinoff LLP, Canadian counsel for the Corporation, is of the view, that the International A Shares would, as at the date hereof, qualify as an arm's length interest in respect of a Preferred Shareholder for purposes of the FIE Proposals, so long as the aggregate fair market value of all International A Shares that are held by the holder, or an entity or individual with whom the holder does not deal at arm's length, does not exceed 10% of the fair market value of all of the issued and outstanding International A Shares. However, no assurances can be given that the International A Shares will qualify as an arm's length interest at any time in the future.

*Foreign Property Information Reporting*

A holder that is a ''specified Canadian entity'' for a taxation year or a fiscal period and whose total cost amount of ''specified foreign property'', including International A Shares, at any time in the year or fiscal period exceeds

$100,000 (as such terms are defined in the Tax Act) will be required to file an information return for the year or period disclosing prescribed information. Subject to certain exceptions, a Preferred Shareholder in the year will be a specified Canadian entity. The Preferred Shareholders should consult their own tax advisors about whether they must comply with these rules.

*Dissenting Shareholders*

Dissenting Shareholders will be considered to have disposed of their Shares (as opposed to their fractional interests in a Share) for proceeds of disposition equal to the amount paid by the Corporation to the Dissenting Shareholder, less the amount of any interest awarded by the court. Provided the Corporation is a ''mutual fund corporation'' under the Tax Act at the time payment is made to a Dissenting Shareholder, the tax consequences to a Dissenting Shareholder will generally be the same as those described under the headings ''— CS Consolidation'' and ''— PS Consolidation'' above, as the case may be, except that any amount received or receivable on account of interest will be fully included in the Dissenting Shareholder's income. Although it is anticipated that the Corporation will continue to maintain its status as a ''mutual fund corporation'' under the Tax Act, if the Corporation is not a ''mutual fund corporation'' under the Tax Act at the time payment is made to a Dissenting Shareholder, the tax consequences may be materially different than those described under the headings ''— CS Consolidation'' and ''— PS Consolidation'' above.

**Non-Residents of Canada**

The following summary is only applicable to Shareholders who are neither resident nor deemed to be resident in Canada for purposes of the Tax Act, who do not use or hold, and are not deemed to use or hold, their Shares in connection with carrying on a business in Canada, and whose Shares do not constitute ''taxable Canadian property'' for the purposes of the Tax Act (each such Shareholder being a ''**Non-Resident Holder**''). The Shares of a Non-Resident Holder will not constitute ''taxable Canadian property'' unless: (a) at any time during the period of five years immediately preceding the date such Shares are consolidated, 25% or more of the issued Shares of any class or series of the capital stock of the Corporation were owned by the Non-Resident Holder, by persons with whom the Non-Resident Holder did not deal at arm's length or by any combination thereof; (b) the Non-Resident Holder had an interest in or option in respect of property described in (a); or (c) the Non-Resident Holder's Shares are deemed to be ''taxable Canadian property'' under the Tax Act.

A Non-Resident Holder will not be subject to any Canadian capital gains tax with respect to the cancellation of Shares on the Consolidation. However, a Non-Resident Holder may realize a capital gain or loss with respect to the disposition of the Shareholder's fractional interest in a Share. Since fractional interests in a share may not be interests in shares listed on any stock exchange, a right to receive proceeds in lieu of the issuance of a fractional interest in a New Common Share or New Series II Preference Share held by a Non-Resident Holder may be ''taxable Canadian property'' for purposes of the Tax Act, notwithstanding that the Non-Resident Holder's Shares do not constitute ''taxable Canadian property''. In addition, a right to receive proceeds in lieu of the issuance of a fractional interest in a New Common Share or New Series II Preference Share may not constitute ''excluded property'' within the meaning of subsection 116(6) of the Tax Act. As a result, any capital gain realized by a Non-Resident Holder on such disposition may be subject to tax under the Tax Act unless such gain is exempted from Canadian tax by the application of an applicable income tax treaty. Accordingly, unless the Non-Resident Holder provides the Corporation with a satisfactory certificate under section 116 of the Tax Act prior to the date cash payment is made by the Corporation, the Corporation intends to withhold and remit as tax for the account of the Non-Resident Holder 25% of the amount that the Non-Resident Holder is entitled to receive (determined before withholding taxes). **Non-Resident Holders should consult their own tax advisors concerning section 116 of the Tax Act and their ultimate Canadian tax liability, including the potential advantages to them of selling their Shares prior to the Effective Date of the Consolidation.**

A Non-Resident Holder who is entitled to the PS Dividend will be subject to non-resident withholding tax under the Tax Act at the rate of 25% of the amount of the dividend, subject to reduction under the provisions of an applicable income tax treaty. For example, under the *Canada-United States Income Tax Convention*, the rate of withholding tax is generally reduced to 15% in respect of dividends paid to a person who is a beneficial owner thereof and who is a resident of the United States for the purposes of the Convention.

## CERTAIN U.S. TAX CONSEQUENCES FOR SHAREHOLDERS THAT ARE NOT U.S. PERSONS OF OWNING INTERNATIONAL A SHARES AS A RESULT OF THE PS CONSOLIDATION

*Dividends*

Except as described below, if a Preferred Shareholder becomes a holder of International A Shares pursuant to the PS Consolidation and such Preferred Shareholder is not a U.S. person for U.S. federal income tax purposes, dividends paid to the Preferred Shareholder are subject to withholding of U.S. federal income tax at a 30% rate or at a lower rate if the Preferred Shareholder is eligible for the benefits of an income tax treaty that provides for a lower rate. Even if eligible for a lower treaty rate, the payor of the dividend will generally be required to withhold at a 30% rate (rather than the lower treaty rate) on dividend payments, unless the payor is furnished with:

(i) a valid Internal Revenue Service Form W-8BEN or an acceptable substitute form upon which a holder certifies, under penalties of perjury, his or her status as (or, in the case of a United States alien holder that is a partnership or an estate or trust, such forms certifying the status of each partner in the partnership or beneficiary of the estate or trust as) a non-United States person and his or her entitlement to the lower treaty rate with respect to such payments; or

(ii) in the case of payments made outside the United States to an offshore account (generally, an account maintained by the holder at an office or branch of a bank or other financial institution at any location outside the United States), other documentary evidence establishing entitlement to the lower treaty rate in accordance with U.S. Treasury regulations.

If a holder is eligible for a reduced rate of United States withholding tax under a tax treaty, such holder may obtain a refund of any amounts withheld in excess of that rate by filing a refund claim with the United States Internal Revenue Service.

If dividends paid to a holder are ''effectively connected'' with such holder's conduct of a trade or business within the United States, and, if required by a tax treaty, the dividends are attributable to a permanent establishment that the holder maintains in the United States, the ''effectively connected'' dividends are taxed at rates generally applicable to United States citizens, resident aliens and domestic United States corporations. In general, no tax is required to be withheld from such ''effectively connected'' dividends, provided that the holder furnishes a valid Form W-8ECI to the payor of dividends.

If a holder is a corporate holder of International A Shares that is not a U.S. person for U.S. federal income tax purposes, ''effectively connected'' dividends that the holder receives may, under certain circumstances, be subject to an additional ''branch profits tax'' at a 30% rate or at a lower rate if the holder is eligible for the benefits of an income tax treaty that provides for a lower rate.

*Disposition of International A Shares*

If a Preferred Shareholder becomes a holder of International A Shares pursuant to the PS Consolidation and such Preferred Shareholder is not a U.S. person for U.S. federal income tax purposes, such Preferred Shareholder generally will not be subject to U.S. federal income tax on gain that he or she recognizes on a disposition of International A Shares unless:

(i) the gain is ''effectively connected'' with such Preferred Shareholder's conduct of a trade or business in the United States, and the gain is attributable to a permanent establishment that the Preferred Shareholder maintains in the United States, if that is required by an applicable income tax treaty as a condition for subjecting the Preferred Shareholder to United States taxation on a net income basis;

(ii) the Preferred Shareholder is an individual, he or she holds International A Shares as a capital asset, he or she is present in the United States for 183 or more days in the taxable year of the sale and certain other conditions exist; or

(iii) International is or has been a United States real property holding corporation for federal income tax purposes and the Preferred Shareholder held, directly or indirectly, at any time during the five-year period ending on the date of disposition, more than 5% of the International A Shares and such Preferred Shareholder is not eligible for any treaty exemption.

If such Preferred Shareholder is a corporate holder of International A Shares that is not a U.S. person for U.S. federal income tax purposes, ''effectively connected'' gains that it recognizes may also, under certain circumstances, be subject to an additional ''branch profits tax'' at a 30% rate or at a lower rate if the Preferred Shareholder is eligible for the benefits of an income tax treaty that provides for a lower rate.

*Backup Withholding and Information Reporting*

In general, backup withholding and information reporting requirements may apply unless, if a Preferred Shareholder becomes a holder of International A Shares pursuant to the PS Consolidation and such Preferred Shareholder is not a U.S. person for U.S. federal income tax purposes, such Preferred Shareholder satisfies certain documentary requirements establishing his or her non-U.S. status or he or she otherwise establishes an exemption.

A holder generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed his or her income tax liability by filing a refund claim with the United States Internal Revenue Service.

*Federal Estate Taxes*

International A Shares held by a holder that is not a U.S. person for U.S. federal tax purposes at the time of death will be included in the holder's gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

## RIGHT OF DISSENT

Under Section 190 of the CBCA: (a) a registered holder of Common Shares may dissent in respect of the CS Consolidation Resolution to approve the CS Consolidation; and (b) a registered holder of Series II Preference Shares may dissent in respect of the CS Consolidation Resolution and the PS Consolidation Resolution to approve the CS Consolidation and the PS Consolidation, respectively. If the CS Consolidation and the PS Consolidation (or either one of them) are completed, Dissenting Shareholders who strictly comply with procedures set forth in the CBCA will be entitled to be paid the fair value of their Shares. This right of dissent is summarized in Appendix D to this Circular and Section 190 of the CBCA is set forth in Appendix E to this Circular. **It is recommended that a Shareholder wishing to exercise a right of dissent seek legal advice, as failure to comply strictly with the requirements set forth in Section 190 of the CBCA may result in the loss or unavailability of any right to dissent.**

## EXPENSES OF THE CONSOLIDATION AND SOURCE OF FUNDS

Subject to the agreement of RCL to reimburse the Corporation for all reasonable fees and expenses incurred by the Corporation in connection with the Enabling Transactions and the Consolidation noted below, the Corporation will pay all costs and expenses relating to the Enabling Transactions and the Consolidation, including legal, accounting, filing and printing costs, the costs associated with obtaining the Valuation and the Updated Valuation and the costs incurred in connection with the preparation of the Circular. The amount of such costs is expected to be approximately $5.5 million, which includes $1 million in payment to GMP in respect of providing the Valuation. Assuming that no further Common Shares are submitted for retraction other than the 395,665 Common Shares submitted for retraction as of March 4, 2005 and such Common Shares are processed following receipt of the Common Share Approvals for an aggregate price of approximately $3.56 million, the Common Share Consideration paid following the completion of the CS Consolidation, the aggregate Initial Payment of which is expected to total approximately $54.6 million, will be funded by internal cash flows of the Corporation and/or from funds obtained pursuant to the issuance of additional Senior Secured Notes in connection with the Debt Commitments.

RCL has entered into arrangements with the Corporation that provide that if the requisite approvals of the Common Shareholders are not obtained for any reason by March 31, 2005, RCL will reimburse the Corporation for all of the reasonable fees and expenses incurred by the Corporation in connection with the Enabling Transactions and the proposed Consolidation, including the fees and expenses of GMP in respect of providing the Valuation, the Independent Valuator in respect of the Updated Valuation, legal counsel for GMP and legal counsel for the Independent Privatization Committee. In connection with the foregoing, RCL provided the Corporation with security in the form of a general security agreement.

## INTEREST OF CERTAIN PERSONS IN THE CONSOLIDATION

RCL holds, directly or indirectly, 27,363,170 Common Shares, representing approximately 78.3% of all issued and outstanding Common Shares and 66,963 Series II Preference Shares, representing approximately 3.9% of all issued and outstanding Series II Preference Shares. Pursuant to the Consolidation, the Corporation will become a wholly-owned, direct and indirect, subsidiary of RCL. None of the current members of the Board holds or exercises control or direction over, directly or indirectly, any Common Shares or Series II Preference Shares other than Peter G. White, who is an indirect shareholder of RCL and a director and officer of RCL. In view of the foregoing, Peter G. White declared his indirect interest in connection with the approval by the Board of Directors of the Consolidation and related matters.

## EFFECT OF THE CONSOLIDATION ON MARKETS AND LISTING

In the event that either or both of the CS Consolidation Resolution and the PS Consolidation Resolution are passed, it is intended that, on or shortly after the Effective Date, 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 Preferred Shareholders 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. Upon such order being issued, the Corporation would no longer be subject to the ongoing disclosure and other obligations currently imposed in Canada upon the Corporation as a reporting issuer. In the event that the requisite approval of the Preferred Shareholders is not obtained in respect of the PS Consolidation Resolution, there can be no assurance that such order would be issued.

## INFORMATION REGARDING THE CORPORATION

### General

The Corporation is the continuing company, under the CBCA, resulting from the 1985 amalgamation of Argcen Holdings Inc., Hollinger Argus Limited (incorporated June 28, 1910) and Labmin Resources Limited. The registered office of the Corporation is 10 Toronto Street, Toronto, Ontario M5C 2B7. The Corporation is a ''mutual fund corporation'' under the Tax Act.

The Corporation's principal asset is its interest in International, which is a newspaper publisher, the assets of which include the *Chicago Sun-Times*, a large number of community newspapers in the Chicago area and a portfolio of news media investments, and a portfolio of revenue-producing and other commercial real estate in Canada, including its head office building located at 10 Toronto Street, Toronto, Ontario. As of March 4, 2005, the Corporation owned, directly or 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.

### Capital Structure

The authorized capital of the Corporation consists of an unlimited number of preference shares, issuable in series, an unlimited number of Common Shares, an unlimited number of exchangeable non-voting preference shares Series I, an unlimited number of Series II Preference Shares and an unlimited number of Series III Preference Shares. As of March 4, 2005, 34,945,776 Common Shares and 1,701,995 Series II Preference Shares were issued and outstanding. Each of the Shares is retractable at the option of the holder. See ''Information Regarding the Consolidation and Going Private Transaction — Retractions Status of Common Shares''. The outstanding Common Shares and Series II Preference Shares are listed on the TSX under the symbols ''HLG.C'' and ''HLG.PR.B'', respectively.

### Senior Secured Notes

The Corporation has outstanding US$93.0 million aggregate principal amount of Senior Secured Notes. The Senior Secured Notes are guaranteed by RMI, a wholly-owned subsidiary of RCL, and by an indirect wholly-owned subsidiary of the Corporation. The Senior Secured Notes are secured by, among other things, a first priority lien on 14,990,000 International B Shares owned, directly or indirectly, by the Corporation. Under the terms of the Senior Secured Notes, the Corporation is subject to certain financial covenants and other restrictions.

As part of the terms of the Senior Secured Notes, the Corporation was required to cause an exchange offer registration statement to be declared effective with the SEC under the U.S. Securities Act by November 4, 2003. Registration of the securities is not being sought at this time. As a result of this registration default, the annual interest rate on the Senior Secured Notes increased by 0.5% per year from November 4, 2003. The annual interest rate increased by an additional 0.5% per year on February 2, 2004, resulting in a maximum additional interest rate of 1.0%

per year over the $11\frac{7}{8}\%$ interest rate on the Senior Secured Notes until all registration defaults are cured. If and when the Corporation cures this registration default, the interest rate on the Senior Secured Notes will revert immediately to the original level.

**Ownership of Securities of the Corporation**

None of the directors and executive officers of the Corporation, or, to the knowledge of the Corporation or such directors and executive officers, after reasonable enquiry, (i) their respective associates, (ii) any person or company holding more than 10% of any class of equity securities of the Corporation, or (iii) any person or company acting jointly or in concert with the Corporation or RCL, beneficially owns, directly or indirectly, or controls or exercises direction over, any securities of the Corporation, except for RCL, which beneficially owns, directly or indirectly, or exercises control or direction over, a total of 27,363,170 Common Shares or approximately 78.3% of the outstanding Common Shares. Conrad (Lord) Black, a former director and executive officer of the Corporation, indirectly controls RCL and therefore beneficially owns, directly or indirectly, or exercises control or direction over, approximately 78.3% of the outstanding Common Shares. The address of RCL is 10 Toronto Street, Toronto, Ontario M5C 2B7. Peter G. White, a director and executive officer of the Corporation, is an indirect shareholder, officer and director of RCL.

**Management and Insider Cease Trade Orders**

On May 18, 2004, as a result of the failure by each of the Corporation and International in filing financial statements pursuant to the OSA, the OSC issued temporary cease trade orders that prohibited certain current and former directors, officers and insiders of each of the Corporation and International from trading in securities of the Corporation and International, as applicable, subject to certain exceptions. On June 1, 2004, the OSC issued final cease trade orders prohibiting certain current and former directors, officers and insiders of the Corporation (the ''**Hollinger MICTO**'') and International (the ''**International MICTO**'') from trading in securities of the Corporation and International, as applicable (subject to certain exceptions), until two full business days after the Corporation's or International's, as applicable, required filings with the OSC are brought up to date in compliance with Ontario securities law.

As a result of the terms of the International MICTO, in order to effect the PS Consolidation and the delivery of the International A Shares owned, directly or indirectly, by the Corporation to holders of Series II Preference Shares in connection therewith, the Corporation must obtain from the OSC an order to vary the International MICTO to permit the trades of International A Shares contemplated by the PS Consolidation. The completion of the PS Consolidation is subject to the International MICTO having been varied as at the Effective Time. Work is in progress in order to obtain the required variation to the International MICTO.

Certain holders of the Shares are currently subject to the Hollinger MICTO. In order to effect the CS Consolidation and/or the PS Consolidation, the Corporation may be required to obtain from the OSC an order to vary the Hollinger MICTO. In the event that such variation is required, the Corporation intends to seek and obtain the appropriate orders by the time of the holding of the Meeting.

**Inspection**

Pursuant to the order of Mr. Justice Colin L. Campbell of the Court, Ernst & Young Inc. (the ''**Inspector**'') was appointed as inspector pursuant to subsection 229(1) of the CBCA to conduct an investigation of certain of the affairs of the Corporation, as requested by Catalyst (the ''**Inspection**''). The Inspector 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 the Corporation (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. The Inspector is continuing the Inspection. As of March 4, 2005, the Inspector has provided six interim reports to the Court with respect to the Inspection. Irrespective of whether the Consolidation is completed or not, the Inspection will continue until it is completed in accordance with the order of the Court and a final report of the Inspector is submitted to the Court.

**Commitments to Acquire Securities of the Corporation**

Other than pursuant to the Consolidation and retractions of the Shares pursuant to the articles of the Corporation, there are no commitments to acquire equity securities of the Corporation by the Corporation or, to the knowledge of the Corporation and its directors and executive officers, after reasonable enquiry, by: (i) any of the directors or executive officers of the Corporation; (ii) any of the respective associates of the directors and executive officers of the Corporation; (iii) by any person or company who beneficially owns (directly or indirectly) more than 10% of any class of the Corporation's equity securities (including RCL); or (iv) by any person or company acting jointly or in concert with the Corporation or RCL.

**Benefits from the Consolidation**

The Corporation will become a wholly-owned, direct and indirect, subsidiary of RCL as a result of the Consolidation. See ''— Interest of Certain Persons in the Consolidation''. To the knowledge of the Corporation, after reasonable enquiry, there are no direct or indirect benefits resulting from the Consolidation that will accrue to any director or executive officer of the Corporation, to any of their respective associates, or to any person or company acting jointly or in concert with the Corporation or RCL.

**Price Range and Trading Volumes of the Shares**

The outstanding Common Shares and Series II Preference Shares are listed on the TSX under the symbols ''HLG.C'' and ''HLG.PR.B'', respectively. The following table sets forth the high and low sales prices and aggregate volume of sales of the Shares traded on the TSX for the periods indicated:

| | TSX Common Shares | | | TSX Series II Preference Shares | | |
|---|---|---|---|---|---|---|
| | High ($) | Low ($) | Volume | High ($) | Low ($) | Volume |
| **2004** | | | | | | |
| March | 8.00 | 6.80 | 1,620,190 | 11.25 | 9.00 | 3,597,166 |
| April | 7.40 | 6.90 | 192,827 | 11.55 | 10.50 | 1,363,865 |
| May | 8.00 | 6.32 | 93,512 | 11.77 | 10.50 | 214,570 |
| June | 6.40 | 5.00 | 88,191 | 10.87 | 9.00 | 27,968 |
| July | 6.09 | 4.25 | 358,533 | 9.80 | 9.00 | 1,819 |
| August | 5.35 | 4.80 | 406,090 | 9.05 | 9.00 | 1,091 |
| September | 4.95 | 3.55 | 1,013,867 | 9.11 | 8.75 | 1,865 |
| October | 5.95 | 3.10 | 299,313 | 9.00 | 8.50 | 12,046 |
| November | 7.00 | 5.75 | 326,365 | 9.01 | 9.00 | 1,235 |
| December | 7.18 | 6.45 | 191,156 | 10.00 | 9.01 | 3,993 |
| **2005** | | | | | | |
| January | 6.60 | 5.75 | 404,201 | 9.03 | 9.03 | 2,997 |
| February | 6.30 | 5.96 | 268,599 | 8.00 | 8.00 | 300 |
| March (to March 4, 2005) | 6.35 | 6.01 | 134,025 | 8.00 | 8.00 | — |

The closing prices of the Common Shares and Series II Preference Shares on the TSX on October 27, 2004, the last full trading day prior to the date of the announcement of the Consolidation, were $4.20 and $8.99, respectively.

**Dividend Policy**

Under applicable corporate law, the Corporation is not required to pay any dividends or redeem any of its Shares in certain circumstances, including if the Corporation's liquidity would be unduly impaired as a consequence. In addition, there are restrictions under the Indentures on the Corporation's ability to pay dividends on its outstanding Shares.

The following is a summary of the Corporation's dividend record in respect of the Common Shares for the two years preceding the date of this Circular. On March 10, 2003, the Corporation paid: (i) a cash dividend of $0.05 per Common Share; and (ii) a stock dividend of 0.018182 of a Common Share for each Common Share held as at February 24, 2003. On June 10, 2003, the Corporation paid a stock dividend of 0.02961 of a Common Share for each Common Share held as at May 27, 2003. On September 10, 2003, the Corporation paid a stock dividend of 0.031915 of a Common Share for each Common Share held as at August 27, 2003.

The following is a summary of the Corporation's dividend record in respect of the Series II Preference Shares for the two years preceding the date of this Circular. Each Series II Preference Share entitles the holder to a dividend equal to the amount of any dividend on 0.46 of an International A Share (less any U.S. withholding tax thereon payable by the Corporation or its subsidiaries). In the first quarter of 2003, the Corporation paid dividends of $0.033544 per Series II Preference Share; in the second quarter of 2003, the Corporation paid dividends of $0.031715 per Series II

Preference Share; in the third quarter of 2003, the Corporation paid dividends of $0.030435 per Series II Preference Share; and in the fourth quarter of 2003, the Corporation paid dividends of $0.028934 per Series II Preference Share.

As a result of certain provisions in the articles of the Corporation relating to the Series II Preference Shares, in order to proceed with the CS Consolidation, the Board must declare and pay all outstanding accrued dividends on the Series II Preference Shares (as at March 4, 2005, an aggregate of approximately US$4.24 million or approximately US$2.49 per Series II Preference Share) prior to effecting the CS Consolidation. Subject to obtaining the Common Share Approvals in connection with the CS Consolidation, the Corporation anticipates that the Board will be in a position to declare and pay all accrued dividends on the Series II Preference Shares outstanding by the Effective Date. See ''Information Regarding the Consolidation and the Going Private Transaction — Anticipated Dividend on the Outstanding Series II Preference Shares''.

**Previous Purchases, Sales and Distributions**

Excluding securities of the Corporation purchased or sold pursuant to the exercise of employee stock options, warrants and other conversion rights and entitlements: (A) no securities of the Corporation were purchased or sold by the Corporation since March 1, 2004 other than: (i) the purchase of an aggregate of 26,703 Common Shares and 22,170,914 Series II Preference Shares in respect of retractions of such Shares; and (ii) the private placement on April 7, 2004 of 20,096,919 Subscription Receipts at an issue price of $10.50 per Subscription Receipt (which Subscription Receipts were subsequently exchanged pursuant to their terms, for no additional consideration, into 20,096,919 Series II Preference Shares on June 11, 2004); (iii) the mandatory redemption of 9,271,175 Series III Preference Shares on June 11, 2004 at a price of $10.00 for each Series III Preference Share redeemed, plus accrued and unpaid dividends thereon; (iv) the redemption of US$42.0 million aggregate principal amount of Senior Secured Notes on June 11, 2004 at a price (expressed as a percentage of principal amount) of 111.875%, plus accrued and unpaid interest thereon; and (v) the private placement on September 30, 2004 of US$15.0 million aggregate principal amount of Senior Secured Notes; and (B) except as noted in (A)(ii) above, the only Shares distributed by the Corporation during the five years preceding the date of this Circular is the issuance of an aggregate of 2,642,932 Common Shares in respect of stock dividends.

The Corporation may fund a portion of the payment of the Common Share Consideration following the completion of the CS Consolidation pursuant to the issuance of up to US$40.0 million of additional Senior Secured Notes pursuant to the Debt Commitments. See ''Expenses of the Consolidation and Source of Funds''.

**Interests of Informed Persons in Material Transactions**

Except as otherwise disclosed herein, no person who has been an ''informed person'' of the Corporation for the purposes of National Instrument 51-102 — Continuous Disclosure Obligations of the Canadian Securities Administrators at any time since the beginning of the Corporation's last completed financial year and, to the knowledge of the directors and executive officers of the Corporation, after reasonable enquiry, none of their respective associates or affiliates, has any material interest, direct or indirect, in the Consolidation or in any other proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries.

On March 10, 2003, the Corporation issued US$120.0 million aggregate principal amount of Senior Secured Notes (currently, there is US$93.0 million aggregate principal amount of Senior Secured Notes outstanding). On the date of issue by the Corporation of the Senior Secured Notes, RMI entered into a support agreement (the ''**Support Agreement**'') with the Corporation under which RMI agreed to make annual support payments in cash to the Corporation on a periodic basis by way of contributions to the capital of the Corporation (without receiving any shares of the Corporation) or subordinated debt. The Corporation, RMI and RCL also entered into a contribution agreement in this regard. RCL has unconditionally guaranteed RMI's obligations under the contribution agreement, with such guarantee supported by a pledge of RCL's shares of RMI. The amount of the annual support payments is equal to the greater of: (a) the non-consolidated negative net cash flow of the Corporation (which does not extend to outlays for retractions and redemptions in respect of the share capital of the Corporation), and (b) US$14.0 million per year (less any future payments of Services Agreements fees directly to the Corporation or to any of the Corporation's wholly-owned restricted subsidiaries, as they are defined in the Indentures, and any excess in the net dividend amount received on the International A Shares and International B Shares owned, directly or indirectly, by the Corporation that is over US$4.65 million per year), in either case, as reduced by any permanent repayment of debt owing by RCL to the Corporation. The Support Agreement terminates upon the repayment of the Senior Secured Notes. Amounts the Corporation calculates to be due to the Corporation pursuant to the Support Agreement in respect of the period

March 10, 2003 to December 31, 2003 amounted to US$39.6 million, of which US$14.7 million has been received by the Corporation. As of the date of this Circular, RMI has acknowledged only that an additional US$4.1 million is payable for such period (for a total amount payable in 2003 of US$18.8 million). Amounts the Corporation calculates to be due to the Corporation pursuant to the Support Agreement in respect of the period January 1, 2004 to December 31, 2004 amounted to approximately US$43.4 million, of which US$11.3 million has been received by the Corporation. As of the date of this Circular, RMI has acknowledged only that an additional US$2.7 million is payable for such period (for a total amount payable in 2004 of US$14.0 million). The amount received in 2004 was contributed by RMI to the capital of the Corporation (without receiving any shares of the Corporation).

On March 23, 2004, in order to assist the Corporation in complying with the terms of the Indentures and avoiding the potential acceleration of the Senior Secured Notes upon the occurrence of an Event of Default under the Indentures, Domgroup Ltd., a wholly-owned subsidiary of the Corporation, lent to RCL the principal amount of approximately $4.7 million, evidenced by a demand promissory note bearing interest at prime plus 4% per annum. As security therefor, RCL entered into a general security agreement in favour of Domgroup Ltd. All of the proceeds of the loan were immediately contributed by RCL to RMI as a capital contribution, without deduction, and RMI immediately paid such proceeds to the Corporation as a contribution to the capital of the Corporation pursuant to the terms of the Support Agreement. On June 29, 2004 and August 27, 2004, similar loans were made by Domgroup Ltd. to RCL in the principal amount of approximately $4.8 million and $5.2 million, respectively, for the same reason and used by RCL and RMI in the manner set forth above.

On April 7, 2004, the Corporation offered and sold 20,096,919 subscription receipts (the ''**Subscription Receipts**'') of the Corporation at a price of $10.50 per Subscription Receipt for gross proceeds of $211.0 million. Each Subscription Receipt represented the right to receive, without payment of any additional consideration, one Series II Preference Share upon satisfaction of a number of escrow release conditions. Pursuant to the offering, all outstanding Subscription Receipts were to be automatically exercised and the Series II Preference Shares were to be issued immediately following satisfaction by the Corporation of each of such escrow release conditions. Pursuant to the Offering and satisfaction of the escrow release conditions, the Corporation redeemed US$42.0 million aggregate principal amount of the Senior Secured Notes on June 11, 2004 and redeemed all of the Corporation's previously-outstanding Series III Preference Shares. As a result of the offering of Subscription Receipts, the Corporation's interest obligations on the Senior Secured Notes was reduced, the Corporation's dividend obligations on the previously-outstanding Series III Preference Shares ceased and there was a decrease in the dividends receivable by the Corporation on the International A Shares held by it, directly or indirectly. The net effect of the foregoing was a reduction of the Corporation's annual non-consolidated negative net cash flow resulting in a reduction of the amounts payable by RMI pursuant to the Support Agreement (subject to the US$14.0 million minimum annual support payments).

Pursuant to an Order and Final Judgment of the Delaware Court of Chancery dated June 28, 2004 (the ''**Delaware Order**''), the Corporation and Conrad (Lord) Black, the former Chairman and Chief Executive Officer of the Corporation, were ordered to jointly pay to International an aggregate of US$16.55 million on account of non-compete payments received by the Corporation in prior years, plus interest. On July 16, 2004, the Corporation repaid to International US$5.96 million and the balance of the amount set forth in the Delaware Order of US$15.3 million was paid by Conrad (Lord) Black. The terms of the Corporation's obligation to make restitution to Conrad (Lord) Black, if any, have not been resolved. The Corporation has appealed the Delaware Order to the Delaware Supreme Court.

Pursuant to the Delaware Order, on July 6, 2004, Conrad (Lord) Black also repaid to International US$8.75 million on account of non-compete payments received by him in prior years (inclusive of accrued interest). In 2004, F. David Radler, former Deputy Chairman, President, Co-Chief Operating Officer and a director of the Corporation, repaid to International approximately US$9.3 million on account of non-compete payments received by him in prior years (inclusive of accrued interest). In 2004, Peter Y. Atkinson, former Executive Vice President of the Corporation, repaid to International approximately US$2.8 million on account of non-compete payments received by him in prior years and payments under the incentive compensation plan of Hollinger Digital LLC (inclusive of accrued interest).

A loan in the principal amount of $1.1 million was made to RCL by Domgroup Ltd. on June 30, 2004. The loan, together with interest at the prime rate plus 8% per annum, was repaid in full by RCL on September 29, 2004.

On September 30, 2004, the Corporation received consents from holders of a majority in aggregate principal amount of the outstanding Senior Secured Notes approving a number of amendments to the indenture governing the Senior Secured Notes and the related security agreement. The amendments included a provision permitting the

Corporation to incur indebtedness in an aggregate amount outstanding not to exceed US$15.0 million (and to grant a second priority security interest in the collateral supporting the Senior Secured Notes in connection therewith) through the issuance of notes substantially similar to the Senior Secured Notes pursuant to an indenture substantially similar to the existing indenture. The amendments further permitted the Corporation to direct the trustee of the Senior Secured Notes to apply up to approximately US$10.5 million, currently being held as cash collateral under the indenture, to satisfy future interest payment obligations on the outstanding Senior Secured Notes. On September 30, 2004, the Corporation also obtained a waiver from holders of a majority in aggregate principal amount of the outstanding Senior Secured Notes in respect of any and all defaults or events of default under, and non-compliance with certain covenants of, such indenture. On such date, the Corporation completed the closing of a private placement of US$15.0 million in aggregate principal amount of Senior Secured Notes at 100% of the face amount. The net proceeds from the sale of such Senior Secured Notes totalled approximately US$13.9 million, after deducting the expenses of the offering. The new Senior Secured Notes are guaranteed by RMI.

As a result of the expiry of the Corporation's directors' and officers' liability insurance on June 30, 2004, the Corporation placed $500,000 in trust with the law firm of Aird & Berlis LLP, as trustee, in support of the Corporation's indemnification obligations to director Gordon W. Walker, Q.C. and former director Richard Rohmer pursuant to a Trust and Contribution Agreement dated as of June 30, 2004 (the ''**Hollinger Independent Directors' Trust**''). Pursuant to such agreement, the Corporation agreed to deposit additional moneys to the Hollinger Independent Directors' Trust up to a maximum of $1.5 million as and when the Corporation reasonably determined that it had such moneys available. In January, 2005, the Board of Directors determined that the Corporation was able to deposit an additional $1.5 million to the Hollinger Independent Directors' Trust. Such amount was delivered to the trustee of the Hollinger Independent Directors' Trust to be held in trust until such time as a Court determines that it may be transferred to the Hollinger Independent Directors' Trust (whereupon it shall be so transferred) or the Board unanimously agrees that it shall be transferred back to the Corporation (whereupon it shall be so transferred). On March 7, 2005, at a Board meeting held after the meeting of the Board at which the directors adopted the report of the Independent Privatization Committee and agreed to adopt the resolution to call the Meeting without making a recommendation to Shareholders in respect of the Consolidation, the directors unanimously agreed that the $1.5 million be transferred to the Hollinger Independent Directors' Trust. Once transferred to the Hollinger Independent Directors' Trust, such funds, together with the original $500,000, will support the Corporation's indemnification obligations to directors Gordon W. Walker, Q.C., Paul A. Carroll, Q.C., Donald M.J. Vale, Robert J. Metcalfe and Allan Wakefield and former director Richard Rohmer. At the same meeting, the Board resolved that the Corporation deposit an additional $6.0 million to the Hollinger Independent Directors' Trust for the benefit of the same individuals and that the Corporation establish a similar fund in favour of two financial executives of the Corporation with a deposit of $500,000.

As disclosed above, RCL has entered into arrangements with the Corporation that provide that if the requisite approvals of the Common Shareholders are not obtained for any reason such that the CS Consolidation does not proceed, RCL will reimburse the Corporation for all of the reasonable fees and expenses incurred by the Corporation in connection with the Enabling Transactions and the proposed Consolidation, including the fees and expenses of GMP in respect of providing the Valuation, the Independent Valuator in respect of the Updated Valuation, legal counsel for GMP and legal counsel for the Independent Privatization Committee. In connection with the foregoing, RCL provided the Corporation with security in the form of a general security agreement. In addition, as disclosed above, RCL has agreed to guarantee the payment obligations of the Corporation in respect of the Adjusted Amount per Share.

In fiscal 2004, RMI provided management services to International and its subsidiaries pursuant to the Services Agreements in consideration for fees and RMI provided management services to the Corporation and its wholly-owned subsidiaries. See ''— Management Contracts''.

RMI is a wholly-owned subsidiary of RCL and RCL beneficially owns, directly or indirectly, or exercises control or direction over, approximately 78.3% of the outstanding Common Shares. Conrad (Lord) Black, a former director and executive officer of the Corporation, indirectly controls RCL and therefore beneficially owns, directly or indirectly, or exercises control or direction over, approximately 78.3% of the outstanding Common Shares. Conrad (Lord) Black, Peter Y. Atkinson, J.A. Boultbee and F. David Radler, former directors and executive officers of the Corporation, and Peter G. White, a director and executive officer of the Corporation, are direct or indirect shareholders in RCL. Conrad (Lord) Black is a director of International and until January 17, 2004 served as the non-executive Chairman of International and until March 5, 2004 served as Executive Chairman of Telegraph Group Limited. Until April 27, 2004, Peter Y. Atkinson served as Executive Vice President of International. Each of Conrad (Lord) Black, J.A. Boultbee and F. David Radler is a director or executive officer of RCL, RMI and Argus. Barbara Amiel Black, a former director and executive officer of the Corporation, is a director of Argus and International and until March 18, 2004 served as Vice President, Editorial of International. Peter G. White, a director and executive officer of the Corporation, is also a director and executive officer of RCL, RMI and Argus. Each of Frederick A. Creasey and Tatiana Samila, officers of the Corporation, are officers of RCL, RMI and Argus. In addition, from May 26, 2004 to November 25, 2004, Donald M.J. Vale served as a director of Argus. Paul A. Carroll, Q.C. served as a director of Argus from April 20, 2004 to May 14, 2004 and from May 25, 2004 to November 25, 2004.

**Executive Compensation**

*Description of Officers' Remuneration*

For the fiscal years ended December 31, 2002 and 2003, except as provided in the following sentence, the services of the Corporation's executive officers were provided by RCL and the Corporation did not provide cash remuneration to its executive officers as such. As of December 23, 2003, the services of Peter G. White have been provided to the Corporation and its wholly-owned subsidiaries pursuant to the White Consulting Agreement. See ''— Management Contracts''.

In fiscal 2004, the services of the following persons who served as executive officers of the Corporation in 2004 were provided by RCL and the Corporation did not provide cash remuneration to such persons in such capacities: Conrad (Lord) Black, former Chairman and Chief Executive Officer; Barbara Amiel Black, former Vice President, Editorial; J.A. Boultbee, former Executive Vice President; Frederick A. Creasey, Chief Financial Officer (except as set forth in the Summary Compensation Table below); F. David Radler, former Deputy Chairman, President and Co-Chief Operating Officer; and Peter Y. Atkinson, former Executive Vice President.

*Description of Directors' Remuneration*

Each director of the Corporation is entitled to receive an annual director's fee of $25,000 (other than the directors that the Corporation determines are ''independent'', who are entitled to receive an annual directors' fee of $100,000), payable quarterly, in advance, and a fee of $1,500 for each board or committee meeting attended. Directors are reimbursed for expenses incurred in attending the meetings. Members of the Board's committees receive annual fees of $3,000. The Chairman of any committee of the Board receives an annual fee of $2,500. Commencing in November, 2004, as a result of substantial changes in the composition of the Board and management of the Corporation, having regard to the unusually long hours the directors were devoting to the Corporation's business and affairs, in lieu of the $1,500 meeting fee, the directors (other than Peter G. White) receive $500 per hour for each hour worked, whether or not a formal meeting of the Board or a committee thereof is held.

On March 7, 2005, at a Board meeting held after the meeting of the Board at which the Board adopted the report of the Independent Privatization Committee and agreed to adopt the resolution to call the Meeting without making a recommendation to Shareholders in respect of the Consolidation, the directors approved payments in the amount of $600,000 to each member of the Independent Committee upon any such person ceasing to be a director of the Corporation for any reason. Such termination payments are payable to such persons whether or not the Consolidation is implemented. In addition, Conrad (Lord) Black and companies he controls, including the Corporation, RCL and RMI and their respective subsidiaries, have agreed to release the members of the Independent Committee from any and all claims they may have against such persons in their capacities as directors of the Corporation.

Effective February 24, 1999, directors are permitted to elect that up to 100% of the total fees to which they are entitled be paid in the form of deferred share units under the Hollinger Inc. Directors' Share Unit Plan, as amended (the ''**Directors' Share Unit Plan**''). For a director that elects to participate, a number of deferred share units equal to the number of Common Shares that could be purchased on the open market for a dollar amount equal to the applicable percentage of that director's fee is credited to an account maintained by the Corporation for that director under the Directors' Share Unit Plan. Dividend equivalents will be credited to the director's account as if dividends were paid on each deferred share unit held by the director on the dividend record date and reinvested in additional deferred share units at the market price of the Common Shares on the dividend payment date. Deferred share units are to be paid to the director no later than December 31 of the year following the calendar year in which the director ceased to serve. Payments are to be made, at the election of the director, in either cash or Common Shares purchased on the market, net of withholding tax, based on the market value of the Common Shares on the date of the payment.

In January, 2004, an independent committee of the Board of Directors was constituted to conduct a review of the offers made by Press Holdings International Limited to purchase all of the issued and outstanding Common Shares, Series II Preference Shares and Series III Preference Shares and to make recommendations to the Board of Directors in respect thereof. The members of the independent committee, Messrs. Rohmer and Walker, received the usual fee of $1,500 for each meeting of the independent committee attended.

In October, 2004, the Independent Privatization Committee was constituted to conduct a review of the proposed Consolidation transaction and to make recommendations to the Board of Directors in respect thereof. The members of the Independent Privatization Committee, Messrs. Metcalfe and Wakefield, are entitled to receive the directors' remuneration referred to above.

### Summary Compensation Table

The following table sets forth compensation information for the three fiscal years ended December 31, 2004, December 31, 2003 and December 31, 2002 in respect of each of the named executives.

| | | Annual Compensation | | | Long-Term Compensation | |
|---|---|---|---|---|---|---|
| **Name and Principal Position** | **Year** | **Salary ($)** | **Bonus ($)** | **Other Annual Compensation ($)** | **Securities Under Options Granted (1) (#)** | **All Other Compensation ($)** |
| Donald M.J. Vale (2) | 2004 | 134,216 (3) | 0 | 0 | 0 | 0 |
| President | 2003 | 0 | 0 | 0 | 0 | 0 |
| | 2002 | 0 | 0 | 0 | 0 | 0 |
| Conrad (Lord) Black (4) | 2004 | 253,637 (5)(6) | 0 | 14,819 (8) | 0 | 0 |
| Former Chairman of the Board and | 2003 | 860,116 (5)(6) | 0 | 229,130 (7) | 360,000 | 0 |
| Former Chief Executive Officer | 2002 | 900,361 (5)(6) | 0 | 237,440 (7) | 375,000 | 0 |
| Frederick A. Creasey | 2004 | 0 | 70,000 | 0 | 0 | 0 |
| Chief Financial Officer | 2003 | 0 | 0 | 0 | 0 | 0 |
| | 2002 | 0 | 0 | 0 | 0 | 0 |
| Peter G. White | 2004 | 990,827 (9) | 0 | 0 | 0 | 0 |
| Vice President, | 2003 | 19,355 (9) | 0 | 0 | 0 | 0 |
| Operations and Secretary | 2002 | 0 | 0 | 0 | 0 | 0 |

Notes:

(1) These amounts relate solely to options to acquire International A Shares granted pursuant to International's Stock Option Plans. No options to acquire Common Shares pursuant to the Corporation's Executive Share Option Plan or options to acquire limited partnership units of Hollinger L.P. were granted in 2004, 2003 or 2002.

(2) Donald M.J. Vale was appointed President of the Corporation in November, 2004.

(3) Donald M.J. Vale did not receive any cash remuneration in his capacity as an executive officer of the Corporation. From November 18, 2004 to December 31, 2004, he received an aggregate of $134,216 in directors' remuneration.

(4) Conrad (Lord) Black resigned as Chairman, Chief Executive Officer and a director of the Corporation in November, 2004.

(5) With the exception of salaries paid by Telegraph Group Limited (which salaries were paid in pounds sterling and have been converted into Canadian dollars at the average rate per applicable period for the purposes of this disclosure) and certain performance incentive bonuses, Conrad (Lord) Black received no salary or bonus directly from the Corporation. See ''— Management Contracts'' and ''Executive Compensation — Description of Officers' Remuneration''. RCL and RMI are associates of Conrad (Lord) Black.

(6) Including salary from Telegraph Group Limited and directors' fees paid by the Corporation, International, Telegraph Group Limited and The Spectator (1828) Limited.

(7) This amount includes a portion of the cost of maintaining his New York condominium and an allocation for a portion of the cost of a New York and a London automobile and driver, but excludes 128,193 pounds sterling (or $293,280) paid or reimbursed by International or a subsidiary thereof in respect of business expenses relating to security and other business activities at his London residence.

(8) Conrad (Lord) Black resigned as Chairman and a director of Telegraph Group Limited on March 6, 2004 and as a director of The Spectator (1828) Limited on March 26, 2004. This amount includes costs associated with a company car, private medical and dental insurance and other benefits paid by Telegraph Group Limited for the period January 1, 2004 to March 6, 2004.

(9) Includes amounts paid to Peter G. White Management Ltd., a company controlled by Peter G. White, pursuant to the White Consulting Agreement and directors' fees paid by the Corporation to Peter G. White.

**Options/Stock Appreciation Rights**

In 1994, the Board of Directors approved an Executive Share Option Plan (the ''**Option Plan**''). Under the Option Plan, the Corporation issues non-transferable options (''**Options**'') to purchase Common Shares to certain executives of the Corporation and its subsidiaries (including the named executives). The Option Plan is designed: (i) to provide incentive to executives of the Corporation and its subsidiaries who are in positions which enable them to make significant contributions to the longer term objectives of the Corporation; (ii) to give suitable recognition to the ability and industry of such executives; and (iii) to attract and retain in the employment of the Corporation and its subsidiaries persons of ability and industry.

The Options are to purchase up to a specified maximum number of Common Shares at a price equal to the exercise price which is the average trading price on the TSX of the Common Shares for the 10 trading days ending on the third trading day preceding the date of grant. The Options are exercisable to the extent of 25% thereof at the end of each of the first through fourth years following issuance, on a cumulative basis, with the exercise period terminating six years after the date of grant of the Options. Unexercised Options expire at the earlier of one month following the date of termination of the employee's employment or six years after grant.

No options were granted in 2004 to the named executives pursuant to the Option Plan, International's Stock Option Plans or Hollinger L.P.'s Unit Option Plan.

The following table sets forth details concerning the 2004 financial year end value of: (a) outstanding Options issued pursuant to the Option Plan; (b) outstanding options to purchase International A Shares issued pursuant to International's Stock Option Plans; and (c) outstanding options to purchase limited partnership units of Hollinger L.P. pursuant to Hollinger L.P.'s Unit Option Plan.

**AGGREGATED OPTION/SAR EXERCISES DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR AND FINANCIAL YEAR-END OPTION/SAR VALUES**

| Name and Principal Position | Securities Acquired on Exercise (#) | Aggregate Value Realized ($) | Unexercised Options at FY-end (#) (1) Exercisable/ Unexercisable | Value of Unexercised In-the-Money Options at FY-end ($) (2) Exercisable/ Unexercisable |
|---|---|---|---|---|
| Donald M.J. Vale . . . . . . . . . . . . . . . President | 0 | 0 | 0/0 (Hollinger Inc.) | 0/0 |
| | 0 | 0 | 0/0 (Hollinger L.P.) | 0/0 |
| | 0 | 0 | 0/0 (International) | 0/0 |
| Conrad (Lord) Black . . . . . . . . . . . . Former Chairman of the Board and Chief Executive Officer | 0 | 0 | 0/0 (Hollinger Inc.) | 0/0 |
| | 0 | 0 | 205,000/0 (Hollinger L.P.) | 79,200/0 |
| | 0 (3) | 0 (3) | 1,507,000/557,500 (International) | US$6,091,975/US$2,666,225 |
| Frederick A. Creasey . . . . . . . . . . . . Chief Financial Officer | 0 | 0 | 0/0 (Hollinger Inc.) | 0/0 |
| | 0 | 0 | 0/0 (Hollinger L.P.) | 0/0 |
| | 0 | 0 | 78,375/36,375 (International) | US$292,301/US$174,866 |
| Peter G. White . . . . . . . . . . . . . . . . . Vice President, Operations and Secretary | 0 | 0 | 0/0 (Hollinger Inc.) | 0/0 |
| | 0 | 0 | 0/0 (Hollinger L.P.) | 0/0 |
| | 0 | 0 | 0/0 (International) | 0/0 |

Notes:

(1) These numbers relate to the Options granted pursuant to the Option Plan, the options granted pursuant to the International Stock Option Plans and the options granted pursuant to Hollinger L.P.'s Unit Option Plan.

(2) Calculated using the closing price per Common Share on the TSX of $6.61, per International A Share on the New York Stock Exchange of US$15.68 and per limited partnership unit of Hollinger L.P. on the TSX of $1.07, on December 31, 2004, less the exercise price of the applicable options.

(3) On February 13, 2004 and April 2, 2004, Conrad (Lord) Black attempted to exercise options to purchase 1,363,750 International A Shares, consisting of 40,000 options expiring 5/2/2004 at US$13.00 per share, 40,000 options expiring 10/9/2005 at US$12.40 per share, 65,000 options expiring 8/1/2006 at US$9.71 per share, 95,000 options expiring 5/1/2007 at US$10.06 per share, 150,000 options expiring 2/26/2009 at US$12.25 per share, 245,000 options expiring 2/12/2009 at US$11.63 per share, 251,250 options expiring 3/7/2010 at US$10.53 per share, 200,000 options expiring 4/2/2011 at US$14.37 per share, 187,500 options expiring 2/5/2012 at US$11.13 per share and 90,000 options expiring 2/6/2013 at US$9.45 per share. International refused to accept Conrad (Lord) Black's payment for such options and refused to deliver the stock certificates therefor, and the transaction is now the subject of litigation.

### Management Contracts

In 1998, the management services arrangements between RCL, the Corporation and the other companies in the Hollinger group were restructured to reflect the transformation of the Corporation into an open-end investment corporation and the provision by RCL of management services directly to the Corporation and the other companies in the Hollinger group.

The business of the Corporation consists solely of the investment of its assets in corporations. The majority of the net asset value of the Corporation is represented by its investment in International, a U.S. public company, the outstanding shares of which are listed on the New York Stock Exchange. International and its consolidated group have commanded the substantial portion of executive services provided by RCL or its wholly-owned subsidiary, RMI, to the Hollinger group of companies. The independent directors of International assumed a direct role in the negotiation of fees paid to RCL for management services provided to International and its wholly-owned subsidiaries under separate agreements (the ''**Services Agreements**'') entered into between RCL and International and its subsidiaries. The Services Agreements were transferred, in July, 2002, from RCL to RMI.

A new arrangement between the Corporation and RCL (the ''**Hollinger Management Agreement**'') became effective as of January 1, 1998 and was generally consistent in its scope and terms with the management agreement it superseded except that it governed only the provision of management services to the Corporation. The Hollinger Management Agreement was terminated as of January 1, 2001. Subsequent to its termination and until December 31, 2003, RCL and RMI continued to provide to the Corporation similar services to those provided under the Hollinger Management Agreement under an arrangement in which RCL and RMI received no compensation for those services. No management fee was paid by the Corporation and its wholly-owned subsidiaries in 2004 pursuant to the Hollinger Management Agreement or otherwise.

10 Toronto Street Inc., an indirect wholly-owned subsidiary of the Corporation, entered into a consulting agreement (the ''**White Consulting Agreement**'') with Peter G. White Management Ltd., a company controlled by Peter G. White, effective December 23, 2003 which provides that Peter G. White will render various services to the Corporation and its wholly-owned subsidiaries, including assisting the Board of Directors in conserving the value of the Corporation's assets, addressing liquidity issues facing the Corporation and its wholly-owned subsidiaries, assisting the Board in meeting applicable regulatory requirements and otherwise performing duties similar to those of a restructuring officer. The White Consulting Agreement terminates on July 22, 2005, unless extended by agreement of the parties, and may be terminated earlier, for cause, upon 30 days prior written notice or, without cause, upon 6 weeks prior written notice (or payment in lieu) or payment of all fees to the end of the term. For its services under the White Consulting Agreement, Peter G. White Management Ltd. receives $75,000 per month.

### Management Services

Pursuant to the Services Agreements and separate services agreements with Moffat Management Inc. and Black-Amiel Management Inc., RMI and such companies provided advisory, consultative, procurement and administrative services to International and its respective subsidiaries including, among other things, strategic advice, planning and financial services (including advice and assistance with respect to acquisitions, divestitures or joint venture arrangements); consulting services regarding risk management and insurance coverage; and assistance in operational matters. In November 2003, International notified RMI that the Services Agreements would terminate effective June 1, 2004 in accordance with their terms. At that time, International notified RMI of a proposed reduction in the management fees payable pursuant to the Services Agreements during the period January 1, 2004 to June 1, 2004. The proposed reduction is currently in dispute by RMI. It is RMI's position that, in fiscal 2004, approximately US$10.8 million was payable in fees to RMI pursuant to the Services Agreements. As a result of the on-going disputes between Conrad (Lord) Black, RCL, RMI and the Corporation, on the one hand, and International on the other, International has not paid approximately US$2.1 million plus approximately $5.7 million in respect of management fees owing under the Services Agreements to RMI in respect of the period prior to January 1, 2004. No fees were payable to Moffat Management Inc. or Black-Amiel Management Inc. pursuant to separate service agreements in 2004.

RMI is a wholly-owned subsidiary of RCL and RCL beneficially owns, directly or indirectly, or exercises control or direction over, approximately 78.3% of the outstanding Common Shares. The relationships of Conrad (Lord) Black, Peter Y. Atkinson, J.A. Boultbee, Frederick A. Creasey, F. David Radler, Tatiana Samila and Peter G. White with RCL and RMI are described under ''— Interests of Informed Persons in Material Transactions''. In fiscal 2004, none of such individuals received salaries directly from the Corporation or International in their capacities as officers of the Corporation or International, except for amounts paid to Conrad (Lord) Black by Telegraph Group Limited in the amount of approximately $118,167 in respect of executive services provided.

Moffat Management Inc. is controlled by certain direct and indirect shareholders of RCL. J.A. Boultbee is a director and/or officer of Moffat Management Inc. Black-Amiel Management Inc. is controlled by Conrad (Lord) Black. Each of Conrad (Lord) Black, Barbara Amiel Black and J.A. Boultbee is a director and/or officer of Black-Amiel Management Inc.

The municipality of residence of such persons is as follows: Conrad (Lord) Black, London, England; Peter Y. Atkinson, Oakville, Ontario; Barbara Amiel Black, London, England; J.A. Boultbee, Toronto, Ontario; Frederick A. Creasey, Oakville, Ontario; F. David Radler, Vancouver, British Columbia; Tatiana Samila, Toronto, Ontario; and Peter G. White, Banff, Alberta.

### Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth information as at December 31, 2004 with respect to compensation plans of the Corporation under which equity securities of the Corporation are authorized for issuance:

| **Plan Category** (1) | **Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights** | **Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights** ($) | **Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding securities reflected in the second column)** |
|---|---|---|---|
| Option Plan | Nil | N/A | 5,560,000 |

Note:

(1) The only equity compensation plan of the Corporation is the Option Plan which has been approved by the shareholders of the Corporation. The Option Plan provides that Options in respect of up to 5,560,000 Common Shares, less the number of Common Shares which the Board may in the future issue or reserve for issuance pursuant to any other share compensation arrangement of the Corporation, are available for award under the Option Plan. See ''— Options/Stock Appreciation Rights''.

### Indebtedness of Directors and Executive Officers

As of the date of this Circular, none of the executive officers, directors, employees and former executive officers, directors, employees of the Corporation or any of its subsidiaries is indebted to the Corporation or any of its subsidiaries, whether in connection with a purchase of securities or otherwise. RCL, whose direct and indirect shareholders include current and former executive officers and/or directors of the Corporation, being Peter Y. Atkinson, Conrad (Lord) Black, Barbara Amiel Black, J.A. Boultbee, F. David Radler and Peter G. White, is, as at the date of this Circular, indebted to one of the Corporation's wholly-owned subsidiaries, Domgroup Ltd., in the aggregate amount of $14.7 million. In addition, RMI, a wholly-owned subsidiary of RCL, is, as at the date of this Circular, indebted to the Corporation in the aggregate amount of US$56.9 million. See ''— Interests of Informed Persons in Material Transactions''.

In the past, the Corporation made loans to certain directors, executive officers and executive officers of the Corporation in connection with the subscription for convertible preference shares pursuant to its now-expired executive share purchase plan (the ''**Purchase Plan**''). These loans were assumed by one of the Corporation's wholly-owned subsidiaries, Domgroup Ltd. In 1999, the Corporation also made loans to companies controlled by certain directors and executive officers of the Corporation in connection with the initial public offering of units by Hollinger L.P. The following table sets out certain information relating to such loans for each individual who is, or at any time during the fiscal year ended December 31, 2004 was, a director or executive officer of the Corporation and each associate of any such director or executive officer:

| Name and Principal Position | Involvement of Corporation or Subsidiary (1)(2) | Largest Amount Outstanding During 2004 (C$) | Amount Outstanding as at March 4, 2005 (C$) | Financially Assisted Securities Purchases During 2004 (#) | Security for Indebtedness (3) | Amount Forgiven During 2004 ($) |
|---|---|---|---|---|---|---|
| Conrad (Lord) Black Former Chairman of the Board and Chief Executive Officer of the Corporation | Domgroup Ltd. as lender | 3,453,526 | 0 | 0 | 735,280 Series II Preference Shares | 0 |
| | Corporation as lender | 194,334 (4) | 0 | 0 | 50,000 units | 0 |
| F. David Radler Former Deputy Chairman, President and Co-Chief Operating Officer of the Corporation | Domgroup Ltd. as lender | 2,502,309 | 0 | 0 | 577,720 Series II Preference Shares | 0 |
| | Corporation as lender | 201,581 (5) | 0 | 0 | 50,000 units | 0 |

Notes:

(1) The loans made by the Corporation and assigned to Domgroup Ltd. were on a non-interest basis prior to the conversion of the preference shares subscribed for with the proceeds of the loans. All preference shares subscribed for under the Purchase Plan have been converted and, as a consequence of tenderings to issuer bids by the Corporation in 1997 and 1998, Series II Preference Shares resulting from the preference shares issued under the Purchase Plan were held in trust by RCL for the benefit of the subscribers. From October 1, 1998, the loans made by the Corporation and assigned to Domgroup Ltd. bore interest at the prime rate plus ½% per annum and were secured by a pledge of the Series II Preference Shares resulting from the preference shares issued under the Purchase Plan.

(2) From April 13, 1999, the loans secured by a pledge of the Hollinger L.P. units bore interest at the prime rate plus ½% per annum.

(3) The number of Series II Preference Shares and limited partnership units of Hollinger L.P. that were pledged as security for the indebtedness.

(4) The limited partnership units of Hollinger L.P. were beneficially owned by Conrad Black Capital Corporation, a company controlled by Conrad (Lord) Black.

(5) The limited partnership units of Hollinger L.P. were beneficially owned by F.D. Radler Ltd., a company controlled by F. David Radler.

On March 4, 2004, the 735,280 and 577,720 Series II Preference Shares beneficially owned by Conrad (Lord) Black and F. David Radler, respectively, and pledged as set out in the table above, were sold and a portion of the proceeds from such sales were applied to repay in full the loans owing to Domgroup Ltd. and the Corporation. As a result, the limited partnership units of Hollinger L.P. pledged as security for the indebtedness have been released.

### Arrangements Between the Corporation and Securityholders

There are no contracts, arrangements or understandings, formal or informal, made or proposed to be made between the Corporation and: (i) any securityholder of the Corporation with respect to the Consolidation; or (ii) any person or company with respect to any securities of the Corporation in relation to the Consolidation.

### Arrangements with Directors and Executive Officers

There are no arrangements or agreements made or proposed to be made between the Corporation and any of the directors or executive officers of the Corporation pursuant to which a payment or other benefit is to be paid or given by way of compensation for loss of office or as to their remaining in or retiring from office, except as described under the heading ''— Executive Compensation — Description of Directors' Remuneration''.

Pursuant to the provisions of the by-laws of the Corporation and the CBCA, and indemnity agreements with the Corporation, the current and former directors and officers of the Corporation are indemnified by the Corporation, to the extent permitted by the CBCA, in respect of all costs and liabilities which each of them may incur as a result of his or her having acted as a director and/or officer of the Corporation or any company in which the Corporation owns securities. As a result of the expiry of the Corporation's directors' and officers' liability insurance, the Corporation has placed funds, and intends to place additional funds, in trust with the law firm of Aird & Berlis LLP, as trustee, in support of the Corporation's indemnification obligations to certain current and former directors. See ''— Interests of Informed Persons in Material Transactions''.

Peter G. White, a director and executive officer of the Corporation, also provides various services to the Corporation and its wholly-owned subsidiaries through Peter G. White Management Ltd., a company controlled by Peter G. White, pursuant to the White Consulting Agreement. The White Consulting Agreement provides that the agreement terminates on July 22, 2005, unless extended by agreement of the parties, and may be terminated earlier, for cause, upon 30 days prior written notice or, without cause, upon 6 weeks prior written notice (or payment in lieu) or payment of all fees to the end of the term. See ''— Management Contracts''.

**Composition of the Compensation Committee**

Prior to January 27, 2005, the duties of the Compensation Committee were carried out by the Compensation and Corporate Governance Committee. There were no directors appointed to the Corporate Governance and Compensation Committee for the period of November 21, 2003 to April 28, 2004, at which time Richard Rohmer, Gordon W. Walker, Q.C. and Peter G. White were appointed by the Board of Directors. A majority of such individuals were not officers, employees or former officers or employees of the Corporation, any of its subsidiaries or RCL or had any interest in RCL. On November 24, 2004, the committee was reconstituted and the current members of the committee were appointed by the Board.

**Report on Executive Compensation**

The duties and responsibilities of the Compensation Committee include the review and approval of corporate goals and objectives relevant to Chief Executive Officer compensation, the Chief Executive Officer's compensation level, including any long-term incentive component of such compensation, together with making recommendations to the Board with respect to compensation with respect to all employees reporting directly to the Chief Executive Officer, incentive compensation plans and equity-based plans.

The compensation levels for the executives and other employees of RCL are the responsibility of RCL and are not determined by the Compensation Committee or by the Board of Directors, except to the extent that the Corporation compensates the executives and employees in the form of Options. As described herein, Conrad (Lord) Black did not receive any compensation from the Corporation in 2004 in his capacity as Chief Executive Officer. As President, Donald M.J. Vale receives the same compensation he receives in his capacity as a director of the Corporation.

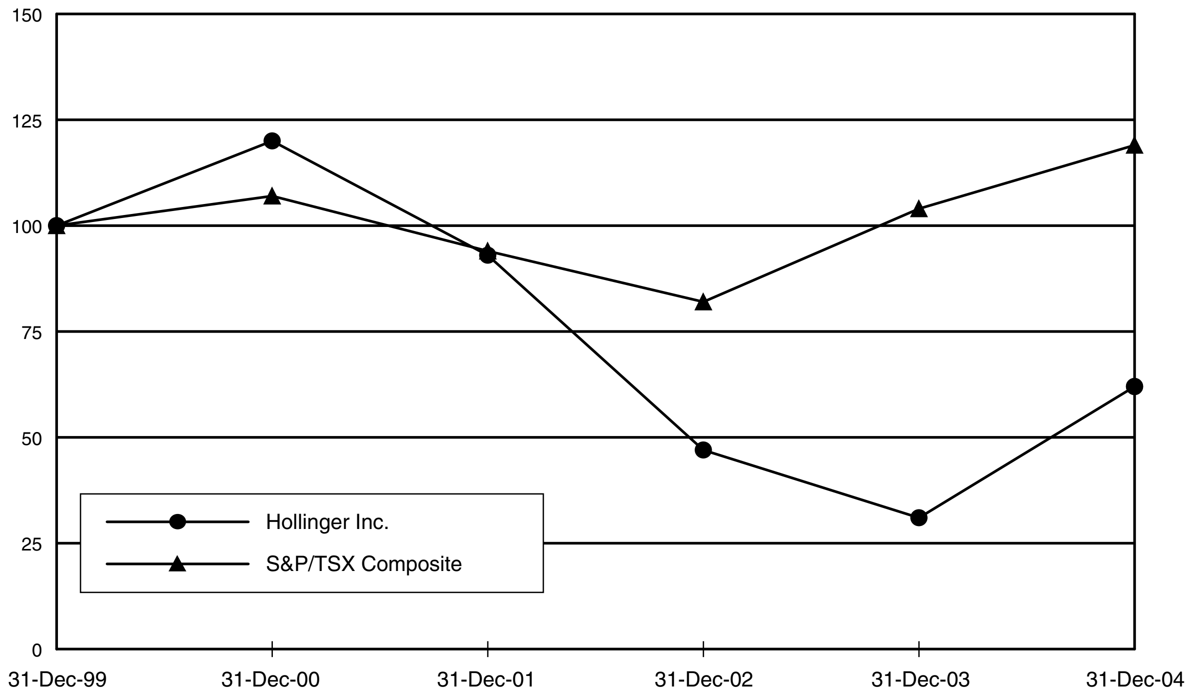
The Compensation Committee approves the granting of Options under the Option Plan. No Options have been granted under the Option Plan since 1998.

The foregoing report has been furnished by the current members of the Compensation Committee: Allan Wakefield, Paul A. Carroll, Q.C. and Gordon W. Walker, Q.C.

### Shareholder Return Performance Graph

The chart below compares the yearly percentage change in the cumulative total shareholder return for $100 invested in Common Shares (assuming all dividends were reinvested at the market price on the date of payment) against the cumulative total shareholder return of $100 invested in the S&P/TSX Composite Index for the five years commencing December 31, 1999 and ending December 31, 2004.

**Comparison of 5-Year Cumulative Total Shareholder Return on the Common Shares and the S&P/TSX Composite Index**




On December 30, 2004, the closing price of the outstanding Common Shares on the TSX was $6.61. On March 4, 2005, the closing price of the outstanding Common Shares on the TSX was $6.35.

| December 31 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|---|---|---|---|---|---|
| Hollinger Inc. | 100.00 | 120.00 | 92.64 | 46.74 | 30.74 | 61.57 |
| S&P/TSX Composite Index | 100.00 | 107.41 | 93.91 | 82.23 | 104.20 | 119.29 |

Note:

The cumulative return of the Common Shares is based on the closing prices of the Common Shares on the TSX on December 31, 1999, 2000, 2001, 2002, 2003 and 2004 or if there was no trading on such date, the closing price on the last trading day prior to such date.

### Material Changes in the Affairs of the Corporation and Other Material Facts Concerning the Corporation

For detailed information concerning the Corporation and its business and financial affairs, reference is made to the Corporation's annual information form dated May 16, 2003, its management proxy circular dated May 16, 2003 in respect of the annual and special meeting of shareholders held on June 25, 2003, its management proxy circular dated April 28, 2004 in respect of the special meeting of shareholders held on May 27, 2004, the material change reports dated May 23, 2003, May 28, 2003, June 12, 2003, November 27, 2003, January 19, 2004, January 23, 2004, February 6, 2004 , February 17, 2004, March 2, 2004, March 8, 2004, March 24, 2004, April 30, 2004, May 10, 2004, May 19, 2004, June 9, 2004, July 5, 2004, July 26, 2004, September 7, 2004, October 1, 2004, November 4, 2004, November 19, 2004, December 3, 2004 and January 24, 2005, and the press releases and other public disclosure documents on the public file with the securities commissions and other similar regulatory authorities in Canada which can be accessed via the Internet at *www.sedar.com*.

## STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Board of Directors considers sound corporate governance structures and practices to be essential to the effective operation and success of the Corporation and that these practices should be reviewed regularly to ensure that they are appropriate. In January, 2005, the Board of Directors unanimously adopted a set of rigorous governance policies and practices. The policies were developed by outside counsel at the request of the Independent Committee of the Board and follow from a thorough review of existing policies and procedures at the Corporation, best practices among Canadian and U.S. companies and current or proposed governance requirements and guidelines. A description of the Corporation's corporate governance practices follows. This Statement of Corporate Governance Practices has been prepared by the Nominating and Corporate Governance Committee of the Board of Directors and has been approved by the Board of Directors.

In 1995, the TSX passed a by-law containing new disclosure requirements for listed companies regarding corporate governance. Subsequently, these disclosure requirements were amended to require that this Statement of Corporate Governance Practices relate the corporate governance practices of the Board of Directors to the disclosure requirements set out in Section 473 and the guidelines set out in Section 474 of the TSX Company Manual (the ''**TSX Guidelines**''). The TSX Guidelines require that the Corporation must provide a complete description of its system of corporate governance with specific reference to each of the TSX Guidelines and, where the Corporation's system is different from any of those TSX Guidelines or where the TSX Guidelines do not apply to the Corporation's system, an explanation of the differences or their inapplicability. In 2002, the TSX proposed changes to its corporate governance standards creating additional guidelines and proposing certain mandatory requirements (the ''**Proposal**''). The Proposal is currently under review by the Ontario Securities Commission. The Corporation is required to continue to disclose corporate governance practices against the current TSX Guidelines.

The following is a statement of the Corporation's existing corporate governance practices with specific reference to the existing TSX Guidelines.

1. *The board of directors of every corporation should explicitly assume responsibility for the stewardship of the corporation and, as part of the overall stewardship responsibility, should assume responsibility for the following matters:*

   (a) *adoption of a strategic planning process;*

   The senior management team formulates strategic proposals and the operational plans necessary to achieve their implementation. These proposed strategies and related tactics and plans are considered by the Board before they are finalized. The final version of the proposals is then approved by the Board.

   (b) *the identification of the principal risks of the corporation's business and ensuring the implementation of appropriate systems to manage these risks;*

   The Board through its committees, principally the Audit Committee, discharges these responsibilities. The Audit Committee reports to the Board in respect of such matters and in so doing seeks Board approval to develop and improve processes designed to convey to the Board, on a timely basis, information regarding the principal risks of the Corporation's business and systems to manage such risks.

   (c) *succession planning, including appointing, training and monitoring senior management;*

   The Nominating and Corporate Governance Committee has responsibility for succession planning, orientation and continuing education.

   (d) *a communications policy for the corporation;*

   The Corporation aims to effectively communicate with its shareholders, stakeholders, employees and the investing public on a timely basis regarding its operations and to accommodate feedback from such parties. Shareholder inquiries receive prompt responses from senior management. The Corporation conducts a comprehensive investor communications and relations program that includes the publication of press releases involving the dissemination of material information and all corporate disclosure documents. The Nominating and Corporate Governance Committee has responsibility for the review and recommendation to the Board of a policy for the Corporation's communications with shareholders, the investment community, the media, governments and their agencies, employees and the general public.

(e) *the integrity of the corporation's internal control and management information systems.*

The Corporation's major subsidiaries observe high standards in respect of their internal control and management information systems. To the greatest extent possible, the Corporation monitors these subsidiaries through its appointees to their boards and management teams and through the subsidiaries' monthly financial reports on operations. The Audit Committee works with the Corporation's Chief Financial Officer and external auditors to assess the need for an internal audit department and to monitor and improve the information systems and internal financial controls necessary to ensure that material developments are brought to the attention of senior management expeditiously and, if appropriate, to the attention of the Board.

2. *The board of directors of every corporation should be constituted with a majority of individuals who qualify as unrelated directors. An unrelated director is a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the corporation, other than interests and relationships arising from shareholding. A related director is a director who is not an unrelated director. If the corporation has a significant shareholder, in addition to a majority of unrelated directors, the board should include a number of directors who do not have interests in or relationships with either the corporation or the significant shareholder and which fairly reflects the investment in the corporation by shareholders other than the significant shareholder. A significant shareholder is a shareholder with the ability to exercise a majority of the votes for the election of the board of directors.*

Of its six directors, three are currently involved in the management of the business and affairs of the Corporation or its affiliates. Three directors currently are not part of management and are free from any interest, business or familial relationship in or with the Corporation or the significant shareholder, that could or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the Corporation. In January, 2005, until such time as the Board may otherwise determine, a director shall be considered to be ''independent'' if that director is not a director, officer or shareholder (whether directly or indirectly) of RCL, regardless of the participation of that director in the management of the Corporation's business and affairs. On the basis of this definition, five directors currently are ''independent'' and are free from any interest, business or familial relationship in or with the Corporation or the significant shareholder, that could or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the Corporation. Consequently, 50% of directors are ''unrelated directors'' as that term is defined in the current TSX Guidelines and independently represent the 22% interest held by shareholders other than the significant shareholder. This exceeds the recommendation for the proportionate representation of minority shareholders established in accordance with the current TSX Guidelines. For these reasons, the Corporation believes it has an adequate number of unrelated and independent directors to discharge the Board's responsibilities.

The categorization of directors is as follows:

| **Related** | **Unrelated** |
|---|---|
| D. M. J. Vale | P. A. Carroll, Q.C. |
| G. W. Walker, Q.C | R. J. Metcalfe |
| P. G. White | A. Wakefield |

For the period November 21, 2003 to January 16, 2004, the board was comprised entirely of related directors.

3. *The application of the definition of ''unrelated director'' to the circumstances of each individual director should be the responsibility of the board which will be required to disclose on an annual basis whether the board has a majority of unrelated directors or, in the case of a corporation with a significant shareholder, whether the board is constituted with the appropriate number of directors which are not related to either the corporation or the significant shareholder. Management directors are related directors. The board will also be required to disclose on an annual basis the analysis of the application of the principles supporting this conclusion.*

In determining the qualifications of directors as ''unrelated directors'', the Board takes into account relationships each director may have with the Corporation. For example, the Board considers whether a director has a business or familial relationship with the Corporation or with the Corporation's significant shareholder. In determining the composition and characterization of the Board, the Board applied the definition of ''unrelated director'' as it is defined in the current TSX Guidelines. Accordingly, three directors were members of management and therefore were considered to be related directors under the TSX Guidelines. The following directors were unrelated directors: Paul A. Carroll, Q.C., Robert J. Metcalfe and Allan Wakefield.

4. *The board of directors of every corporation should appoint a committee of directors composed exclusively of outside, i.e. non-management, directors, a majority of whom are unrelated directors, with the responsibility for proposing to the full board new nominees to the board and for assessing directors on an ongoing basis.*

   The Board has appointed a Nominating and Corporate Governance Committee, a majority of the members of which are unrelated directors, whose mandate includes the nominating and assessment functions.

   As a result of the Board being comprised entirely of inside, related directors for the period November 21, 2003 to January 16, 2004, the Corporation was not in a position to comply with this TSX Guideline.

5. *Every board of directors should implement a process to be carried out by the nominating committee or other appropriate committee for assessing the effectiveness of the board as a whole, the committees of the board and the contribution of individual directors.*

   The assessment of the effectiveness of the Board, committees of the Board and the contribution of individual directors is a continuing process conducted by the Nominating and Corporate Governance Committee.

6. *Every corporation, as an integral element of the process for appointing new directors, should provide an orientation and education program for new recruits to the board.*

   Each new director is provided with an extensive information package containing historical, financial and business information and information regarding directors' legal obligations, and is encouraged to discuss any of the information with senior management. In addition, prior to the Board's assessment of any major proposal, each director is provided with a comprehensive memorandum regarding his or her obligations, responsibilities and potential liabilities in connection with such proposal.

7. *Every board of directors should examine its size and, with a view to determining the impact of the number upon effectiveness, undertake, where appropriate, a program to reduce the number of directors to a number which facilitates more effective decision-making.*

   The Board of directors currently consists of six members and six members are expected to be elected by shareholders at the next annual meeting. The directors and management believe the Board is of a size which is conducive to effective and efficient communication and decision-making. The Nominating and Corporate Governance Committee is required, on an annual basis, to examine the size and composition of the Board and, if appropriate, recommend to the Board a program to establish a Board comprised of members who facilitate effective decision-making.

8. *The board of directors should review the adequacy and form of the compensation of directors and ensure the compensation realistically reflects the responsibilities and risk involved in being an effective director.*

   This matter is reviewed periodically by the Compensation Committee and, where deemed appropriate, in consultation with compensation experts, with reference to comparable situations.

9. *Committees of the board of directors should generally be composed of outside directors, a majority of whom are unrelated directors, although some board committees, such as the executive committee, may include one or more inside directors. An inside director is a director who is an officer or employee of the corporation or of any of its affiliates.*

Set out below is the composition of the current committees of the Board. The right-hand column entitled ''Status'' represents the Board's characterization of each of the members:

| | Committee | Member | Status |
|---|---|---|---|
| 1. | Audit Committee | P. A. Carroll, Q.C. | outside — unrelated |
| | | R. Metcalfe | outside — unrelated |
| | | A. Wakefield | outside — unrelated |
| 2. | Nominating and Corporate Governance Committee | P. A. Carroll, Q.C. | outside — unrelated |
| | | R. Metcalfe | outside — unrelated |
| | | A. Wakefield | outside — unrelated |
| 3. | Compensation Committee | P. A. Carroll, Q.C. | outside — unrelated |
| | | R. Metcalfe | |
| | | A. Wakefield | |
| 4. | Retraction Price Committee | D. M. J. Vale | inside — related |
| | | P. G. White | inside — related |
| 5. | Independent Committee | P. A. Carroll, Q.C. | outside — unrelated |
| | | R. J. Metcalfe | outside — unrelated |
| | | D. M. J. Vale | inside — related |
| | | A. Wakefield | outside — unrelated |
| | | G. W. Walker, Q.C. | inside — related |
| 6. | Independent Privatization Committee | R. J. Metcalfe | outside — unrelated |
| | | A. Wakefield | outside — unrelated |

The Independent Committee was constituted by the Board of Directors on August 19, 2004. The Committee has been delegated all of the power of the Board required in order for the Committee to discharge its responsibilities with respect to: litigation, regulatory investigations and proceedings and related party transactions.

10. *Every board of directors should expressly assume responsibility for, or assign to a committee of directors the general responsibility for, developing the corporation's approach to governance issues. This committee would, amongst other things, be responsible for the corporation's response to these governance guidelines.*

The Nominating and Corporate Governance Committee has been given these responsibilities and reports to the Board in this area.

11. *The board of directors, together with the CEO, should develop position descriptions for the board and for the CEO, involving the definition of the limits to management's responsibilities. In addition, the board should approve or develop the corporate objectives which the CEO is responsible for meeting.*

The Board has adopted a Charter of the Board of Directors and position descriptions for the Chairman of the Board, the Chief Executive Officer and the Chairmen of the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee. In addition to those matters which must be legally approved by the Board, the Board reviews and approves actions proposed by management which are outside the ordinary course of business or are ''material'' to the Corporation's business. These matters include dispositions, acquisitions, the recommendations of the Nominating and Corporate Governance Committee, the Audit Committee and major capital expenditures of the Corporation and its wholly-owned subsidiaries.

12. *Every board of directors should have in place appropriate structures and procedures to ensure that the board can function independently of management. An appropriate structure would be to: (i) appoint a chair of the board who is not a member of management with responsibility to ensure the board discharges its responsibilities; or (ii) adopt alternate means such as assigning this responsibility to a committee of the board or to a director, sometimes referred to as the ''lead director''. Appropriate procedures may involve the board meeting on a regular basis without management present or may involve expressly assigning the responsibility for administering the board's relationship to management to a committee of the board.*

The Nominating and Corporate Governance Committee has been assigned the responsibility for administering the Board's relationship to management. The Committee monitors the ability of the Board to act independently of management, and Board members are encouraged to discuss privately with the Chairman or the Chairman of the Nominating and Corporate Governance Committee any matter or concern that they would prefer not to raise before the full Board.

13. *The audit committee of every board of directors should be composed only of outside directors. The roles and responsibilities of the audit committee should be specifically defined so as to provide appropriate guidance to audit committee members as to their duties. The audit committee should have direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate. The audit committee duties should include oversight responsibility for management reporting on internal control. While it is management's responsibility to design and implement an effective system of internal control, it is the responsibility of the audit committee to ensure that management has done so.*

    All members of the Audit Committee are non-management directors. The roles and responsibilities of the Audit Committee are set forth in a formal charter and include, among other things, responsibility for monitoring management in connection with, and reviewing:

    - the integrity of the Corporation's financial statements;
    - the Corporation's compliance with legal and regulatory requirements
    - the external auditors' qualifications and independence
    - the performance of the Corporation's internal audit function and the external audits.

    The Audit Committee charter sets out the criteria that should be considered in the appointment of Committee members as well as the Committee's roles and responsibilities.

    The Audit Committee has direct communication channels with the internal and external auditors of the Corporation and has oversight responsibility for management reporting on internal control. In carrying out these responsibilities, the Audit Committee meets regularly with Zeifman & Company, LLP, the Corporation's external auditors.

    As a result of the Board being comprised entirely of inside, related directors for the period November 21, 2003 to January 16, 2004, the Corporation was not in a position to comply with this TSX Guideline.

14. *The board of directors should implement a system which enables an individual director to engage an outside adviser at the expense of the corporation in appropriate circumstances. The engagement of the outside adviser should be subject to the approval of an appropriate committee of the board.*

    The directors have access to management and the Corporation's advisers in order to assist in their understanding of proposed Board actions and the implications of voting for or against such actions. Committees of the Board are authorized by the Board from time to time to retain outside advisers at the Corporation's expense and each director has the authority to retain outside advisors from time to time as appropriate with the approval of the Chairman of the Nominating and Corporate Governance Committee.

## INFORMATION IN RESPECT OF INTERNATIONAL

### General

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. The registered office of International is 401 North Wabash Avenue, Suite 740, Chicago, Illinois 60611.

International is a newspaper publisher, the assets of which include the *Chicago Sun-Times*, a large number of community newspapers in the Chicago area and a portfolio of news media investments

### Capital Structure

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 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.

### Material Changes in the Affairs of International and Other Material Facts Concerning International

For detailed information concerning International and its business and financial affairs, reference is made to International's annual information form filed on January 21, 2005, its management proxy circular dated March 26, 2003 in respect of the annual meeting of shareholders held on May 22, 2003, the material change reports dated May 27, 2003, November 27, 2003 and May 14, 2004 and the press releases and other public disclosure documents on the public file with the securities commissions and other similar regulatory authorities in Canada which can be accessed via the Internet at *www.sedar.com*.

In addition, International is subject to the informational requirements of the U.S. Exchange Act and, in accordance therewith, files reports, management proxy circulars and other information with the SEC. Such reports, management proxy circulars and other information can be inspected and copied at prescribed rates at the public reference facilities maintained by the SEC at 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. 20549, and free copies thereof may be obtained at the SEC's Internet website (*www.sec.gov*). Copies of such material can also be obtained by mail, upon payment of the SEC's customary charges, by writing to the principal office of the SEC at 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. 20549.

The information contained herein concerning International and its subsidiaries (including disclosure with respect to amounts repaid to International by former executive officers of the Corporation in 2004) has been taken from or is based on publicly available documents or records on file with Canadian securities regulatory authorities and other public sources and has not been independently verified by the Corporation. The Corporation does not assume any responsibility for the accuracy, currency or completeness of such information.

## INFORMATION IN RESPECT OF RCL

RCL is a holding company, the principal asset of which is its direct and indirect interest in the Corporation. As of March 4, 2005, RCL owned, directly or indirectly, 27,363,170 Common Shares, representing approximately 78.3% of all issued and outstanding Common Shares, and 66,963 Series II Preference Shares, representing approximately 3.9% of all issued and outstanding Series II Preference Shares. Conrad (Lord) Black indirectly controls RCL. The registered office of RCL is 10 Toronto Street, Toronto, Ontario M5C 2B7.

The information contained herein concerning RCL and its subsidiaries (other than the Corporation and its subsidiaries) has been supplied by such companies or is based on public sources and has not been independently verified by the Corporation. The Corporation does not assume any responsibility for the accuracy, currency or completeness of such information.

## ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on SEDAR at *www.sedar.com*. A copy of the following documents may be obtained, without charge, upon request to the Secretary of the Corporation at 10 Toronto Street, Toronto, Ontario M5C 2B7:

(a) the latest Annual Information Form of the Corporation together with any document, or the pertinent pages of any document, incorporated by reference therein;

(b) the comparative financial statements of the Corporation for the financial year ended December 31, 2002 together with the accompanying report of the auditors thereon, the most recently completed interim financial statements of the Corporation (being the interim financial statements of the Corporation for the nine month period ended September 30, 2003) and the related management's discussion and analysis therefor;

(c) the Alternative Financial Information; and

(d) this Circular.

## CONSENT OF GMP

To: The Board of Directors of Hollinger Inc.

We refer to the valuation dated March 6, 2005 which we prepared for the Independent Privatization Committee of the Board of Directors of Hollinger Inc. in connection with a proposed transaction which may be a ''business combination'' or ''going private transaction'', and ultimately including the cancellation of: (a) all of the retractable common shares of Hollinger Inc. held by parties other than (directly or indirectly) the major shareholder of Hollinger Inc.; and (b) all of the exchangeable non-voting preference shares Series II of Hollinger Inc., pursuant to share consolidations. We consent to the filing of the valuation with the Ontario Securities Commission and the Autorité des marchés financiers (Québec) and the inclusion of the valuation and a summary thereof in this document.

(Signed) GMP SECURITIES LTD.

Toronto, Canada
March 6, 2005

## APPROVAL OF NOTICE AND CIRCULAR

The contents and the sending of the Notice and this Circular have been approved by the Board of Directors. A copy of this Circular has been sent to each director of the Corporation, each Shareholder of the Corporation whose proxy has been solicited in connection with the Meeting and the auditor of the Corporation.

DATED at Toronto, Ontario, as of the 4th day of March, 2005.

(Signed) DONALD M.J. VALE
*President*

## APPENDIX A

## CS CONSOLIDATION RESOLUTION

**BE IT RESOLVED, AS A SPECIAL RESOLUTION, THAT:**

1. the articles of Hollinger Inc. (the ''**Corporation**'') be amended to effect a consolidation (the ''**CS Consolidation**'') of the issued and outstanding retractable common shares of the Corporation (the ''**Common Shares**'') on the basis of one post-CS Consolidation common share of the Corporation (a ''**New Common Share**'') for every 5,766,783 Common Shares, provided however, that:
   (a) holders of Common Shares on the date (the ''**Effective Date**'') that the certificate of amendment is issued to give effect to the CS Consolidation shall not be entitled to receive certificates representing any fractional interests in a New Common Share following the CS Consolidation, and such holders shall not be entitled to exercise any of the rights of shareholders in respect of any fractional interests in a New Common Share other than the right to receive a cash payment equal to the aggregate of $7.60 (the ''**Initial Payment**'') and the Additional Amount per Share (as such term is defined in the Management Proxy Circular (the ''**Circular**'') of the Corporation dated March 4, 2005), if any (the ''**Final Payment**'', and together with the Initial Payment, the ''**Common Share Consideration**'') for each Common Share held immediately prior to such date and which would otherwise be changed into a fractional New Common Share. A registered holder of Common Shares who becomes entitled, on the CS Consolidation becoming effective, to receive, in connection with the Initial Payment or the Final Payment, an amount that includes a fraction of $0.01 will be paid an amount rounded to the nearest $0.01, the amount $0.005 being rounded upwards. The Initial Payment shall be made without interest as soon as practicable after the Effective Date upon presentation and surrender to the Corporation or the depositary designated by the Corporation (the ''**Depositary**'') of the requisite documents and instruments. The Final Payment, if any, shall be made without interest as soon as practicable after the Updated Valuation Delivery Date (as such term is defined in the Circular);
   (b) the Corporation shall have the right at any time to deposit the Common Share Consideration for Common Shares registered in the names of shareholders (including without limitation, shareholders who have dissented (the ''**Dissenting Shareholders**'') in accordance with Section 190 of the *Canada Business Corporations Act* (the ''**CBCA**'')) who have not at the date of such deposit presented and surrendered to the Corporation or the Depositary certificates representing all of their Common Shares which were not changed into one or more full New Common Shares, in a special account with a Canadian chartered bank or other Canadian trust company or financial institution to be paid without interest or to the order of the respective holders of such Common Shares (subject to any applicable withholding tax) upon presentation and surrender by them to the Corporation or the Depositary of their share certificates to be so presented and surrendered, provided that: (i) the sending to the Corporation by Dissenting Shareholders of certificates representing all of their respective Common Shares pursuant to subsection 190(8) of the CBCA shall not constitute the presentation and surrender thereof to the Corporation for the purposes of this subsection 1(b); and (ii) any interest allowed on such deposit shall belong to the Corporation; and
   (c) any Common Share Consideration in the form of a cheque which has not been presented to the Corporation's bankers for payment or that otherwise remains unclaimed (including monies held on deposit in a special account as provided for in paragraph 1(b) above) for a period of six years shall be forfeited to the Corporation;
2. the articles of the Corporation be amended to effect the PS Consolidation (as such term is defined in the Circular) on the terms and conditions set out in Appendix B to the Circular, as same may be amended;
3. notwithstanding the approval of the CS Consolidation and the PS Consolidation by the holders of the Common Shares, the directors of the Corporation are hereby authorized to revoke this special resolution at any time prior to the issue of the certificate of amendment, without further approval of the holders of the Common Shares, and to determine not to proceed with the CS Consolidation and the PS Consolidation; and
4. any one director or officer of the Corporation be and is hereby authorized and directed, for and on behalf of the Corporation, to execute and deliver all such documents and to do all such other acts and things as he or she may determine to be necessary or advisable to give effect to this special resolution (including, without limitation, the delivery of articles of amendment in the prescribed form to the Director appointed under the CBCA), the execution of any such document or the doing of any such other act or thing being conclusive of such determination.

## APPENDIX B

## PS CONSOLIDATION RESOLUTION

**BE IT RESOLVED, AS A SPECIAL RESOLUTION, THAT:**

1. the articles of Hollinger Inc. (the ''**Corporation**'') be amended to effect a consolidation (the ''**PS Consolidation**'') of the issued and outstanding exchangeable non-voting preference shares Series II of the Corporation (the ''**Series II Preference Shares**'') on the basis of one post-PS Consolidation exchangeable non-voting preference share Series II of the Corporation (a ''**New Series II Preference Share**'') for every 1,701,995 Series II Preference Shares, provided however, that:

    (a) holders of Series II Preference Shares on the date (the ''**Effective Date**'') that the certificate of amendment is issued to give effect to the PS Consolidation shall not be entitled to receive certificates representing any fractional interests in a New Series II Preference Share following the PS Consolidation, and such holders shall not be entitled to exercise any of the rights of shareholders in respect of any fractional interests in a New Series II Preference Share other than the right to receive 0.46 of a share of Class A Common Stock of Hollinger International Inc. (an ''**International A Share**'') owned, directly or indirectly, by the Corporation for each Series II Preference Share held immediately prior to such date and which would otherwise be changed into a fractional New Series II Preference Share. A registered holder of Series II Preference Shares who becomes entitled, on the PS Consolidation becoming effective, to receive a fractional interest in an International A Share will receive such number of International A Shares rounded to the nearest whole number, the number 0.5 being rounded upwards. Such consideration (the ''**Preferred Share Consideration**'') shall be delivered as soon as practicable after the Effective Date upon presentation and surrender to the Corporation or the depositary designated by the Corporation (the ''**Depositary**'') of the requisite documents and instruments;

    (b) the Corporation shall have the right at any time to deposit the Preferred Share Consideration for Series II Preference Shares registered in the names of shareholders (including without limitation, shareholders who have dissented (the ''**Dissenting Shareholders**'') in accordance with Section 190 of the *Canada Business Corporations Act* (the ''**CBCA**'')) who have not at the date of such deposit presented and surrendered to the Corporation or the Depositary certificates representing all of their Series II Preference Shares which were not changed into one or more full New Series II Preference Shares, with a Canadian chartered bank or other Canadian trust company or financial institution to be delivered to the respective holders of such Series II Preference Shares (subject to any applicable withholding tax) upon presentation and surrender by them to the Corporation or the Depositary of their share certificates to be so presented and surrendered, provided that, the sending to the Corporation by Dissenting Shareholders of certificates representing all of their respective Series II Preference Shares pursuant to subsection 190(8) of the CBCA shall not constitute the presentation and surrender thereof to the Corporation for the purposes of this subsection 1(b); and

    (c) any Preferred Share Consideration that remains unclaimed (including monies held on deposit in a special account as provided for in paragraph 1(b) above) for a period of six years shall be forfeited to the Corporation;

2. notwithstanding the approval of the PS Consolidation by the holders of the Series II Preference Shares, the directors of the Corporation are hereby authorized to revoke this special resolution at any time prior to the issue of the certificate of amendment, without further approval of the holders of the Series II Preference Shares, and to determine not to proceed with the PS Consolidation; and

3. any one director or officer of the Corporation be and is hereby authorized and directed, for and on behalf of the Corporation, to execute and deliver all such documents and to do all such other acts and things as he or she may determine to be necessary or advisable to give effect to this special resolution (including, without limitation, the delivery of articles of amendment in the prescribed form to the Director appointed under the CBCA), the execution of any such document or the doing of any such other act or thing being conclusive of such determination.

GRIFFITHS McBURNEY

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Toronto, Ontario M5H 1J8
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www.gmpsecurities.com

**APPENDIX C**

**GMP VALUATION**

March 6, 2005

The Independent Privatization Committee
of the Board of Directors of Hollinger Inc.
10 Toronto Street
Toronto, Ontario
M5C 2B7

Dear Sirs:

GMP Securities Ltd. (''**we**'' or ''**GMP**'') understands that the Board of Directors (the ''**Board**'') of Hollinger Inc. (''**Hollinger**'' or the ''**Company**'') has constituted a committee (the ''**Independent Privatization Committee**'' or the ''**IPC**'') to consider, evaluate and make a recommendation to the Board regarding a proposed going private transaction with respect to the Company (the ''**Transaction**'') to be effected by way of a consolidation of the issued and outstanding Retractable Common Shares and the issued and outstanding Series II Preference Shares of the Company.

Ontario Securities Commission Rule 61-501 (''**Rule 61-501**'') and Autorité des marchés financiers Policy Q-27 (''**Policy Q-27**'') require that, in addition to any other required shareholder approval, in order to complete a business combination or going private transaction, minority approval as defined therein be obtained. The above description of the proposed Transaction is only summary in nature. The specific terms and conditions of the Transaction are to be described in a management proxy circular dated March 4, 2005 (the ''**Circular**''), which is to be mailed to shareholders of the Company in connection with the Transaction. Defined terms herein have the same meanings as terms used in the Circular.

Subject to the limitations, assumptions, qualifications and scope limitations stated herein:

(a) GMP estimates, as of March 1, 2005, the fair market value of the Retractable Common Shares of Hollinger is in the range of $7.21 to $7.57 per share; and

(b) GMP is of the view that the value of the Series II Preference Shares is equivalent to 0.46 of a share of Class A Common Stock (''**International Class A Shares**'') of Hollinger International Inc. (''**International**''). In this regard, GMP has determined that the appropriate approach with respect to the Valuation of the Series II Preference Shares is to value it in relation to the retraction right to receive International Class A Shares, rather than a range of values expressed in dollars.

References herein to ''$'' are to Canadian dollars and references to ''US$'' are to U.S. dollars.

**Transaction Summary**

On October 28, 2004, The Ravelston Corporation Limited (''**RCL**''), through its Chairman and Chief Executive Officer, Conrad (Lord) Black, advised the Board in writing of the proposed Transaction. Following receipt of RCL's written intention with respect to the proposed Transaction, we understand that the Board established the Independent Privatization Committee to consider, evaluate and make a recommendation to the Board concerning the proposed Transaction. The Independent Privatization Committee was further empowered to, among other things, consider and advise the Board whether, in their opinion, the proposed Transaction is in the best interests of the Company, the holders of the Retractable Common Shares and/or the holders of the Series II Preference Shares. On November 16, 2004, the Independent Privatization Committee received written notification from RCL that, in connection with the proposed Transaction, RCL would support such transaction on the following terms: (i) holders of Retractable Common Shares (other than RCL 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 Class A Share for each share held by them. On March 6, 2005, RCL advised the Board that it would support the Transaction on the following revised terms and conditions: (i) holders of Retractable Common Shares (other than RCL and certain of its affiliated entities) would receive $7.60 and the Additional Amount per Share (as defined below), if any, in cash for each share held by them; and (ii) holders of Retractable Common Shares 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.

A special meeting of holders of Retractable Common Shares and Series II Preference Shares (the ''**Special Meeting**'') is required to consider and if deemed appropriate, to pass a special resolution approving an amendment to Hollinger's articles to implement the proposed Transaction. If the Transaction is approved at the Special Meeting, Hollinger will consolidate its outstanding: (a) Retractable Common Shares at a ratio which will result in RCL (directly and indirectly) being the sole holder of Retractable Common Shares; and (b) Series II Preference Shares at a ratio which will result in no remaining holders of Series II Preference Shares. No fractional shares will be issued. Those holders of Retractable Common Shares holding fewer than the set threshold number of Retractable Common Shares (which will be all holders other than RCL, directly or indirectly) will be entitled to be paid $7.60 cash for each Retractable Common Share held at the date on which articles of amendment 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 Class A Share for each Series II Preference Share held at the date on which articles of amendment are filed. Hollinger would subsequently de-list its Retractable Common Shares and Series II Preference Shares from the Toronto Stock Exchange and apply to cease to be a reporting issuer in Canada.

Any failure to obtain the approval of the holders of the Series II Preference Shares for the special resolution in respect of the Series II Preference Share consolidation at the Special Meeting would not prevent the consolidation of the Retractable Common Shares from proceeding, if the special resolution in respect of the consolidation of the Retractable Common Shares is approved by the Common Shareholders as set out above.

**Role of the Board**

Following receipt of RCL's written intention with respect to the Transaction, the Board established the IPC, to evaluate and make a recommendation to the Board concerning the Transaction. The IPC was further empowered to, among other things, consider and advise the Board whether, in their opinion, the Transaction is in the best interests of Hollinger, the holders of the Retractable Common Shares and/or the holders of the Series II Preference Shares.

**Engagement of GMP by the IPC**

GMP was contacted by the IPC during the week of the 8th of November, 2004 and asked to submit a proposal outlining its credentials and services to be provided as the financial advisor to the IPC. GMP submitted its proposal on November 17, 2004 and was formally engaged on November 23, 2004 (the ''**Engagement**'') to act as the financial advisor to the IPC. In connection therewith, GMP was asked to prepare and deliver to the IPC a formal valuation (the ''**Valuation**'') of Hollinger which complies with the requirements of Rule 61-501 and Policy Q-27 in form sufficient for publication to the shareholders of the Company providing a value or range of values of (i) the Retractable Common Shares and (ii) the Series II Preference Shares as well as, if requested, (a) certain evaluations as to the solvency and liquidity of the Company after completion of the Transaction and the financing transactions in connection therewith (the ''**Solvency Evaluation**'') and (b) an opinion (a ''**Fairness Opinion**'') as to the fairness of the Transaction, from a financial point of view, from the perspective of a shareholder or classes of shareholders of the Company other than certain specified parties including Conrad (Lord) Black, RCL, Peter White and David Radler (collectively, the ''**Interested Parties**'') and any parties related to them. On or about January 14, 2005, GMP advised the IPC that GMP would be unable to provide a Fairness Opinion or Solvency Evaluation in light of the factors described under ''Unique and Unusual Circumstances'' described below. In addition, GMP advised the IPC that the Valuation would be subject to limitations, qualifications, assumptions and scope limitations.

GMP has had discussions with representatives of the Ontario Securities Commission (the ''**OSC**'') and Investment Dealers Association of Canada regarding the delivery of the Valuation and the qualifications, assumptions and scope limitations applied herein. While a draft of the Valuation was submitted to the OSC for comment prior to it being finalized and included in the Circular, neither the OSC nor the Investment Dealers Association of Canada has been involved in the preparation of the Valuation other than in connection with such discussions.

Under the terms of the letter agreement governing the Engagement, as amended by a second letter agreement dated February 25, 2005 (collectively, the ''**Engagement Letter**''), GMP has been paid a work fee of $50,000 per month since the time of the Engagement and was entitled to be paid $500,000 upon the delivery to the IPC of the draft Valuation and will be paid an additional $300,000 upon mailing of the Circular.

Hollinger has also agreed to reimburse GMP for its reasonable out-of-pocket expenses incurred in the course of performing the Engagement and to indemnify GMP against certain liabilities that it may incur in the performance of the Engagement. In addition, if, after delivery of the Valuation, there are any meetings with staff at any government commission, regulatory authority, stock exchange, court or administrative tribunal or applicable agency, or proceedings or hearings brought before any such body, or if GMP is otherwise required to respond to any such body, the Company will reimburse GMP for resulting expenses and shall pay GMP a per diem amount in respect of the individuals involved.

**Independence of GMP**

GMP is not an insider, associate or affiliate of Hollinger, the Interested Parties or any of their respective affiliates or associates. GMP has neither provided financial advisory services nor participated in any financings involving Hollinger, the Interested Parties or any of their respective affiliates or associates. The fees payable to GMP under the Engagement Letter on the delivery of the Valuation are not contingent upon the conclusions reached by GMP in the Valuation or upon the success of the Transaction. There are no understandings, agreements or commitments between GMP, the Interested Parties or any of their respective affiliates or associates with respect to any future business dealings. However, GMP may in the future, in the ordinary course of business, seek to perform financial advisory or investment banking services for any one or more of them from time to time.

GMP acts as a trader and dealer, both as principal and agent, in all major Canadian financial markets and, as such, may have had or may in the future have positions in securities of Hollinger and, from time to time, may have executed or may execute transactions on behalf of Hollinger or on behalf of other clients for which it receives compensation. As an investment dealer, GMP conducts research on securities and may, in the ordinary course of business, provide research reports and investment advice to its clients on investment matters, including matters involving an investment in Hollinger.

**Credentials of GMP**

GMP is a Canadian-based investment bank with offices in Toronto, Calgary and Montreal, Canada and Geneva, Switzerland, which provides research and corporate finance advice and services, and engages in securities trading and investment banking. GMP carries on investment banking activities, institutional and retail securities trading activities. In Canada, GMP is an investment banking firm with operations in all facets of corporate finance, mergers and acquisitions, equity sales and trading and investment research. GMP has participated in a significant number of transactions involving private and public companies and has experience in preparing valuations. GMP is not in the business of providing auditing services and is not controlled by a financial institution.

**Effective Date of the Valuation**

GMP is providing the Valuation herein with an effective date of March 1, 2005 (the ''**Effective Date**'').

**Unique and Unusual Circumstances**

There are various unique and unusual circumstances surrounding the proposed Transaction as described elsewhere in the Valuation and including, without limiting the generality of the foregoing, the following:

1. *Neither Hollinger nor International is in compliance with certain aspects of the applicable continuous disclosure requirements of Canadian and U.S. securities laws, the non-compliance of which includes the failure to file*

*certain materials as disclosed in the Circular with respect to Hollinger and International. GMP does not know and has not made any independent inquiry or investigation as to whether the list of timely disclosure non-compliance by Hollinger and/or International in the Circular is complete in all respects.*

At this time, it is uncertain as to when Hollinger and International will be in a position to become current on their required disclosure.

2. *Hollinger is currently the subject of an Inspection pursuant to an Order of the Ontario Superior Court of Justice.*

Pursuant to the order of Mr. Justice Colin L. Campbell of the Ontario Superior Court of Justice dated October 13, 2004, Ernst & Young Inc. (''**E&Y**'' or the ''**Inspector**'') was appointed as inspector pursuant to s. 229(1) of the *Canada Business Corporations Act* (the ''**CBCA**'') to conduct an investigation of certain of the affairs of Hollinger (the ''**Inspection**''). The mandate of the Inspector 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 establishing the Inspection) between Hollinger (including any of its subsidiaries, other than International or its subsidiaries) and a ''related party'' for the period from January 1, 1997 to the present. 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. The Inspector continues to work towards completing the Inspection. In its January 25, 2005 report, E&Y stated that it was its preliminary estimate that the process of review of Hollinger's books and records and other information would take not less than an additional four months. As a result, a final report has not been filed with the Court as at the date of the Valuation and it is not anticipated that a final report will be filed before the completion of the Transaction.

**It is possible that the conclusions of the Inspector will prompt litigation that may materially affect the value of the Retractable Common Shares and the Series II Preference Shares. GMP has been informed by the IPC that the IPC intends to form, under the laws of Ontario, a trust (the ''Trust'') in order to provide a mechanism to allow the holders of the Retractable Common Shares an opportunity to participate in any net proceeds of certain litigation received subsequent to the completion of the Transaction, all as more particularly to be set out in the Trust and documentation related thereto.**

3. *Hollinger and International are each currently engaged in litigation that may materially affect the value of the securities of the Company.*

GMP has made no assessment of the impact of the litigation on Hollinger and/or International, their respective cash balances, earnings, net asset value, expenses or the ability of either of them or their associates and/or affiliates to carry on their respective business other than (i) an estimated amount of certain ongoing expenses relating to the Inspection and (ii) the estimated cash to be initially used to establish the Trust was considered in connection with the cash flow and balance sheet impact.

The Company has been named as defendant or co-defendant in a number of legal actions. The litigation includes those relating to the Inspection and those otherwise disclosed in public filings by Hollinger and/or International.

Due to the uncertainty of outcome and length of time involved in the actual and potential litigation, it is beyond GMP's scope to value such litigation or otherwise make an assessment of the impact thereof on Hollinger and/or International.

4. *Hollinger and/or International may be the subject of future enforcement proceedings by regulatory authorities in Canada and/or the U.S.*

GMP understands that the affairs of the Company are presently under investigation by the U.S. Securities and Exchange Commission (the ''**SEC**''), the OSC and other securities regulatory authorities and may be under investigation by other bodies (together, the ''**Regulatory Authorities**''). GMP understands that, among other things, the appropriateness of certain transactions reported in previous financial statements as filed and of the financial statements themselves are being questioned. At the date of the Valuation, it is unclear what the outcome of the investigation will be and if enforcement proceedings will be commenced.

5. *A Special Committee of International has investigated certain related party transactions involving certain former executive officers and certain current and former directors of International and/or Hollinger.*

   On August 30, 2004, a Special Committee of the board of directors of International released a report setting out the scope and results of its investigations into certain related party transactions involving certain persons, including certain former executive officers and certain current and former directors of International and/or Hollinger. At the date of the Valuation, it is unclear what, if any, actions will be taken as a result of the conclusions released in such report.

6. *GMP has had no access to the operational and executive management of International.*

   GMP requested the IPC to arrange to provide GMP with access to the operational and executive management of International and its subsidiaries in order to evaluate and project the future consolidated financial performance of International. In the normal course of preparing a Valuation, GMP would expect such access since International represents the most significant asset held by Hollinger. Access to books, records and management of International was not made available to GMP. GMP's inability to receive such access to management has made it extremely difficult to accurately project the future financial performance of International.

**Scope of Review**

In preparing the Valuation, GMP obtained information from public sources, Hollinger, the IPC and their respective professional advisors. Where considered appropriate, GMP has reviewed and relied upon (without attempting to verify independently the completeness or its accuracy), among other things, the following:

1. Record Books of Hollinger pertaining to (i) the March 10, 2003 Senior Secured Notes financing transaction, (ii) the September 30, 2004 consent and waiver solicitation and issuance of US$15M of additional Senior Secured Notes, and (iii) the October 28, 2004 consent solicitation and contingent issuance of up to US$40M of additional Senior Secured Notes.

2. Documents relating to the subordinated indebtedness of 504468 N.B. Inc. to International in the principal amount of US$20.3M, guaranteed by Hollinger, dated March 10, 2003.

3. Consent Solicitation Term Sheet with respect to the 11.875% Senior Secured Notes due 2011 issued pursuant to an indenture among Hollinger, Ravelston Management Inc., as guarantor, 504468 N.B. Inc., as guarantor, Wachovia Trust Company, National Association, as trustee, RCL and Sugra Limited, dated March 10, 2003, as amended September 30, 2004.

4. Summary of Terms and Conditions with respect to two Bridge Loan Facilities between (i) Hollinger and 504468 N.B. Inc. and (ii) Domgroup Ltd., as borrowers, and an arm's length lender, as lender, dated October 27, 2004.

5. The unaudited interim report for the quarters ended September 30, 2003 and September 30, 2003 and the audited annual report for the years ended December 31, 2002 and December 31, 2001 for Hollinger.

6. The 10-K reports filed with the SEC for the fiscal years ended December 31, 2003 and December 31, 2002 for International.

7. Board of Director's meeting information binders for the 2 calendar years of 2003 and 2004.

8. Federal corporate tax return of Hollinger for the year ended December 31, 2003, with corresponding notices of assessment and reassessment.

9. Ontario Ministry of Finance Notice of Assessment with respect to Hollinger for the year ended December 31, 2003.

10. Corporate tax returns (federal and provincial) of Hollinger for the year ended December 31, 2002, with corresponding notice of assessment.

11. Escrow and Custodial Agreement dated April 7, 2004 between Hollinger, Westwind Partners Inc. and Computershare Trust Company of Canada, which provides for certain contractual arrangements pertaining to the Series II Preference Shares.
12. Domgroup Real Estate list of properties and summary market values; Domgroup Real Estate rent roll; and Domgroup Ltd. operating expenses from January through August 2004.
13. Summary of Capital Cost Allowance for the years ended December 31, 2002 and 2003 for 2821354 Canada Inc. We have been advised that a capital asset continuity schedule is not available. Summary of Capital Cost Allowance for the years ended December 31, 2002 and 2003 for 10 Toronto Street Inc., including a capital asset continuity schedule. Summary of Capital Cost Allowance for the years ended December 31, 2002 and 2003 for Domgroup Ltd., including a capital asset continuity schedule.
14. CIBC U.S. Dollar Current Account statement for the period ending October 31, 2004. CIBC Business Operating Account (CAD) statement for the period ending November 15, 2004. List of cash balances for Hollinger and its subsidiaries as of December 6, 2004.
15. The Inspector's Reports 1 through 6 including amendments.
16. Full corporate organizational chart dated May 15, 2003.
17. Formal offer letters from RCL referred to above.

**Additional Assumptions and Limitations**

In accordance with the Engagement, GMP has relied upon, and has, except where noted above under ''Unique and Unusual Circumstances'', assumed the completeness, accuracy and fair presentation of, all financial and other information, data, advice, opinions and representations obtained by it from public sources or provided by Hollinger (including certain of its officers and directors), and the IPC and their respective professional advisors, consultants and representatives. The Valuation is conditional upon such completeness, accuracy and fair presentation of such information (except where noted herein). In accordance with the Engagement but subject to its professional judgment, GMP has not attempted to verify independently the completeness, accuracy, or fair presentation of the information (except where noted herein). GMP has assumed that the forecasts, projections and budgets of Hollinger provided to us and used in our analyses have been reasonably prepared on bases reflecting the best currently available estimates and judgements of the management of Hollinger as to matters covered thereby and, in rendering the Valuation, we express no view as to the reasonableness of such forecasts, projections and budgets or the assumptions on which they are based.

**Certain assumptions used by GMP in the preparation of the Valuation are, in the professional judgement of GMP, based upon the best information reasonably available to GMP at the time of the preparation of the Valuation. Such assumptions may prove to be inaccurate. Actual results achieved with respect to matters based upon such assumptions will vary from those used by GMP and such variations may be material.**

Material assumptions made by GMP in preparing the Valuation include:

a) *the completion of the Transaction will not constitute a dissolution, liquidation, or winding-up of Hollinger;*

b) *there will be no material tax cost to Hollinger to complete the Transaction;*

c) *the consent of the holders of the Senior Secured Notes to the completion of the Transaction will be unconditional except as to the date by which the Transaction needs to be completed;*

d) *the 0.46 of an International Class A Share to be delivered in exchange for each Series II Preference Share is exactly the same as a holder of such security would be entitled to upon a retraction of such share in accordance with the share attributes of the Series II Preference Shares;*

e) *International has and will continue to carry on its business in the normal course of a going-concern operation;*

f) *International will be successful in its efforts to reduce/defer taxes relating to the gains on the sale of the International's non-U.S. operations;*

g) *we have relied on the unaudited Market Value Information Consolidated Balance Sheet and notes thereto of the Company as at September 30, 2004 attached hereto as Appendix 1. It is our understanding that Zeifman & Company, LLP have performed the procedures under section 9100 of the CICA Handbook entitled ''Reports on the results of applying specified auditing procedures to financial information other than financial statements'', as outlined in Appendix 1; and*

h) *The Dividend Amount (as defined in the articles of the Company relating to the attributes of the Series II Preference Shares) is zero.*

The Valuation has been rendered on the basis of securities markets, economic, financial and general business conditions prevailing at the Effective Date and the conditions and prospects, financial and otherwise, of Hollinger and its subsidiaries as they are reflected in the information reviewed by GMP. In its analyses and in preparing the Valuation, GMP made numerous judgements with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond its control or that of any party involved in the Transaction.

Senior officers and directors of Hollinger have represented to GMP that among other things:

1. The information provided orally by, or in the presence of, an officer or employee of Hollinger or in writing by Hollinger or any of its subsidiaries (as such term is defined in the Securities Act (Ontario) or their respective agents (''**by Hollinger**'') provided to GMP for the purpose of preparing the Valuation was, at the date the financial and other information, data, advice, opinions and representations (collectively, the ''**Information**'') provided to GMP by Hollinger, and was at the Effective Date and is at the date hereof, complete, true and correct in all material respects, and did not and does not contain any untrue statement of a material fact in respect of Hollinger, its subsidiaries or the Transaction necessary to make the Information or any statement contained therein not misleading in light of the circumstances under which the Information was provided or any statement was made.

2. All financial material, documentation and other data concerning the Transaction, Hollinger and its subsidiaries, including any unaudited financial information and any projections or forecasts, provided to GMP by Hollinger:

   (a) were prepared on a basis consistent in all material respects with the accounting policies applied in the audited consolidated financial statements of Hollinger dated as at December 31, 2002 and in the unaudited financial statements of Hollinger prepared and filed on SEDAR subsequent thereto;

   (b) reflect the assumptions disclosed therein (which assumptions management of Hollinger believes to be reasonable); and

   (c) do not contain any untrue statement of a material fact or omit to state any material fact necessary to make such financial material, documentation or data or any statement contained therein not misleading in light of the circumstances in which such financial material, documentation and data was provided to GMP or any statement therein was made.

3. Since the dates on which the Information was provided to GMP by Hollinger, except as disclosed publicly on SEDAR by Hollinger or International (''**Disclosed Publicly**'') or as disclosed in writing to GMP, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of Hollinger or any of its subsidiaries and no material change has occurred in the Information or any part thereof which would have or which would reasonably be expected to have a material effect on the Valuation.

4. There are no off-balance sheet assets or liabilities and no contingent assets or liabilities, including any which are pending, or to the best of their knowledge, information and belief, threatened, against Hollinger or any of its subsidiaries or affecting in any way the assets, shares or business of Hollinger and its subsidiaries, other than as Disclosed Publicly.

5. Since the dates on which the Information was provided to GMP by Hollinger, no material transaction has been entered into by Hollinger or any of its subsidiaries other than as Disclosed Publicly.

6. The budgets, forecasts, projections and estimates provided to GMP by management of Hollinger were prepared using the assumptions identified therein which reflected the best available estimates and judgments by the management of Hollinger as to the expected results of operations and financial condition of Hollinger to which such budgets, forecasts, projections and estimates relate and which, in the reasonable belief of Hollinger are (or were at the time of preparation) reasonable in the circumstances and are not misleading in any material respect in light of the assumptions used therefor.

7. There are no existing written, independent appraisals or valuations of Hollinger or any of its subsidiaries (on a consolidated or unconsolidated basis) prepared as of a date within 24 months preceding the date hereof and no such valuation or appraisal has been commissioned by Hollinger or any of its subsidiaries or is known to Hollinger to be in the course of preparation.

8. There have been no written offers or negotiations, relating to the purchase or sale of all or a material portion of Hollinger's assets, made or received within 24 months preceding the date hereof other than as Disclosed Publicly or disclosed in writing to GMP by Hollinger.

9. There have been no communications from regulatory agencies concerning non-compliance with laws or regulations which could have a material effect on the affairs, operations, business or finances of Hollinger other than as has been disclosed in writing to GMP or Disclosed Publicly.

10. The Circular contains all facts relevant to a shareholder of Hollinger being able to make a reasoned judgment in respect of the Transaction.

11. To the knowledge of such person, the Inspector has not concluded any matter or fact which would have a material effect on Hollinger and its subsidiaries, taken as a whole or which would make any of the foregoing statements false or misleading in any material respect.

12. No confidential timely disclosure reports, written or oral, have been filed by Hollinger, the Board (or any committee thereof, including the IPC) with the applicable securities regulatory authorities in Canada or the United States.

The Valuation is provided as of the Effective Date and GMP disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Valuation of which it may become aware after the Effective Date. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Valuations after the Effective Date, GMP reserves the right to change, modify or withdraw the Valuation.

The Valuation has been prepared and provided for the use of the IPC and for inclusion in the Circular, and may not be used or relied upon by any other person without GMP's prior written consent. Subject to the terms of the Engagement, GMP will execute a consent to the publication of the Valuation in its entirety in the Circular as necessary.

GMP has based the Valuation on a variety of factors. Accordingly, GMP believes that its analysis must be considered as a whole. Selecting portions of its analyses or the factors considered by GMP without considering all factors and analyses together, could create a misleading view of the process underlying the Valuation. The preparation of a Valuation is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

**Not a Fairness Opinion or a Solvency Opinion**

GMP expresses no opinion herein concerning the fairness of the Transaction to the holders of the issued and outstanding Retractable Common Shares and the issued and outstanding Series II Preferred Shares and makes no recommendation to security holders of Hollinger with respect to the Transaction. GMP expresses no opinion herein concerning the solvency of Hollinger.

**Reporting Currency**

Hollinger reports its financial results in Canadian dollars. International reports its financial results in U.S. dollars.

**Equity Securities and Principal Holders of Equity Securities**

The authorized capital of the Company consists of an unlimited number of preference shares, issuable in series, an unlimited number of Retractable Common Shares, an unlimited number of exchangeable non-voting preference shares Series I, an unlimited number of Series II Preference Shares and an unlimited number of non-voting preference shares Series III. The issued capital of the Company consists solely of the Retractable Common Shares and the Series II Preference Shares.

Hollinger has advised GMP that, on March 1, 2005, there were 34,945,776 Retractable Common Shares issued and outstanding and entitled to vote on such matters coming before the holders of Retractable Common Shares at the Special Meeting. GMP has been further advised that, to the knowledge of the directors and executive officers of the Company, as at the Effective Date, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the outstanding Retractable Common Shares except (i) RCL which beneficially owns, directly or indirectly, or exercises control or direction over, a total of 27,363,170 Retractable Common Shares or approximately 78.3% of the outstanding Retractable Common Shares; and (ii) Conrad (Lord) Black indirectly controls RCL and therefore beneficially owns, directly or indirectly, or exercises control or direction over, approximately 78.3% of the outstanding Retractable Common Shares.

Hollinger has advised GMP that, on March 1, 2005, there were 1,701,995 Series II Preference Shares issued and outstanding and entitled to vote on such matters coming before the holders of Series II Preference Shares at the Special Meeting. GMP has been further advised that to the knowledge of the directors and executive officers of the Company, as at the Effective Date, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the outstanding Series II Preference Shares except Catalyst Fund General Partner I Inc. which beneficially owns, directly or indirectly, or exercises control or direction over, approximately 1,398,000 Series II Preference Shares or approximately 82.1% of the outstanding Series II Preference Shares.

**Senior Secured Notes**

The Company has outstanding US$93.0 million aggregate principal amount of Senior Secured Notes. The Senior Secured Notes are guaranteed by Ravelston Management Inc., a wholly-owned subsidiary of RCL, and by an indirect wholly-owned subsidiary of the Company. The Senior Secured Notes are secured by, among other things, a first priority lien on 14,990,000 shares of Class B Common Stock of International (''**International Class B Shares**'') owned, directly and indirectly, by the Company. Under the terms of the Senior Secured Notes, the Company is subject to certain financial covenants and other restrictions.

As part of the terms of the Senior Secured Notes, the Company was required to cause an exchange offer registration statement to be declared effective with the SEC under the U.S. *Securities Act of 1933*, as amended, by November 4, 2003. Registration of the securities is not being sought at this time. As a result of this registration default, the annual interest rate on the Senior Secured Notes increased by 0.5% per year from November 4, 2003. The annual interest rate increased by an additional 0.5% per year on February 2, 2004, resulting in a maximum additional interest rate of 1.0% per year over the $11\frac{7}{8}$% interest rate on the Senior Secured Notes until all registration defaults are cured. If and when the Company cures this registration default, the interest rate on the Senior Secured Notes will revert immediately to the original level.

**Prior Valuations**

Hollinger has represented to GMP that there have not been any prior valuations (as defined in Rule 61-501 and Policy Q-27) of Hollinger or its material assets or its securities in the past 24 month period. GMP has reviewed the fairness opinions of the financial advisors to the Independent Committee of the Board continued in the Directors' Circular dated February 9, 2004 issued by the Board in response to the offers of Press Acquisition Inc.

**Overview of the Company**

The Company is the continuing corporation under the CBCA, resulting from the 1985 amalgamation of Argcen Holdings Inc., Hollinger Argus Limited (incorporated June 28, 1910) and Labmin Resources Limited. The registered office of the Company is 10 Toronto Street, Toronto, Ontario M5C 2B7. The Company is a ''mutual fund corporation'' under the *Income Tax Act* (Canada).

The Company's principal asset is its interest in International, which is a newspaper publisher, the assets of which include the *Chicago Sun-Times*, a large number of community newspapers in the Chicago area and a portfolio of news media investments, and a portfolio of revenue-producing and other commercial real estate in Canada, including its head office building located at 10 Toronto Street, Toronto, Ontario. The Company advised GMP that, as of March 1, 2005, it owned, directly or indirectly, 782,923 International A Shares and 14,990,000 International Class B Shares, being approximately 17.4% of the equity and 66.8% of the voting interests in International.

International is a leading publisher of English-language newspapers and magazines in the United States and Canada. International owns or has interests in over 200 publications, including daily and non-daily newspapers and magazines. International's premier asset is the Chicago Sun Times, which has the second highest daily readership and circulation of any newspaper in the Chicago Metropolitan and had the eighth highest readership of any metropolitan newspaper in the United States as reported in the 2003 Scarborough Report. Hollinger also has cash and a small portfolio of real estate assets held in a subsidiary called Domgroup Ltd.

The following are the primary operating divisions of International:

***Chicago Group***

The Chicago Group consists of more than 100 newspapers in the greater Chicago metropolitan area. The Chicago Group's primary newspaper is the Chicago Sun-Times, which was founded in 1948 and is one of Chicago's most widely read newspapers. The Chicago Sun-Times is published in a tabloid format and has the second highest daily readership and circulation of any newspaper in the 16-county Chicago metropolitan area, attracting approximately 1.6 million readers daily as reported in the 2003 Scarborough Report. The Chicago Group pursues a clustering strategy in the greater Chicago metropolitan market, covering all of Chicago's major suburbs as well as its surrounding high growth counties. This strategy enables the Chicago Group to offer joint selling programs to advertisers, thereby expanding advertisers' reach. For the year ended December 31, 2003, the Chicago Group had revenues of US$450.8 million and operating income of US$24.5 million.

***Canadian Newspaper Group***

The Canadian Newspaper Group includes the operations of Hollinger Canadian Publishing Holdings Co. (''**HCPH Co.**'') that has an 87% interest in Hollinger Canadian Newspapers, Limited Partnership (''**Hollinger L.P.**''). HCPH Co. and Hollinger L.P. own numerous daily and non-daily newspaper properties and Canadian trade magazines and tabloids for the transportation, construction, natural resources and manufacturing industries, among others. In addition, the Canadian Newspaper Group administers the retirement plans, and absorbs the costs related to post-retirement, post-employment benefit and pension plans of certain retired employees of HCPH Co. (successor of Southam Inc.). For the year ended December 31, 2003, the Canadian Newspaper Group had revenues of approximately US$80.5 million and an operating loss of approximately US$5.0 million.

***Investment and Corporate Group***

The Investment and Corporate Group performs administrative and corporate finance functions for the Company including treasury, accounting, tax planning and compliance and the development and maintenance of the systems of internal controls.

## Review and Forecast of Operating Results

***Hollinger***

Appendix 1 contains a copy of Hollinger's unaudited Market Value Information Consolidated Balance Sheet as at September 30, 2004. This Consolidated Balance Sheet has been prepared in accordance with the Company's traditional accounting policies with the exception that it has been prepared as though the Company had always accounted for its assets and liabilities at their market values. The Company's auditors have performed procedures on this Consolidated Balance Sheet under Section 9100 of the Handbook of the Canadian Institute of Chartered Accountants — *Reports on the Results of Applying Specified Auditing Procedures to Financial Information Other Than Financial Statements*.

***International***

GMP has not had access to the books, records or management of International and has not had access to an International management forecast of operating results. In addition, International's most recently published financial results are for the year ended December 31, 2003. GMP has prepared a forecast of financial performance for the period 2004F to 2009F. While such forecasts are subjective, GMP has reinforced its views with third party support for certain key assumption and performance drivers. While GMP believes that the third party support for certain key assumptions was useful and the best information reasonably available to it at this time, the information received was not specific to the business and affairs of International and its subsidiaries. The forecast includes estimated expected results for the Chicago Group (2004F to 2009F), the Community Group which contained the Jerusalem Post prior to its sale on December 15, 2004 (2004F), the Canadian Newspaper Group (2004F to 2009F), and the Investment and Corporate Group (2004F to 2009F).

The forecast with notes and assumptions is referenced in the Appendices hereto as follows:

*1) The Chicago Group . . . . . . . . . . Appendix 2*
*2) The Community Group . . . . . . . . . . Appendix 3*
*3) The Canadian Newspaper Group . . . . . . . . . . Appendix 4*
*4) The Investment and Corporate Group . . . . . . . . . . Appendix 5*
*5) International Consolidated . . . . . . . . . . Appendix 6*

## Definition of Fair Market Value

For the purposes of the Valuation, fair market value means the highest price, expressed in terms of money or money's worth, available in an open and unrestricted market between informed and prudent parties, each acting as arm's length, where neither party is under any compulsion to act.

## Approach to Value of Retractable Common Shares

The Valuation is based on techniques and assumptions that GMP considers appropriate in the circumstances for the purposes of arriving at a range of estimates of fair market values of the outstanding Retractable Common Shares.

Hollinger is a holding company with no operating assets other than a relatively small portfolio of real estate holdings. GMP believes that a net asset value (''**NAV**'') approach is appropriate to valuing Hollinger. Hollinger's primary assets are its holdings of cash and its equity interest in International. International has operating assets described above; primarily the newspaper and publishing interests contained in the Chicago Group and the Canadian Newspaper Group. GMP combines an NAV approach with a Transaction Premium Approach to determine a summary value of the Retractable Common Shares.

***Net Asset Value Analysis***

The NAV approach involves ascribing a separate value for each asset and liability of Hollinger using an appropriate valuation method in each case, and subtracting the sum of the total liabilities from the sum of the total assets to determine Hollinger's NAV. The key components of Hollinger's NAV are as follows:

*a) Holdings of equity interests in International;*

*b) Cash;*

*c) Amounts due to and from related parties;*

*d) Other investments;*

*e) Long-term debt;*

*f) Future income taxes payable;*

*g) Ongoing costs of the inspector;*

*h) Property and Equipment; and*

*i) Deferred financing costs and other assets.*

All other assets and liabilities are valued at estimated value as contained in the September 30, 2004 unaudited Market Value Information Consolidated Balance Sheet of the Company.

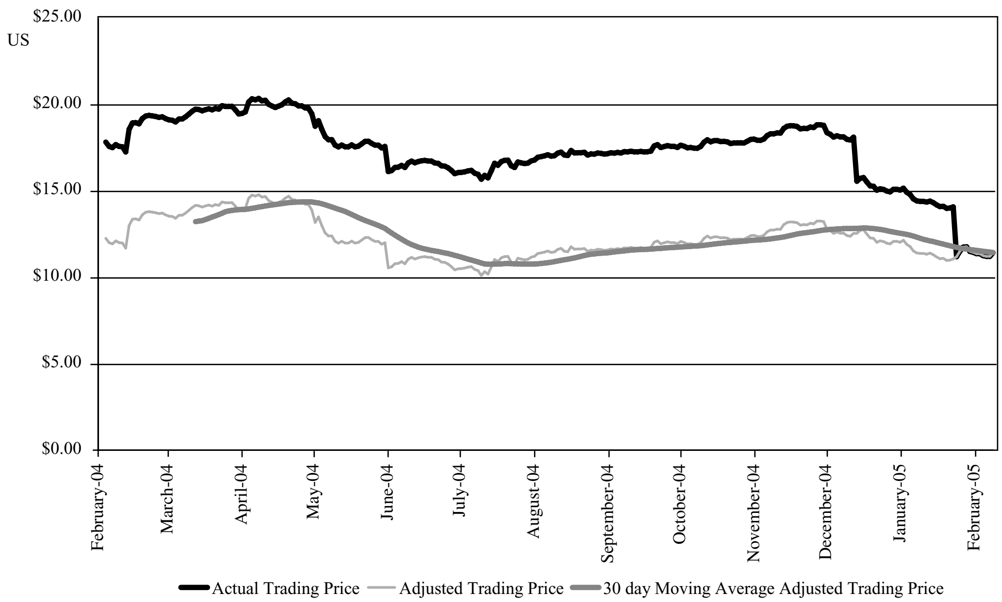
**a) Valuation Methodologies for Hollinger's Holdings in International**

In preparing a valuation of the Company's holdings in International, we gave primary consideration to the following methodologies:

***1) Trading Price***

The recent trading price of the International Class A Shares has been affected by the declaration of two Special Dividends and one regular dividend relating to the sale by International of its U.K. Newspaper Group having occurred on July 30, 2004. These Special Dividends of US$2.50 and US$3.00 per share affected the trading price of the International Class A Shares on their respective ex-dividend dates of December 29, 2004 and February 9, 2005, respectively. On the ex-dividend dates, the trading price of the International Class A Shares decreased by the approximate amount of the respective Special Dividends. The following chart shows the trading price of International shares with and without the Special Dividends included.

**Hollinger International Inc. Trading Price History Since February 18th, 2004**




International Class A Shares traded between US$14.40 and US$10.80 during the period February 18, 2004 to February 25, 2005. The 30 day moving average trading price for the 30 days up to and including February 25, 2005 was US$11.47.

## 2) *Discounted Cash Flow*

The discounted cash flow (''**DCF**'') approach reflects the growth prospects and risks inherent in International by taking into account the amount, timing and relative certainty of projected unlevered free cash flows to be generated by each operating division during a specified period. The DCF approach requires that certain assumptions be made regarding, among other things, future unlevered free cash flows, discount rates, and terminal values at the end of the projection period. GMP selected discount rates by calculating the weighted average cost of capital (''**WACC**'') of International and then adjusting WACC +/- 50 bps to calculate high and low values of International. The WACC was calculated using the capital asset pricing model (''**CAPM**'') approach and the expected market cost of debt for International operating under an optimal or industry average capital structure. An estimate of future growth was subtracted from the WACC to calculate the terminal value with reference to GMP's view of International's growth prospects beyond the terminal year.

The DCF analysis involved discounting to a present value GMP's projected unlevered free cash flows for the Chicago Group and the Investment and Corporate Group. In GMP's view, it is not appropriate to include the forecasted negative operating results of the Canadian Group in the DCF as it would have resulted in an inappropriate decrease in value. The Canadian Group is held in Hollinger L.P. which is listed and traded on the TSX Venture Exchange. GMP incorporated the International's approximate 87% interest in the market capitalization of Hollinger L.P. as a present value component to the DCF.

### *Cash Balance*

DCF analysis requires an estimate of the cash balance on the day of valuation. Since the most recently disclosed cash balance for International is as at September 30, 2004, GMP prepared an estimated forecast cash balance of US$464.5 million for International as at March 1, 2005. Please see Appendix 7 for a supporting schedule.

*Discount Rate*

The projected unlevered after tax free cash flows of International were discounted based on the estimated WACC. The WACC was calculated based upon International's estimated after tax cost of debt and equity, weighted based upon an assumed optimal capital structure. GMP used the CAPM approach to determine the appropriate cost of equity. The CAPM approach calculates the cost of equity with reference to the risk-free rate of return, the volatility of equity prices relative to a benchmark (''**beta**'') and the equity risk premium. GMP reviewed a range of unlevered betas for International and comparable companies in the newspaper industry. The analysis showed that the calculated beta for International was very similar to the beta of the industry calculated using the optimal capital structure. GMP selected the calculated beta for International based on this analysis.

Subject to the foregoing and based on this analysis of industry comparable volatility measures, GMP has estimated the cost of equity as 8.7% for International to be included in the calculation of the weighted average cost of capital. Please see Appendix 8 for the calculation of the estimated cost of equity.

In order to calculate the WACC, the assumed optimal capital structure was determined based upon a review of industry comparable debt to market value of equity ratios for companies in the newspaper publishing industry. These debt to market value of equity ratios were averaged and an industry capital structure was inferred. Since International no longer has a material amount of debt and does not have a capital structure consistent with industry norms as described below, GMP assumed a cost of debt for International based on an analysis of industry credit ratings and the yield on corporate bonds of credit quality similar to the industry.

Based upon the foregoing, and taking into account GMP's sensitivity analyses on the variables selected above and the assumptions used in the free cash flow estimates, GMP determined the appropriate WACC for International's free cash flows to be in the range of 8.2% to 7.2%. Please see Appendix 9 for GMP's estimate of WACC.

*Residual Value*

GMP developed a terminal enterprise value at the end of the projection period using a perpetuity growth rate, whereby the terminal or residual year free cash flow is capitalized at the WACC less a growth factor of 2.6% per annum determined by reference to expected free cash flow growth beyond the projection period. In selecting this growth rate GMP selected growth equal to estimated long-run inflation.

*Summary*

Based upon the foregoing, as of the Effective Date, the discounted free cash flow value of International is estimated to be between US$11.81 and US$12.84 per share. Please see Appendix 10 for a supporting schedule.

***3) Comparable Company Analysis***

For the purpose of the comparable company public market trading analysis, GMP reviewed the performance of 12 other publicly traded newspaper companies in the United States and Canada: Belo Corp., Dow Jones & Co., The EW Scripps Company, Gannett, Journal Register Company, Knight-Ridder Inc., Lee Enterprises Inc., New York Times Company, The McClatchy Company, Torstar, Tribune Company and Washington Post Company. Though some of these companies are of different size and operate in different geographic markets than International, all are primarily newspaper companies that compete in the same industry and are broadly comparable as a group.

**HOLLINGER INTERNATIONAL COMPARABLE COMPANY ANALYSIS**
At March 1, 2005
(in millions, except per share data)

| Company | Market Cap | EV | EV/EBITDA 2005F |
|---|---|---|---|
| Belo Corp | US$ 2,800.1 | $ 3,718.9 | 9.1x |
| Dow Jones & Co. | 3,069.6 | 3,481.5 | 11.8x |
| The EW Scripps Company | 7,735.0 | 7,880.5 | 12.0x |
| Gannett | 20,475.1 | 23,685.0 | 9.7x |
| Journal Register Company | 744.6 | 1,486.7 | 10.0x |
| Knight-Ridder Inc. | 5,152.3 | 6,153.3 | 8.9x |
| Lee Enterprises Inc. | 2,077.6 | 2,231.1 | 11.3x |
| New York Times Company | 5,435.8 | 6,181.1 | 9.5x |
| The McClatchy Company | 3,424.0 | 3,599.9 | 10.4x |
| Torstar | 1,841.8 | 2,050 | 7.4x |
| Tribune Company | 13,135.1 | 14,170.6 | 8.8x |
| Washington Post Company | 8,756.4 | 8,773.8 | 10.5x |
| Average | | | 9.9x |
| Hollinger International Inc. (actual) | 1,020.7 | 564.6 | 9.9x |

| Valuation | Value per share | Market Cap | EV | EV/EBITDA 2005F | |
|---|---|---|---|---|---|
| Hollinger International Inc. | $11.25 | 1,020.9 | 564.9 | 9.9x | High |
| Hollinger International Inc. | $10.35 | 939.2 | 483.1 | 8.5x | Low |

Source: company data, Bloomberg, IBES estimates, GMP Analysis

(1) Based on an analysis of industry multiples, GMP has selected high and low values EV / EBITDA multiples to calculate a value of International.

Based upon the foregoing, as of the Effective Date, the comparable company analysis value of International is estimated to be between US$10.35 and US$11.25 per share.

### 4) *Summary valuation of Class A and Class B shares of International*

GMP applied weights according to its estimate of the relative importance to each valuation method in determining the value of International shares under the circumstances.

**HOLLINGER INTERNATIONAL INC. SUMMARY VALUE ESTIMATE PER SHARE**
At March 1, 2005

**VALUATION SUMMARY**

| | High | Low |
|---|---|---|
| | (in US$) | |
| Methodology: | | |
| Discounted cash flow value per share | $12.84 | $11.81 |
| Comparable company analysis value per share | $11.25 | $10.35 |
| 30 day moving average adjusted share price (1) | $11.47 | $11.47 |
| Weight (2): | | |
| Discounted cash flow value per share | 40.0% | 40.0% |
| Comparable company analysis value per share | 25.0% | 25.0% |
| 30 day moving average price per share | 35.0% | 35.0% |
| Summary estimated value per share: | $11.96 | $11.33 |

(1) Price adjusted by size of dividends declared per share as shown in historical price chart.

(2) Weights are based on GMP estimates of relative importance.

Based upon and subject to the foregoing, GMP is of the view that, as of the Effective Date, the fair market value of the International Class A Shares and the International Class B Shares is in the range of US$11.33 to US$11.96.

**b) Valuation of Cash**

Hollinger has forecast its cash balance at February 28, 2005. GMP has adjusted that cash balance to reflect the special dividend paid on January 18, 2005 in regards of the Series II Preferred Shares by reducing the cash balance by the amount of the special dividend net of withholding tax. See Appendix 10 for the Hollinger and subsidiaries consolidated cash balance at March 1, 2005. Note also that US$98.7M of long-term debt is collateralized partially by $13.2 million of cash in addition to a pledge of 14,990,000 International Class B Shares. GMP has valued cash balances at full value.

**c) Valuation of Amounts Due To and From Related Parties**

GMP has valued Amounts Due To Related Parties and Amounts Due From Related Parties as defined in Appendix 1 at face value as described in the September 30, 2004 unaudited Market Value Information Consolidated Balance Sheet of the Company and included under ''Review and Forecast of Operating Results'' in this letter.

**d) Valuation of Other Investments**

The Company has several real-estate holdings. Colliers International was engaged to provide an estimate of value as at February 28, 2005 for the three largest properties in this portfolio. GMP conducted discussions with management of the Company and the current property manager in respect of the balance of the properties to determine an estimate of value. Such aggregate value is presented in Other Investments in GMP's net asset value calculation of the Company.

The Company also owns an interest in the Cayman Free Press which is included in GMP's net asset value calculation at estimated market value and Hollinger L.P. which is included at the current trading price per unit of $1.06 on the TSX Venture Exchange.

**e) Valuation of Long-Term Debt**

GMP has adjusted the value of the liability represented by the Senior Secured Notes to reflect the increase in US government interest rates on bonds of similar maturity since the time when the senior notes were issued in March, 2003.

### f) Valuation of Income Taxes Payable

The September 30, 2004 unaudited Market Value Information Consolidated Balance Sheet contained herein includes a $67.7 million future income tax liability related to the sale of shares of International on a dissolution or wind-up of the Company. Since GMP's net asset valuation does not contemplate a wind-up of the Company, GMP has eliminated this liability in its calculation of NAV.

### g) Valuation of the Ongoing Costs of the Inspector

The ongoing cost of the Inspector has been estimated at $8.0 million and has been accrued in accounts payable and accrued expenses in the September 30, 2004 unaudited Market Value Information Consolidated Balance Sheet contained herein.

### h) Valuation of Property and Equipment

The September 30, 2004 unaudited Market Value Information Consolidated Balance Sheet contained herein contains land and building values in respect of real estate held at the corporate level. This amount has been included in the value of Other Investments in GMP's NAV calculation.

### i) Valuation of Deferred Financing Costs and Other Assets

Based on discussions with the Company, GMP has determined that Deferred Financing Costs and other assets includes only accruals related to previous financing expenses. These amounts are valued at zero in GMP's NAV calculation.

### Summary of NAV Analysis

Appendix 11 summarizes GMP's analysis of the fair market value of the Retractable Common Shares at the Effective Date using the NAV method. GMP estimates the NAV at between $7.72 and $8.06.

### *Transaction Premium Analysis*

GMP believes an analysis of the transaction premium is also important to determining a summary value of the Retractable Common Shares. This analysis examines the trading price pre-announcement of the transaction to the bid price per share and compares that premium to the market transaction premium for other privatization transactions.

**HOLLINGER INC. TRANSACTION PREMIUM VALUATION**
**At March 1, 2005**

| | |
|---|---|
| Closing price on October 28, 2004 (1) | $4.31 |
| Proposed transaction price | 7.25 |
| Implied transaction premium | 68.2% |

| | High | Low |
|---|---|---|
| Closing price on October 28, 2004 | $4.31 | $4.31 |
| Market transaction premium (2) | 41.8% | 31.8% |
| Implied price per share | 6.11 | 5.68 |

(1) The proposed transaction was announced on October 28, 2004

(2) GMP measured the transaction premium for 29 going private transactions. The average transaction premium was 36.8%. GMP estimates the high and low transaction premium by adjusting the average market transaction premium +/– 5%.

The transaction premium analysis estimates the high and low price per share to be between $5.68 and $6.11.

### Valuation Conclusion in Respect of Retractable Common Shares

Subject to the limitations, assumptions, qualifications and scope limitations stated herein, GMP estimates, as of the Effective Date, the fair market value of the Retractable Common Shares of Hollinger is in the range of $7.21 to $7.57 per share.

**HOLLINGER INC. SUMMARY VALUE ESTIMATE PER SHARE**
At March 1, 2005

**VALUATION SUMMARY**

| | High | Low |
|---|---|---|
| Methodology: | | |
| NAV approach | $8.06 | $7.72 |
| Takeover transaction premium to market price approach | $6.11 | $5.68 |
| Weight: | | |
| NAV approach | 75.0% | 75.0% |
| Takeover transaction premium to market price approach | 25.0% | 25.0% |
| Summary estimated value per share: | $7.57 | $7.21 |

Our approach involves a synthesis of the net asset value (''**NAV**'') based approach and the transaction premium approach. GMP believes that more emphasis should be place on the NAV approach because of various factors negatively influencing the public market trading price of the Company prior to the announcement of the transaction. These factors are as follows: (i) the lack of current financial information due to the failure of the Company or International to file its financial statements in accordance with applicable securities laws has the effect of artificially lowering the public trading price of shares in the Company, (ii) the various litigation and contingent assets and liabilities related to the ''Unique and Unusual Circumstances'' described above has the effect of artificially lowering the public trading price of shares in the Company, and (iii) the relative illiquidity of Hollinger shares at the time of the announcement of the proposed Transaction. On October 28, 2004, the transaction announcement date, the 20 day average volume traded for Hollinger was 10,057 shares versus the 20 day average volume traded for International of 296,410 for International during the same time period.

### Valuation Conclusion in Respect of Series II Preference Shares

GMP has determined that the appropriate approach with respect to the valuation of the Series II Preference Shares is to value it in relation to the retraction right to receive International Class A Shares, rather than a range of values expressed in dollars. Accordingly, GMP is of the view that, subject to the limitations, assumptions, qualifications and scope limitations stated herein, and based upon the advice by Hollinger that each holder of a Series II Preference Share is entitled to receive 0.46 of an International Class A Share on a retraction of a Series II Preference Share, the value of the Series II Preference Shares is equivalent to 0.46 of an International Class A Share.

Sincerely,

(Signed) GMP Securities Ltd.

## APPENDIX 1 — HOLLINGER INC.

## HOLLINGER INC.

## MARKET VALUE INFORMATION

## CONSOLIDATED BALANCE SHEET

September 30, 2004
(in thousands of Canadian dollars)
(unaudited)

### ASSETS

| | |
|---|---|
| **Current assets** | |
| Cash and cash equivalents | $ 15,328 |
| Restricted cash (note 3) | 13,743 |
| Accounts receivable | 1,051 |
| Amounts due from related parties (note 4) | 72,127 |
| Prepaid expenses | 1,148 |
| | 103,397 |
| Investments (note 5) | 367,463 |
| Property and equipment (note 6) | 8,495 |
| Deferred financing costs | 14,078 |
| | $493,433 |

### LIABILITIES

| | |
|---|---|
| **Current liabilities** | |
| Accounts payable and accrued expenses | $ 32,646 |
| Amounts due to related parties (note 4) | 28,183 |
| Income taxes payable (note 7) | 6,358 |
| | 67,187 |
| Long-term debt (note 9) | 117,626 |
| Retractable preference shares (note 8) | 17,352 |
| Amounts due to related parties (note 4) | 25,738 |
| Future income taxes (note 7) | 39,147 |
| Other liabilities (note 4) | 679 |
| | 267,729 |
| **Net assets representing shareholders' equity** | |
| Capital stock (note 10) | 286,602 |
| Net unrealized decline in assets | (67,354) |
| Net unrealized decrease in liabilities | 603 |
| Retained earnings | 5,853 |
| | 225,704 |
| | $493,433 |
| Net asset value per retractable common share | $ 6.46 |

Contingencies and commitments (note 11)
Subsequent events (note 13)

See accompanying notes.

## Notes to Consolidated Balance Sheet
September 30, 2004
(Tabular amounts are in thousands of dollars except where noted)
(unaudited)

### 1. SIGNIFICANT ACCOUNTING POLICIES

***Basis of Presentation***

As part of the Company's 1997 issuer bid, Hollinger Inc. (the ''Corporation'') became an open-end investment holding company. The Corporation's retractable common shares (the ''Common Shares'') are retractable at the option of the holder for an amount based on the market value of the Corporation's assets, on a non-consolidated basis, and during 1999, the Corporation's Series II preference shares became retractable for an amount based on the market value of Hollinger International Inc. (''International'') common shares.

This consolidated balance sheet includes the accounts of the Corporation and those wholly-owned subsidiaries which carry out head office functions and which do not represent investments (together, the ''Company''). Investments in other companies and subsidiaries are not consolidated but rather are carried as investments and are accounted for at their market value.

This consolidated balance sheet has been prepared in accordance with the Corporation's traditional accounting policies with the exception that it has been prepared as though the Corporation had always accounted for its assets and liabilities at their market values.

This consolidated balance sheet has not been audited or reviewed by the Corporation's auditors. This alternative financial information is presented in lieu of statutory financial statements as a result of the Corporation's inability to file its statutory financial statements as at and for the year ended December 31, 2003 and the first three quarters of 2004. This inability results from a series of difficulties the Corporation has experienced including the Corporation's loss of control of International on or about November 17, 2003 and International's and International's auditors' continued insufficient co-operation with the Corporation.

As a result of the inability by the Corporation to file its statutory financial statements on a timely basis, the Ontario Securities Commission and certain other provincial securities regulatory authorities issued cease trade orders that prohibit certain current and former directors, officers and insiders of the Corporation from trading in securities of the Corporation, until two full business days after the Corporation's required filings are brought up to date in compliance with applicable Canadian securities law. The Corporation has been granted an extension of the time for calling its 2004 annual meeting of shareholders to June 30, 2005.

The Company has experienced significant operating cash flow deficiencies and is restricted from making certain payments under the terms of the senior secured notes (note 9) and escrow agreement (notes 13 d) and e)). Because of International special dividends received in 2005 (note 13), despite the funds being held in escrow, the Company has sufficient funds available for general corporate purposes. This consolidated balance sheet has been prepared on the basis that the Company will continue to operate as a going concern.

*Accrual method of accounting*

This consolidated balance sheet has been prepared using the accrual method of accounting.

*Foreign currency translation*

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary items are translated at exchange rates in effect when the assets were acquired or obligations incurred. Foreign exchange gains and losses are included in shareholders' equity on the balance sheet.

*Cash and cash equivalents*

Cash and cash equivalents include certain highly liquid investments with original maturities of three months or less.

*Investments*

Investments are carried at market value determined on the following bases:

(i) Liquid investments such as cash, short-term government bonds and deposit certificates are valued at cost plus accrued interest.

(ii) Investments having quoted market values on a recognized stock exchange are valued at the closing market price. Investments that are not listed on a recognized exchange but that are convertible or exchangeable into such an investment are valued based on the quoted market value of the investment into which they are exchangeable or convertible.

(iii) Other investments are valued at management's estimate of market value.

(iv) If an investment is denominated or quoted in a foreign currency its market value is converted to Canadian dollars at the mid-day Toronto exchange rate at the balance sheet date.

The difference between cost and market value has been recorded as an unrealized gain or loss on investments and included in shareholders' equity on the consolidated balance sheet.

*Property and equipment*

Property and equipment are stated at either cost or market value where determinable. Cost represents the cost of acquisition, including the direct costs of financing until the asset is ready for use.

Property and equipment are amortized over their estimated useful lives as follows:

| | |
|---|---|
| Buildings | straight line over 25 to 40 years |
| Machinery and equipment | straight line over 4 to 20 years or 7% to 12% on the diminishing balance basis |
| Leasehold interests | straight line over the term of the lease ranging from 5 to 40 years |

*Liabilities*

Liabilities for which there is a public market, other than the senior secured notes (note 9), or which are associated with a recognized stock exchange are recorded at the greater of principal amount plus accrued interest or equivalent market value; or, the present value of all payments that management expects will be made in respect of the liability. For liabilities that are exchangeable or convertible, if management expects that investments will be delivered in satisfaction of those rights, payments will include those investments at their market values.

Liabilities include shares that are redeemable at the option of the holder other than Common Shares.

With respect to the Corporation's Series II preference shares (as more fully described in note 8), the liability is marked to market for fluctuations in the market price of the shares of Class A Common Stock of International and foreign exchange rates. The resulting gains or losses have been recorded as an unrealized gain or loss on liabilities and included in shareholders' equity on the balance sheet.

*Derivative financial instruments*

Derivative financial instruments include options, forward contracts and swaps related to investments or to liabilities. These are valued based on management's estimates of their asset value or liability value. Management is guided by public market information in assessing these values where such information is available. Any gain or loss is included in unrealized gain on investments, until sold or cancelled.

*Deferred financing costs*

Deferred financing costs consist of certain costs incurred in connection with debt financings. They are stated at cost and are amortized on a straight-line basis over the term of the related debt being up to eight years.

*Income taxes*

Future income tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset value will not be realized.

*Stock-based compensation and other stock-based payments*

Effective January 1, 2004, the Company adopted Section 3870 of the CICA Handbook, ''Stock based Compensation and Other Stock-based Payments''. This standard requires the Company to recognize an expense in the financial statements for all forms of employee stock-based compensation, including stock options. The adoption of this new accounting principle did not have an impact on the consolidated balance sheet.

*Use of estimates*

The preparation of this consolidated balance sheet requires the Corporation to make estimates and judgments that affect the reported amounts of assets, liabilities, and related disclosure of contingent assets and liabilities. On an on-going basis, the Corporation evaluates its estimates, including those related to bad debts, investments, income taxes, pensions and other post-retirement benefits, and contingencies and litigation. The Corporation relies on historical experience and on various other assumptions that are believed to be reasonable under the circumstances in making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Certain of the Company's investments and liabilities are valued at management's estimate of market value. These fair value estimates are made at a specific point in time, based on assumptions concerning amount and timing of estimated future cash flows and assumed discount rates. The estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore may not accurately represent future realizable values.

## Notes to Consolidated Balance Sheet

September 30, 2004
(Tabular amounts are in thousands of dollars except where noted)
(unaudited)

### 2. CHANGE IN ACCOUNTING PRESENTATION

As described in note 1 above, the Corporation is an open-end investment corporation. Following accepted accounting practices for such corporations, the Corporation has retroactively adopted ''investment company'' accounting practices. The most significant results of this change in the basis of presentation are:

(a) investments are carried at market value rather than on the basis of cost, equity or consolidation;

(b) dividends from investees are recorded as investment income and unrealized gains and losses on investments are recorded in shareholders' equity as they occur, and realized gains and losses are credited directly to retained earnings, rather than recording such investments on an equity or consolidated basis;

(c) liabilities, other than the senior secured notes, are recorded at their fair values, where determinable;

(d) financial instruments other than the Common Shares are recorded entirely as liabilities rather than partly as liabilities and partly as equity; and

(e) net unrealized gains and losses on assets and liabilities are included in shareholders' equity and realized gains and losses on assets and liabilities are credited directly to retained earnings.

### 3. RESTRICTED CASH

Restricted cash is comprised as follows:

| | |
|---|---|
| Cash security under senior secured notes payable (note 9) | $13,243 |
| Cash security for directors' indemnities (note 12) | 500 |
| | $13,743 |

On February 7, 2005, an additional $1,500,000 of cash was placed in trust, which is intended to be used as additional security for directors' indemnities.

### 4. RELATED PARTIES

***Amounts due from and to related parties are comprised as follows:***

| | |
|---|---|
| **Current amounts due from:** | |
| The Ravelston Corporation Limited (''RCL''), a parent company (a) | $14,374 |
| Ravelston Management Inc. (''RMI''), a company subject to common control (b) | 57,393 |
| International and its subsidiaries | 79 |
| Former director | 281 |
| | $72,127 |
| **Amounts due to:** | |
| Former directors, under share unit plan | $ 556 |
| Lord Black (c) | 19,868 |
| International and its subsidiaries (d) and (e) | 33,030 |
| Companies controlled by former directors | 467 |
| | 53,921 |
| **Less current portion:** | 28,183 |
| | $25,738 |

(a) This balance relates primarily to three loans made to RCL. The loans, in the principal amounts of $4,728,000, $4,803,000 and $5,175,000, were made to assist RMI in meeting its obligations to the Corporation under the Support Agreement and thereby assisting the Corporation in meeting its obligations under the Indentures (note 9). Each of the loans is supported by a demand promissory note bearing interest at the prime lending rate plus 4% per annum, calculated and payable monthly and a general security agreement of RCL. The principal amounts of these loans and interest thereon remain outstanding.

(b) This balance is due in connection with RMI's obligations under the Support Agreement (note 9). Amounts owing by RMI under the Support Agreement do not accrue interest and are unsecured obligations of RMI. RCL has unconditionally guaranteed RMI's obligations under the Contribution Agreement (note 9), with such guarantee supported by a pledge of RCL's shares of RMI.

The Company has been informed by RMI that it may dispute all but approximately $4,100,000 of this receivable.

(Tabular amounts are in thousands of dollars except where noted)

(c) The Corporation had a joint obligation, pursuant to a judgment, to repay non-compete amounts of US$16,549,950 received by the Company in prior years plus interest. This amount is included as part of the receivable from RMI under the Support Agreement. Pursuant to an Order and Final Judgment of the Delaware Court of Chancery dated June 28, 2004 (the ''Order''), the Corporation and Lord Black, the Corporation's controlling shareholder and former Chairman and Chief Executive Officer, were ordered to jointly pay to International the non-compete amounts plus interest. On July 16, 2004, the Company repaid to International US$5,964,000 and the balance was paid by Lord Black. The terms of the Company's obligation to make restitution to Lord Black, if any, have not been resolved. Until such determination is made, the balance sheet shows a payable to Lord Black. The Corporation is currently appealing the Order.

(d) (i) This balance relates to an amended promissory note of the Company dated March 10, 2003 in the principal amount of US$20,349,000. The principal amount bears interest at a rate of 14.25% per annum if interest is paid in cash (and 16.50% per annum if paid in kind where certain conditions restrict payment of interest under the Corporation's senior secured notes) for an aggregate of $31,171,000 at September 30, 2004. Interest is payable quarterly and the principal is payable on demand after March 2, 2011. The reimbursement obligations under this note are to be secured by a cash collateral account that RCL was required to fund. The loan is guaranteed by RCL and secured by its receivables under RCL's management services agreement with CanWest Global Communications Corp. (''CanWest''). All amounts owing under the note are subordinated to the Corporation's senior secured notes for so long as the notes are outstanding (note 9).

(ii) The remaining amount due to International of $1,859,000 is the result of prior shared business services.

(e) The Company had an informal agreement with International whereby the Company would pay the costs of computer equipment and related products and services at the Company's offices in Toronto in 2002 and International would pay the costs in 2003. The Company and International were to reconcile the spending and share the combined costs equally. Based upon International's evaluation of the combined costs under this arrangement, the Company owed approximately $200,000 to International. This amount has not been agreed to by the Company but has been recorded. The Company has not yet paid its share of the costs incurred and continues to retain possession of the computer and related equipment it had acquired.

(f) Included in accounts payable and accrued expenses on the consolidated balance sheet is approximately $6,500,000 with respect to legal fees incurred by Lord Black and F. David Radler, the Corporation's former President, the reimbursement of which is being sought from the Company under its indemnity of its directors and officers. The Company has not, at this time, agreed to reimburse these amounts.

***Related Party Contractual Obligations:***

(g) The Company entered into a consulting agreement with Peter G. White Management Ltd. (''PGWML''), a company controlled by Peter G. White, a director and executive officer of the Corporation, effective December 23, 2003, which provides that Mr. White renders various services to the Company. The agreement terminated on January 22, 2005 and was extended for a further six-month term to July 22, 2005. The agreement may be terminated on 30 days' notice. For its services under the agreement, PGWML receives $75,000 per month.

(h) At 10 Toronto Street, RCL and RMI make use of the Company premises and currently pay no rent. The Company is in discussion with RCL and RMI with respect to a potential lease and related financial arrangements.

(i) Certain employees of the Company provide services to RCL, RMI and Argus Corporation Limited, a parent company. As well, certain employees of RMI provide services to the Company. No re-allocation of these costs has been made to date. This is currently under review.

All such employees were formerly employees of RMI. Employment contracts of these employees were transferred to the Company effective January 1, 2004. The employees retained all seniority, pension benefits and other entitlements earned while at RMI upon transfer. As a result, the Company has fully provided for the actuary's estimate of the pension obligation with respect to these employees in this consolidated balance sheet. No agreement with RCL and RMI as to the Company's and their legal obligations with respect to the RCL pension plan has been made to date.

## 5. INVESTMENTS

***(i) Investments having quoted market values***

| | Number of Shares/Units | Amount |
|---|---|---|
| International Class A Shares (a) (note 8) | 792,560 | $ 17,352 |
| Class B Shares (a) (note 9) | 14,990,000 | 328,186 |
| | 15,782,560 | 345,538 |
| Hollinger Canadian Newspapers, Limited Partnership Units | 150,000 | 150 |

(Tabular amounts are in thousands of dollars except where noted)

***(ii) Investments at estimated market values***

| | | Percentage held | |
|---|---|---|---|
| Cayman Free Press | Common shares | 39.993% | 3,670 |
| Real estate division of Domgroup Ltd. (''DRE'') (b) | — | 100% | 17,998 |
| Other | — | — | 107 |
| | | | $367,463 |

*(a) International Class A and Class B Common Shares*

International's shares of Class A Common Stock (''International Class A Shares'') and Class B Common Stock (''International Class B Shares'') have identical rights with respect to cash dividends and in any sale or liquidation, but different voting rights. Each International Class A Share is entitled to one vote per share and each International Class B Share is entitled to ten votes per share on all matters, where the two classes vote together as a single class, including the election of International directors. International Class B Shares are convertible at any time at the option of the Company into International Class A Shares on a share-for-share basis and are transferable by the Company under certain conditions. Where the Company does not meet these conditions, and there is a change of control of International, the International Class B Shares are automatically converted on a share-for-share basis into International Class A Shares. The market value of the International Class B Shares, which do not trade, is stated at the closing market price of the International Class A Shares with no control premium taken into account.

(b) DRE includes the Vancouver division of Domgroup Ltd. and all of the cash of Domgroup Ltd.

## 6. PROPERTY AND EQUIPMENT

| | |
|---|---|
| Carried at cost | |
| Machinery, equipment and other | $4,008 |
| Accumulated depreciation and amortization | |
| Machinery, equipment and other | 3,113 |
| | 895 |
| Carried at market value | |
| Land and buildings | 7,600 |
| Net book value | $8,495 |

## 7. INCOME TAXES

***(a) Current income tax liability***

Current income tax includes the estimated tax liability arising on the 2004 retraction of Series II preference shares.

A substantial portion of the current income tax liability, once paid, could be refundable to the Company upon payment of dividends or upon retraction or redemption of Common Shares or Series II preference shares including on a going private transaction.

***(b) Future income taxes***

The Company has operating losses carried forward for tax purposes of approximately $56,600,000, the tax benefit of which has been reflected in the consolidated balance sheet as a reduction of future income taxes. These losses expire as follows:

| | |
|---|---|
| 2007 | $ 3,000 |
| 2008 | 300 |
| 2009 | 11,700 |
| 2010 | 38,000 |
| 2011 | 3,600 |
| | $56,600 |

(Tabular amounts are in thousands of dollars except where noted)

The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities are presented below:

| | |
|---|---|
| Future tax assets: | |
| Net operating loss carry forwards | $23,434 |
| Compensation and accrued pension | 245 |
| Investments | 1,860 |
| Other | 4,304 |
| Gross future tax assets | 29,843 |
| Less valuation allowance | — |
| Net future tax assets | 29,843 |
| Future tax liabilities: | |
| Property and equipment, principally due to differences in depreciation | 306 |
| Investments | 67,669 |
| Other | 1,015 |
| Gross future tax liabilities | 68,990 |
| Net future income tax liabilities | $39,147 |

Due to the Corporation's mutual fund corporation status for tax purposes, it is possible that some or a large portion of the income taxes disclosed above could be refundable.

## 8. RETRACTABLE PREFERENCE SHARES

The 1,722,951 outstanding Series II preference shares are exchangeable at the holder's option for 0.46 of an International Class A Share held by the Company for each Series II preference share for an aggregate of 792,560 International Class A Shares. The Company has the option to make a cash payment of equivalent value on the redemption of any of the Series II preference shares.

At September 30, 2004, a licensed trust company was holding 792,560 International Class A Shares held by the Company in support of exchange requests made by holders of Series II preference shares from time to time. The Company intends to honour any future retractions of its Series II preference shares with these International Class A Shares.

## 9. LONG-TERM DEBT

At September 30, 2004, the Company had US$78,000,000 ($98,654,000) aggregate principal amount of 11.875% senior secured notes due March 1, 2011 (the ''Senior Notes'') and US$15,000,000 ($18,972,000) aggregate principal amount of 11.875% senior secured notes due March 1, 2011 (the ''Second Priority Notes'' and, together with the Senior Notes, the ''Notes''). The Notes are carried at cost on this consolidated balance sheet as they are not subject to redemption until March 1, 2007, at which time a premium is to be paid on the redemption of any of the Notes.

The Senior Notes are secured by a first priority lien on 14,990,000 International Class B Shares held by the Company plus $13,243,000 of cash collateral. The cash collateral amount may be used to satisfy future interest payment obligations on the outstanding Senior Notes. The Senior Notes are fully and unconditionally guaranteed by RMI. The Second Priority Notes are guaranteed by RMI and are secured by a second priority lien on the collateral securing the Senior Notes.

Under the terms of the Indentures governing the Senior Notes and the Second Priority Notes (collectively, the ''Indentures''), the Company is subject to certain financial covenants and other restrictions. As part of the terms of the Notes, the Corporation was required to cause an exchange offer registration statement to be declared effective with the United States Securities and Exchange Commission (the ''SEC'') under the United States *Securities Act of 1933*, as amended, within a certain period of time. The registration of the securities is not being sought by the Corporation at this time. As a result of this registration default, the annual interest rate of the Notes has increased up to a maximum additional interest rate of one percent per annum over the 11⅞% interest rate until such time as the registration default is cured, whereupon the interest rate will revert to the original level. As at September 30, 2004, the Corporation was in compliance with all other covenants and other restrictions in respect of the Senior Notes.

On March 10, 2003, the date the Corporation issued the Senior Notes, RMI entered into a support agreement (the ''Support Agreement'') with the Corporation under which RMI agreed to make annual support payments in cash to the Corporation on a periodic basis by way of contributions to the capital of the Corporation (without receiving any shares of the Corporation) or subordinated debt. The Corporation, RMI and RCL also entered into a contribution agreement (the ''Contribution Agreement'') in this regard. The amount of the annual support payments is equal to the greater of: (a) the non-consolidated negative net cash flow of the Corporation (which does not extend to outlays for retractions and redemptions in respect of the share capital of the Corporation), or (b) US$14,000,000 per year (less any future payments of services agreement fees directly to the Company, and any excess in the net dividend amount received by the Company on the shares of International that is over US$4,650,000 per year), in either case, as reduced by any permanent repayment of debt owing by RCL to the Corporation. The timing of payment of the annual support amount on a quarterly basis is specifically defined in the Indentures to be within 45 days after the first three quarters of the year and within 90 days of the last quarter of the year. The Support Agreement terminates upon the repayment in full of the Notes.

(Tabular amounts are in thousands of dollars except where noted)

As a result of the Corporation's inability to file its statutory financial statements as at and for the year ended December 31, 2003 and file its 2003 Form 20-F with the SEC, subsequent to June 30, 2004, the Corporation was not in compliance with its obligations to deliver to relevant parties such filings under the Indentures. This non-compliance led to the occurrence of an event of default under the Indentures, however on September 30, 2004, the Corporation sought and obtained a waiver with respect of this event of default. At such time, the Corporation also sought and obtained a consent for a temporary suspension of the Corporation's obligation under the Indentures to furnish to relevant parties periodic and other reports under applicable U.S. federal securities laws until January 1, 2006.

## 10. CAPITAL STOCK

| | |
|---|---|
| **Authorized** | |
| Unlimited number of retractable common shares and an unlimited number of preference shares | |
| Issued and fully paid | |
| **Preference shares** | |
| 1,722,951 Series II shares | $ — |
| **Retractable common shares** | |
| 34,945,776 shares | 286,602 |
| | $286,602 |

(a) The Common Shares have terms equivalent to common shares, except that they are retractable at any time by the holder for their retraction price, which is fixed from time to time, in exchange for International Class A Shares of equivalent value or, at the Corporation's option, cash. The retraction price determined each quarter (or, in certain specific cases more frequently) is between 90% and 100% of the Company's current value, being the aggregate fair market value of all of its assets less the aggregate of (i) the maximum amount payable at such date by the Corporation on its liquidation, dissolution or winding-up in respect of any outstanding preference shares, and (ii) its liabilities, including any tax liabilities that would arise on a sale by International of all or substantially all of its assets, which, in the opinion of the Board, would not be refundable at such date, divided by the number of Common Shares outstanding on such date.

(b) There is continued uncertainty regarding the Corporation's future ability to complete retractions of the Common Shares and cash retractions of Series II preference shares. Dividends on the Series II preference shares are not payable until declared by the Board of Directors which will take into account when dividends are considered from time to time, among other things, the support payments to be made to the Corporation by RMI. Under applicable corporate law, the Corporation cannot redeem Common Shares or declare or pay dividends in certain circumstances, including if there are reasonable grounds for believing that the Company is, or would after such payment be, unable to pay its liabilities as they become due. In such circumstances, shareholders do not become creditors of the Corporation and remain as shareholders until such time as the retraction is able to be completed under applicable law. At present, the Corporation's uncertain ability to make payments on future retractions of Common Shares or dividends on Common Shares is because of the fact that liquidity of its assets is limited under the terms of the Notes. Substantially all of the Company's International shares were provided as security for the Notes limiting the liquidity of the Company's assets. As of February 25, 2005, there are retraction notices from holders of 395,665 Common Shares which are unable to be completed at the present time.

(c) The Company has a stock option plan for its employees.

Details of the Corporation's stock option plan are as follows:

The Corporation has an Executive Share Option Plan, under which the Corporation may grant options to certain key executives of the Company, its subsidiaries or affiliated companies or its parent company, for up to 5,560,000 Common Shares.

These options give the holder the right to purchase, subject to the executive's entitlement to exercise, one Common Share for each option held. The options are exercisable to the extent of 25% thereof at the end of each of the first through fourth years following granting, on a cumulative basis. Options expire six years after the date of grant. Unexercised options expire one month following the date of termination of the executive's employment, except in the case of retirement at normal retirement age, death or certain offers made to all or substantially all of the holders of Common Shares, in which events, all unexercised options become exercisable in full.

At September 30, 2004, there were 913,000 options outstanding having an exercise price of $13.72 per share and a remaining contractual life to December 8, 2004. All of the outstanding options at September 30, 2004 expired unexercised on December 8, 2004.

**11. CONTINGENCIES AND COMMITMENTS**

The Company has been named as defendant or co-defendant in a number of legal actions. All claims made against the Company are being defended vigorously. Except as otherwise stated, no provisions have been made for any potential liability under these actions. Legal fees expected to be incurred with respect to these actions total approximately $11,500,000. This amount has been accrued in accounts payable and accrued expenses in this consolidated balance sheet. The following actions have been taken against or by the Company:

(a) The Company is named as a co-defendant in a complaint filed in the State of Illinois by International claiming damages and recovery for alleged breaches of fiduciary duty relating to management fees, sales and transfers of assets and non-competition and other payments made. International is seeking damages from all defendants of US$542,000,000 including pre-judgment interest of US$117,000,000. International is seeking to hold the Company jointly and severally liable for the full amount of the alleged damages under conspiracy and other theories. Repayment has been made of certain non-compete payments (see note 4).

(b) The Company is named as a co-defendant in a number of class action suits in Canada and the United States that allege, among other things, securities fraud with respect to the use of management service fees to misappropriate funds from International, improper non-compete payments, inadequate Board oversight of executive pay, improper expenses and related party transactions.

(c) International has named the Company as co-defendant in a suit seeking enforcement of a November 15, 2003 restructuring proposal to uphold a Shareholders' Rights Plan, a declaration that corporate by-laws were invalid and to prevent the closing of a certain transaction. The Company filed a counterclaim seeking to restrict the Shareholders' Rights Plan that International sought to adopt to prevent a certain transaction and claiming that the restructuring proposal was not negotiated in good faith and had been breached by International. A decision on International's claim was delivered on February 26, 2004 finding in favour of International which was confirmed on March 4, 2004 through a partial final judgment confirming the February 26, 2004 findings. Also on March 4, 2004, the Company filed a notice of appeal of the February 26, 2004 decision, which has not yet been decided. On May 19, 2004, the Court issued a decision on a summary judgment motion brought by International finding in favour of International and dismissing in large part the Company's counterclaims. The ruling also is on appeal.

(d) International has named the Company as co-defendant in a suit seeking injunctive relief for the return of documents it claims ownership of and the assistance and co-operation of the defendants in recovering the documents and in having International and its auditors' access to the corporate headquarters of the Company. No examinations for discovery have been conducted to date. The parties negotiated and executed a Protocol dated March 25, 2004, providing for access and possession by International to the claimed records.

(e) On September 3, 2004, Mr. Justice Colin Campbell of the Ontario Superior Court of Justice ordered (and on October 13, 2004 delivered his reasons for) the appointment of an Inspector of the affairs of the Company pursuant to section 229 of the *Canada Business Corporations Act* (the ''Order'') upon the application of Catalyst Fund General Partner I Inc. By further order (together with the Order, the ''Orders'') dated October 27, 2004, Ernst & Young Inc. was named as inspector and commenced its work (the ''Inspection'') soon thereafter. The Orders broadly require an investigation into the affairs of the Company and specifically into related party transactions, non-competition payments for the period January 1, 1997 to the present and the current status of the Company's audited financial statements for the year ended December 31, 2003. The Inspector has provided certain interim reports to the court, primarily outlining its need for more time to conduct its work. It is unclear as to whether ultimately the costs of the Inspection may be shared more broadly, but initial costs of the Inspection are being borne by the Company at a rate approaching $1,000,000 per month. The cost of the inspection is anticipated to total approximately $8,000,000. This amount has been accrued in addition to the legal fee accrual of $11,500,000 described above in accounts payable and accrued expenses in this consolidated balance sheet.

(f) CanWest filed suit against the Company and others including International claiming damages under the agreement for the sale by International of certain Canadian newspapers in November 2000, including $22,500,000 for future losses relating to The National Post, $2,745,000 for capital and operating requirements and $752,000 for payment of newsprint rebates. International paid $26,500,000 of principal plus interest with respect to the future losses relating to The National Post in November 2004 in settlement of an August 2004 order.

Exchange of documents and examinations for discovery in respect of the remaining two matters referred to above which have not yet been settled is expected to proceed in early 2005.

(g) The Company was the guarantor under an aircraft lease that was prematurely terminated in January, 2004. The lessor has commenced an action against the Company for damages of approximately US$5,000,000.

(h) On November 15, 2004, the SEC filed an action in the United Status District court for the Northern District of Illinois against Lord Black, F. David Radler and the Company seeking injunctive, monetary and other equitable relief.

The SEC's allegations against the Company are as follows: (i) the Company made material misstatements and omissions in its responses to International's 1999 and 2000 proxy questionnaires and the Company's 2001 Form 40-F filing and 2002 Form 2-F, Form 40-F and proxy statement filings with the SEC concerning US$16,500,000 in payments it allegedly fraudulently received in connection with non-compete agreements associated with certain sales transactions; (ii) the Company allegedly knew or was reckless in not knowing that

International's filings with the SEC were false and misleading because they failed to disclose the non-compete payments made to the Company; and (iii) the Company is liable for International's violations of certain federal securities laws during this period as a result of its alleged failure to properly disclose the non-compete payments it received.

The SEC complaint seeks the following from the Company: (i) disgorgement of ill-gotten gains by the Company and unspecified civil penalties; (ii) a voting trust upon the shares of International held directly or indirectly by the Company; and (iii) an order enjoining the Company from further violations of the federal securities laws.

(i) The affairs of the Company are presently under investigation by certain securities regulatory authorities. The appropriateness of certain transactions reported in previous financial statements as filed, of the financial statements themselves and the completeness of other regulatory filings are being questioned.

(j) The Company is subject to litigation from time to time in the ordinary course of business. Although the amount of any liability with respect to any such litigation cannot be determined, in the opinion of management, such liability, if any, will not have a material adverse effect on the Company's financial condition.

(k) The Company has incurred legal expense in the defence of various actions brought against it and others in both the United States and Canada. The Company has in turn advanced a claim against its directors' and officers' liability insurers asserting that, under the terms and conditions of the policies of insurance, these insurers are required to indemnify the Company in respect of this legal expense incurred in connection with some of the actions brought against the Company. The claims made total approximately $3,700,000, however, the actual amount of recovery is not determinable at the present time. The Company has not recorded any recovery with respect to these claims in this consolidated balance sheet.

**12. GUARANTEES**

***Notes***

In connection with the issuance of the Senior Notes, the Corporation has agreed to indemnify the initial purchaser of the Senior Notes against any losses or damages resulting from inaccuracy of financial statements, taxes and compliance with securities legislation. The Corporation also indemnified the Senior Noteholders against any related tax liabilities arising from payments made with respect to the Senior Notes, except taxes on Senior Noteholder's income. These indemnifications generally extend for the term of the Senior Notes and do not provide for any limit on the maximum potential liability.

The Corporation is unable to estimate the maximum potential liability for these types of indemnifications as the Indentures and related purchase agreement do not specify a maximum amount and the amounts are dependent upon future contingent events, the nature and likelihood of which cannot be determined at this time. No amount has been accrued in this consolidated balance sheet with respect to these indemnifications and the Corporation is unable to estimate amounts due for withholding taxes, if any, at this time. Any such amounts will increase the future effective cost of borrowing.

***Property Leases***

DRE has agreed to indemnify lessors of its operating leases against liabilities, damages, costs, claims and actions resulting from damaged property, violations of any lease covenants or any accident or injury occurring on the leased premises.

The Company is unable to estimate the maximum exposure for these types of indemnifications as the operating leases do not specify a maximum amount and the amounts are dependent upon future contingent events, the nature and likelihood of which cannot be determined at this time. No amount with respect to these indemnifications has been considered in the determination of the market value of the Company's investment in DRE in this consolidated balance sheet.

***Dispositions***

In connection with certain dispositions of assets and/or businesses, the Company has provided customary representations and warranties whose terms range in duration and may not be explicitly defined. The Company has also retained certain liabilities for events occurring prior to sale, relating to tax, environmental, litigation and other matters. Generally, the Company has indemnified the purchasers in the event that a third party asserts a claim against the purchaser that relates to a liability retained by the Company. These types of indemnification guarantees typically extend for a number of years or in some cases extend indefinitely.

The Company is unable to estimate the maximum potential liability for these indemnifications as the underlying agreements do not always specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time.

Historically, the Company has not made any significant indemnification payments under such agreements and no amount has been accrued in this consolidated balance sheet with respect to these indemnification guarantees. The Company continues to monitor the conditions that are subject to guarantees and indemnifications to identify whether it is probable that a loss has occurred, and would recognize any such losses under any guarantees or indemnifications when those losses are probable and estimable.

***Directors***

The Corporation has entered into customary indemnification agreements in favour of its current and former directors. With respect to one current and one former director, the Corporation has entered into a trust and contribution agreement with a third party trustee and deposited in trust the amount of $500,000 to defend such directors from any claims made for which they would be entitled to indemnity pursuant to their indemnification agreements (see note 3). In February 2005, the Corporation placed an additional $1,500,000 of cash in trust which is intended to be used as additional security for directors' indemnities.

**13. SUBSEQUENT EVENTS**

(a) On October 28, 2004, the Corporation was advised that RCL intends to support a going private transaction involving the Corporation, structured as a consolidation of the outstanding Common Shares and Series II preference shares (the ''Proposed Transaction''). The Board established a committee of independent directors to consider, evaluate and make a recommendation to it concerning the Proposed Transaction.

On October 28, 2004, the Board approved the following transactions which would permit the Proposed Transaction to proceed and be considered by the shareholders of the Corporation and would provide the necessary financing to complete the Proposed Transaction:

(i) The Corporation received consents from holders of a majority in aggregate principal amount of its outstanding Notes approving amendments to the Indentures. The amendments permit, among other things, the retirement of all outstanding Common Shares (other than those held directly or indirectly by RCL) for cash pursuant to (i) the Proposed Transaction, (ii) retraction requests, and/or (iii) payments in respect of the due exercise of dissent rights of such shares in connection with the Proposed Transaction and the retirement of all outstanding Series II preference shares for International Class A Shares owned by the Company pursuant to the Proposed Transaction and/or payments in respect of the due exercise of dissent rights of such shares in connection with the Proposed Transaction. The amendments to the Indentures also permit the Corporation to incur additional indebtedness in an aggregate amount outstanding not to exceed US$40,000,000 through the issuance of Second Priority Notes.

The amendments will become effective if, and only if, all necessary corporate and regulatory approvals in connection with the consolidation of the outstanding Common Shares (the ''Common Share Approvals'') have been obtained on or prior to March 31, 2005.

(ii) The Corporation received binding commitments for the issuance and sale of up to US$40,000,000 in aggregate principal amount of Second Priority Notes, such amount to be drawn down by the Corporation if, and only if, the Common Share Approvals have been obtained on or prior to March 31, 2005.

(iii) The Corporation entered into a non-binding commitment with an arm's length lender with respect to bridge credit facilities with a term of 12 months providing up to $16,000,000 in borrowings, which credit facilities may only be drawn down if, among other things, the Common Share Approvals have been obtained. If proceeded with, the Company would be providing security to the lender in support of the credit facilities, including first priority mortgages on certain real estate assets owned by the Company.

On November 16, 2004, RCL indicated that it intends to support the Proposed Transaction on the basis of $7.25 in cash for each Common Share (other than the shares owned by it and certain of its affiliates) and 0.46 of an International Class A Share for each Series II preference share.

(b) On November 2, 2004, Lord Black resigned his positions as Chairman, Chief Executive Officer and a director of the Corporation. On November 18, 2004, Mr. Justice Campbell of the Ontario Superior Court of Justice ordered the removal of three other related directors, F. David Radler, J.A. Boultbee and Barbara Amiel Black. The Board is now comprised of six directors. Gordon W. Walker was appointed as the initial Chairman of the Board and Donald M.J. Vale assumed the function of President.

(c) On January 18, 2005, International filed its 2003 Form 10-K with the SEC, which included restated audited financial results for the fiscal years ended December 31, 1999 to 2002.

The foregoing was a necessary but not sufficient condition to permit the Corporation to complete and file its 2003 annual consolidated financial statements as the completion and audit of such consolidated financial statements will require a level of co-operation from International, which is in negotiation, and International's auditors.

(d) On January 18, 2005, International paid a special dividend on the International Class A Shares and the International Class B Shares, which resulted in approximately US$39,000,000 being received by the Company. As part of its settlement discussions with staff of the SEC relating to the action commenced by the SEC against the Company, Lord Black and F. David Radler in the U.S. District Court, Northern District of Illinois, the Company voluntarily agreed that it would enter into an arrangement whereby it would deposit such amount and, subject to any overriding rights of the holders of Notes, the amount of any subsequent distribution made by International, net of applicable withholding taxes, into an escrow account with a licensed trust company. The escrow will terminate upon the conclusion of the SEC action as to all parties. The escrow provides that the Company will have access to the escrowed funds for ordinary business and certain other enumerated purposes.

(e) On March 1, 2005, International paid a second special dividend on the International Class A Shares and the International Class B Shares. The total amount of this second special dividend received by the Company was approximately US$47,300,000. The net proceeds received are subject to the same escrow agreement referred to in (d) above.

(f) On February 25, 2005, certain of the directors of the Corporation filed a motion in the Ontario Superior Court of Justice for, inter alia, advice and direction as to whether in the circumstances the Proposed Transaction should be put to the Corporation's shareholders before Ernst & Young Inc. delivers its final Inspection report. The motion also seeks an order approving an increase of $10,000,000 as additional security for directors' indemnities, confirmation of the deposit of $1,500,000 as additional security for directors' indemnities (note 3) and the establishment of an indemnification fund in favour of two financial executives of the Corporation with a deposit of $500,000. The motion further seeks an order approving payments to the directors of the Corporation (other than Mr. White) in the event of the termination of their tenure as directors and a retention bonus in the event that the Corporation continues as a public company after March 31, 2005, in each case, in an amount equal to a multiple of fees paid to such directors since November 18, 2004. The motion is scheduled to be heard on March 7, 2005.

Materials filed with the court indicate that certain of the directors of the Corporation have been advised that the Corporation and its subsidiaries have claims against RCL and related corporations and individuals for in excess of $200,000,000 and that the Corporation should commence legal proceedings forthwith to enforce those claims. The directors have further been informed that RCL intends to strenuously resist any such claims.

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To GMP Securities Ltd.
and to the
Directors of Hollinger Inc.

As specifically agreed, and except as noted in the exceptions described below, we have performed the following procedures on the consolidated balance sheet (''CBS'') of Hollinger Inc. (the ''Company'') as at September 30, 2004 released by the Company on March 4, 2005 by press release, in connection with the proposed going private transaction of the Company:

1. We agreed all amounts from the trial balance of the Company and its wholly owned subsidiaries which carry out head office functions, consolidated in the CBS, to the consolidation working papers.
2. We recalculated the additions and cross-additions of the consolidation working papers to verify mathematical accuracy.
3. We agreed all amounts from the consolidation working papers to the CBS.
4. We recalculated the additions of the CBS for mathematical accuracy.
5. We agreed dollar amounts in the notes to the CBS to schedules provided by the Company.
6. For all schedules provided by the Company, we recalculated the additions and cross-additions for mathematical accuracy.
7. We agreed the cash balance on the bank reconciliation to a confirmation obtained from the bank.
8. We agreed the cash balance on the bank reconciliation as at the CBS date to the opening balance on the subsequent month's bank statement.
9. We vouched all outstanding cheques on the bank reconciliation greater than $50,000 to a subsequent bank statement to determine whether they have cleared the bank.
10. We confirmed cash equivalents with the counterparty.
11. We confirmed cash security for secured notes payable as disclosed in the CBS with Wachovia Bank of Delaware (''Wachovia'') and cash security for directors' liability as disclosed in the CBS with Aird & Berlis.
12. We agreed accounts receivable greater than $50,000 to subsequent receipts.
13. We obtained written confirmation of the amounts due from and due to the following related parties as at the CBS date: The Ravelston Corporation Limited (''RCL''), Ravelston Management Inc. (''RMI'') and former directors, and we agreed the amounts to the CBS.
14. We agreed amounts receivable from and payable to Hollinger International Inc. (''International'') and its subsidiaries to the trial balance.
15. We agreed amounts and dates of prepaid expenses greater than $50,000 to invoices and we recalculated the prepaid portion for mathematical accuracy.

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SC International

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16. We agreed the number of shares of International to confirmations obtained from Wachovia and Computershare Trust Company of Canada (''Computershare'') of collateral held.

17. We agreed the market value of International's Class A shares used by the Company to the market value at the CBS date shown on the Yahoo Finance website.

18. We multiplied the number of shares of International by the market value and agreed the result to the value given for the investment in the CBS.

19. We agreed the number of units of Hollinger Canadian Newspapers, Limited Partnership (''HCNLP'') to a copy of the unit certificate.

20. We agreed the market price of the units of HCNLP to the Yahoo Finance website at the CBS date.

21. We multiplied the number of units of HCNLP by the market price and agreed the result to the value given for the investment in the CBS.

22. We agreed the value given for the investment in Cayman Free Press in the CBS to a schedule provided by the Company.

23. For the investment in the real estate division of Domgroup Ltd. (''DRE''):

    (a) We agreed the investment amount to a schedule provided by the Company showing the investment amount as the total of the market value of the properties held by DRE, their cash and short-term investments, their vendor take back mortgage receivable, net of pension liabilities.

    (b) we agreed the market value of the DRE properties to a copy of a valuation.

    (c) We confirmed cash and short-term investments with the counterparty.

    (d) We compared the amount of the vendor take back mortgage resulting from the sale of one of the DRE properties to a copy of the mortgage document.

    (e) We obtained written confirmation of the vendor take back mortgage from the debtor.

    (f) We agreed the DRE pension liability to a schedule provided by the Company that reflects the balance of the December 31, 2003 actuarial report (the last available report) and subsequent changes to the pension liabilities.

    (g) We agreed the December 31, 2003 balance on the schedule to an actuarial report for that date.

    (h) We agreed the changes to the pension liabilities greater than $50,000 during 2004 on the schedule to payment support.

24. We agreed other investments greater than $50,000 to the trial balance.

25. We agreed property and equipment additions greater than $50,000 for the period from January 1, 2003 to the CBS date to invoices.

26. We checked the mathematical accuracy of the calculations of amortization of property and equipment.

27. We agreed additions to deferred financing cost to invoices or other supporting documents.

28. We checked the mathematical accuracy of the calculation of amortization of the deferred financing costs.

29. We agreed the amount of accounts payable to listings provided by the Company.

30. We agreed amounts in accounts payable as at the CBS date greater than $50,000 to invoices.

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31. For all payments made between the CBS date and February 28, 2005 and greater than $50,000, we determined whether or not such payment was in respect of services rendered or goods received prior to the CBS date. We compared the amounts that related to the period prior to the CBS date to those amounts listed on the accounts payable and accruals listing.

32. We reviewed a listing of unpaid invoices as at February 28, 2005 provided to us by the Company and determined whether or not any invoices greater than $50,000 were in respect of services rendered or goods received prior to the CBS date. We agreed such amounts to the listing of accounts payable and accrued expenses.

33. We recalculated the amounts due to former directors under the DSUP program by multiplying the number of shares owed at the CBS date as per a schedule obtained from the Company by the market value of the Company's common shares as quoted by Yahoo Finance website as at the CBS date.

34. We obtained written confirmation of the amount accrued in the CBS as owing to the former Chairman and Chief Executive Officer.

35. We agreed the amount in the CBS owing to companies controlled by former directors to the trial balance.

36. We agreed income taxes payable to a schedule prepared by the Company and checked the mathematical accuracy of the calculations.

37. We obtained written confirmation from Wachovia and HSBC Bank USA, National Association of the amount of secured notes payable and agreed to the trial balance.

38. We confirmed the number of Series II preference shares and common shares outstanding with Computershare as at the CBS date.

39. We multiplied the number of Series II preference shares confirmed in the previous step by the market value of International's Class A shares at the CBS date and by the conversion factor stated in the articles of the Company and compared the result to the carrying value of the Series II preference shares on the CBS.

40. We checked the mathematical accuracy of the calculation of accrued interest payable with reference to the agreement between the Company and the issuer of the secured notes payable and agreed the amount to the trial balance.

41. We agreed future income taxes to a schedule prepared by the Company. We checked the numerical calculations of future income taxes payable for mathematical accuracy.

42. We agreed other liabilities to a schedule obtained by the Company from its actuary.

43. We communicated with insurance counsel to enquire if they are in agreement with the disclosure and presentation in note 11(j) to the CBS.

44. We communicated with the Company's lead Canadian and U.S. legal counsel to enquire if they are in agreement with the disclosure and presentation in the notes to the CBS.

45. We obtained a summary of the status of legal actions.

46. We agreed the U.S. dollar / Canadian dollar exchange rate used by the Company for the CBS to the noon buying rate for the CBS date listed on the website of the Federal Reserve Bank of New York www.ny.frb.org and checked that this rate was used in all relevant calculations.

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As a result of applying the above procedures, we found the following exceptions (with referencing consistent with the steps listed above):

| | |
|---|---|
| Step 7 | Bank confirmations were not returned for the bank accounts of the Company and the head office division of Domgroup Ltd. |
| Step 10 | Confirmations of a guaranteed investment certificate in the amount of $700,000 and a money market investment in the amount of US$10,500,000 (Cdn.$13,280,400) included in cash and cash equivalents were not returned. However, we did agree the amounts to a copy of a document held by the Company. |
| Step 12 | The withholding tax receivable of $166,255 has not been subsequently received. |
| Step 13 | In response to the request for written confirmation of the amount receivable from RMI of $57,392,868, the respondent indicated that the amount owing was only $4,136,102. The difference is $53,256,766. |
| Step 13 | Written confirmation was not received for the amount of $281,000 recorded as receivable from a former director. |
| Steps 17, 18 and 39 | In the calculation of the market value of the investment in International, the Company used a stock price of US$17.31. The Yahoo Finance website indicated the closing price for International's Class A shares at the CBS date to be US$17.29. If this latter price was used, the investment in International would be $345,139,209 as compared to the balance of $345,538,444 in note 5 to the CBS, for a difference of $399,235. Similarly, the Company's Series II preference shares would be $17,331,947 as compared to the balance of $17,352,006 in note 8 to the CBS, for a difference of $20,059. |
| Step 20 | We could not obtain a price for September 30, 2004. We did agree the price used by the Company to the closing price on October 20, 2004 as reported by Bloomberg. |
| Step 23(b) | No independent valuation was provided for the DRE properties other than the Dufferin/Lawrence property. |
| Step 23(c) | Written confirmation of a $1,000,000 guaranteed investment certificate was not returned. However, we agreed the amount to a copy of a document held by the Company. |
| Step 23(c) | Bank confirmations were not returned for the bank accounts of DRE. However, all bank balances were agreed to the opening balance as reported on the subsequent bank statement with the exception of one account with a general ledger balance of $15,848. |
| Step 25 | The only addition to capital assets in excess of $50,000 that we identified was an acquisition of hardware and software from International in the amount of $138,614 for which no invoice was obtained. This was agreed to a schedule provided by the Company. |
| Step 31 | The Company could not locate support for two items that were paid subsequent to the CBS date. Accordingly, we could not determine whether these items related to the period before the CBS date. The aggregate of these two items is $170,828. |
| Step 39 | The conversion factor for the Series II preference shares is not in the articles. We agreed it to the Company's May 6, 1999 press release as it appears on the Company's website www.hollingerinc.com |

ZEIFMAN
& COMPANY, LLP
Chartered Accountants

These procedures do not constitute an audit of the CBS and therefore we express no opinion on the CBS.

This letter is being furnished for the sole benefit of the addressees hereof for the purpose of the valuation report being prepared by the recipient GMP Securities Ltd. in connection with the proposed going private transaction of the Company (the ''Valuation Report''), and may not be relied upon by any other person or entity or for any other purpose without our prior written consent. We acknowledge that this letter may be referred to or included in the Valuation Report.

| | |
|---|---|
| Toronto, Ontario | (Signed) Zeifman & Company, LLP |
| March 4, 2005 | Chartered Accountants |

## APPENDIX 2 — THE CHICAGO GROUP FORECAST

## HOLLINGER INTERNATIONAL INC. — CHICAGO GROUP

### STATEMENT OF OPERATIONS

For the Years Ended December 31, 2003, 2002 and 2001 and for the
pro-forma years ended 2009, 2008, 2007, 2006, 2005 and 2004
(In thousands US$, except percentage amounts)

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004F | 2005F | 2006F | 2007F | 2008F | 2009F |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Operating revenues: | | | | | | | | | | | |
| Advertising | $294,124 | $305,027 | $338,521 | $341,262 | $352,029 | $366,110 | $388,077 | $393,898 | $393,898 | $411,623 | $433,851 |
| Circulation | 80,551 | 80,261 | 92,716 | 89,427 | 86,532 | 89,041 | 92,069 | 94,094 | 94,565 | 97,213 | 100,615 |
| Job printing and other | 15,798 | 16,129 | 11,647 | 11,089 | 12,228 | 12,350 | 12,474 | 12,599 | 12,725 | 12,852 | 12,980 |
| Total operating revenues | 390,473 | 401,417 | 442,884 | 441,778 | 450,789 | 467,502 | 492,619 | 500,591 | 501,187 | 521,688 | 547,446 |
| Operating costs: | | | | | | | | | | | |
| Newsprint | 64,408 | 69,238 | 76,399 | 60,146 | 65,109 | 74,945 | 84,093 | 84,011 | 80,507 | 83,921 | 89,480 |
| Compensation costs | 147,951 | 151,648 | 178,672 | 170,895 | 170,483 | 173,893 | 177,371 | 180,918 | 184,536 | 188,227 | 191,992 |
| Other operating costs | 112,925 | 123,197 | 144,963 | 136,141 | 154,985 | 147,176 | 152,027 | 154,487 | 154,671 | 160,998 | 168,947 |
| Depreciation | 8,929 | 11,141 | 17,955 | 18,847 | 19,344 | 19,731 | 20,125 | 20,528 | 20,939 | 21,357 | 21,784 |
| Amortization | 11,026 | 12,942 | 19,933 | 17,151 | 16,354 | 16,354 | 16,354 | 16,354 | 16,354 | 16,354 | 16,354 |
| Total operating costs | 345,239 | 368,166 | 437,922 | 403,180 | 426,275 | 432,098 | 449,970 | 456,298 | 457,007 | 470,857 | 488,557 |
| Operating income | 45,234 | 33,251 | 4,962 | 38,598 | 24,514 | 35,404 | 42,650 | 44,293 | 44,181 | 50,831 | 58,890 |
| Operating revenue growth: | | | | | | | | | | | |
| Advertising | | 3.7% | -6.7% | 0.8% | 3.2% | 4.0% | 6.0% | 1.5% | 0.0% | 4.5% | 5.4% |
| Circulation | | -0.4% | -3.5% | -3.5% | -3.2% | 2.9% | 3.4% | 2.2% | 0.5% | 2.8% | 3.5% |
| Job printing and other | | 2.1% | -27.8% | -4.8% | 10.3% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% |
| Total operating revenues | | 2.8% | 10.3% | -0.2% | 2.0% | 3.7% | 5.4% | 1.6% | 0.1% | 4.1% | 4.9% |
| Newsprint tonnes: | | | 127,000 | 132,000 | 138,000 | 137,724 | 137,586 | 137,449 | 137,174 | 136,899 | 136,626 |
| *Growth* | | | | 3.9% | 4.5% | -0.2% | -0.1% | -0.1% | -0.2% | -0.2% | -0.2% |
| Cost per tonne: | | | 602 | 456 | 472 | 544 | 611 | 611 | 587 | 613 | 655 |

| | 2002 | 2003 | 2002 | 2003 | Seasonality Index |
|---|---|---|---|---|---|
| ***Seasonality assumptions:*** | | | | | |
| *Q1 revenue* | 104,735 | 106,014 | 24% | 24% | 24% |
| *Q2 revenue* | 113,464 | 115,985 | 26% | 26% | 26% |
| *Q3 revenue* | 110,445 | 111,994 | 25% | 25% | 25% |
| *Q4 revenue* | 113,134 | 116,796 | 26% | 26% | 26% |
| *Total revenue* | 441,778 | 450,789 | 100% | 100% | 100% |

| | | 2004F | 2005F | 2006F | 2007F | 2008F | 2009F |
|---|---|---|---|---|---|---|---|
| **Working capital accounts:** | | | | | | | |
| Days receivable assumption: | 78 | 100,407 | 105,802 | 107,514 | 107,642 | 112,045 | 117,577 |
| Days payable assumption: | 69 | 75,101 | 78,416 | 79,539 | 79,596 | 82,143 | 85,419 |
| Days inventory assumption: | 49 | 9,959 | 11,174 | 11,163 | 10,698 | 11,151 | 11,890 |
| Total working capital invested | | 35,265 | 38,561 | 39,138 | 38,744 | 41,053 | 44,049 |
| Change in working capital | | | 3,296 | 577 | (394) | 2,309 | 2,995 |

## APPENDIX 3 — THE COMMUNITY GROUP

## HOLLINGER INTERNATIONAL INC. — COMMUNITY GROUP (JERUSALEM POST)

### STATEMENT OF OPERATIONS

For the Years Ended December 31, 2003, 2002 and 2001 and for the
pro-forma years ended 2009, 2008, 2007, 2006, 2005 and 2004
(In thousands US$, except percentage amounts)

| | 2001 | 2002 | 2003 | 2004F full year | 2004F to Dec 15 |
|---|---|---|---|---|---|
| Operating revenues: | | | | | |
| Advertising | $ 5,806 | $ 3,937 | $ 3,585 | $ 3,689 | $ 3,541 |
| Circulation | 7,751 | 6,082 | 5,717 | 5,774 | 5,543 |
| Job printing and other | 5,558 | 3,212 | 1,095 | 1,117 | 1,072 |
| Total operating revenues | 19,115 | 13,231 | 10,397 | 10,580 | 10,156 |
| Operating costs: | | | | | |
| Newsprint | 2,031 | 1,501 | 949 | 958 | 920 |
| Compensation costs | 9,817 | 7,161 | 6,735 | 6,004 | 5,764 |
| Other operating costs | 9,613 | 7,417 | 7,969 | 6,454 | 6,195 |
| Depreciation | 1,268 | 2,370 | 1,345 | 1,399 | 1,343 |
| Amortization | 873 | 0 | 0 | 0 | 0 |
| Total operating costs | 23,602 | 18,449 | 16,998 | 14,815 | 14,221 |
| Operating income | (4,487) | (5,218) | (6,601) | (4,235) | (4,066) |

| | 2004F |
|---|---|
| ***Assumptions:*** | |
| *(1) Assume advertising revenue growth of:* | 2.9% |
| *(2) Assume circulation revenue growth of:* | 1.0% |
| *(3) Assume job printing and other revenue growth of:* | 2.0% |
| *(4) Assume newsprint is a function of circulation and use 2003 percentage of sales to forecast* | 17% |
| *(5) Compensation costs are a function of total revenue (average last 3 years)* | 57% |
| *(6) Other operating costs are a function of total revenue (average last 3 years)* | 61% |
| *(7) Depreciation expense growth of :* | 4% |
| *(8) Amortization expense growth of:* | 0% |

| | 2002 | 2003 | 2002 | 2003 | Seasonality Index | Include up to Dec 15th | Revenue to Dec 15th |
|---|---|---|---|---|---|---|---|
| ***Seasonality assumptions:*** | | | | | | | |
| *Q1 revenue* | 3,225 | 2,742 | 24% | 26% | 25% | 100% | 25% |
| *Q2 revenue* | 3,877 | 2,589 | 29% | 25% | 27% | 100% | 27% |
| *Q3 revenue* | 3,042 | 2,490 | 23% | 24% | 23% | 100% | 23% |
| *Q4 revenue* | 3,087 | 2,576 | 23% | 25% | 24% | 83% | 20% |
| *Total revenue* | 13,231 | 10,397 | 100% | 100% | 100% | | 96% |

## APPENDIX 4 — THE CANADIAN NEWSPAPER GROUP

## HOLLINGER INTERNATIONAL INC. — CANADIAN NEWSPAPER GROUP

## STATEMENT OF OPERATIONS

For the Years Ended December 31, 2003, 2002 and 2001 and for the
pro-forma years ended 2009, 2008, 2007, 2006, 2005 and 2004
(In thousands US$, except percentage amounts)

| | 2001 | 2002 | 2003 | 2004F | 2005F | 2006F | 2007F | 2008F | 2009F |
|---|---|---|---|---|---|---|---|---|---|
| Operating revenues: | | | | | | | | | |
| Advertising | $130,377 | $49,355 | $58,854 | $59,384 | $59,918 | $60,637 | $61,365 | $62,101 | $62,846 |
| Circulation | 41,761 | 10,864 | 11,688 | 12,050 | 12,472 | 12,759 | 12,848 | 13,234 | 13,710 |
| Job printing and other | 25,810 | 9,407 | 10,000 | 10,100 | 10,201 | 10,303 | 10,406 | 10,510 | 10,615 |
| Total operating revenues | 197,948 | 69,626 | 80,542 | 81,534 | 82,591 | 83,699 | 84,619 | 85,845 | 87,172 |
| Operating costs: | | | | | | | | | |
| Newsprint | 32,769 | 5,210 | 6,810 | 6,276 | 7,050 | 7,050 | 6,769 | 7,070 | 7,554 |
| Compensation costs | 77,005 | 33,713 | 43,511 | 36,947 | 37,426 | 37,928 | 38,345 | 38,900 | 39,501 |
| Other operating costs | 122,300 | 31,539 | 33,648 | 40,457 | 40,981 | 41,531 | 41,988 | 42,596 | 43,254 |
| Depreciation | 6,661 | 1,301 | 1,556 | 1,587 | 1,619 | 1,651 | 1,684 | 1,718 | 1,752 |
| Amortization | 5,167 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total operating costs | 243,902 | 71,763 | 85,525 | 85,267 | 87,076 | 88,160 | 88,786 | 90,285 | 92,062 |
| Operating income | (45,954) | (2,137) | (4,983) | (3,733) | (4,484) | (4,461) | (4,167) | (4,440) | (4,890) |
| Operating revenue growth: | | | | | | | | | |
| Advertising | | –62.1% | 19.2% | 0.9% | 0.9% | 1.2% | 1.2% | 1.2% | 1.2% |
| Circulation | | –74.0% | 7.6% | 3.1% | 3.5% | 2.3% | 0.7% | 3.0% | 3.6% |
| Job printing and other | | –63.6% | 6.3% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% |
| Total operating revenues | | –64.8% | 15.7% | 1.2% | 1.3% | 1.3% | 1.1% | 1.4% | 1.5% |
| Newsprint tonnes: | 13,200 | 10,900 | 11,534 | 11,534 | 11,534 | 11,534 | 11,534 | 11,534 | 11,534 |
| *Growth* | | –17.4% | 5.8% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Cost per tonne: | 516 | 576 | 611 | 544 | 611 | 611 | 587 | 613 | 655 |

| | 2002 | 2003 | 2002 | 2003 | Seasonality Index |
|---|---|---|---|---|---|
| ***Seasonality assumptions:*** | | | | | |
| *Q1 revenue* | 15,464 | 17,036 | 22% | 21% | 22% |
| *Q2 revenue* | 18,978 | 22,433 | 27% | 28% | 28% |
| *Q3 revenue* | 16,017 | 18,639 | 23% | 23% | 23% |
| *Q4 revenue* | 19,167 | 22,434 | 28% | 28% | 28% |
| *Total revenue* | 69,626 | 80,542 | 100% | 100% | 100% |

| | | 2004F | 2005F | 2006F | 2007F | 2008F | 2009F |
|---|---|---|---|---|---|---|---|
| **Working capital accounts:** | | | | | | | |
| Days receivable assumption: | 78 | 17,511 | 17,738 | 17,976 | 18,174 | 18,437 | 18,722 |
| Days payable assumption: | 69 | 15,869 | 16,206 | 16,406 | 16,518 | 16,796 | 17,127 |
| Days inventory assumption: | 49 | 834 | 937 | 937 | 900 | 940 | 1,004 |
| Total working capital invested | | 2,476 | 2,469 | 2,507 | 2,555 | 2,581 | 2,599 |
| Change in working capital | | | (7) | 38 | 48 | 25 | 19 |

| | 2004F | 2005F | 2006F | 2007F | 2008F | 2009F |
|---|---|---|---|---|---|---|
| ***Assumptions:*** | | | | | | |
| *(1) Assume advertising revenue growth of:* | 0.9% | 0.9% | 1.2% | 1.2% | 1.2% | 1.2% |
| *(2) Assume circulation growth of:* | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| *(3) Assume circulation price increase of:* | 3.1% | 3.5% | 2.3% | 0.7% | 3.0% | 3.6% |
| *(4) Assume circulation revenue growth of:* | 3.1% | 3.5% | 2.3% | 0.7% | 3.0% | 3.6% |
| *(5) Assume job printing and other revenue growth of:* | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% |
| *(6) Compensation costs are a function of total revenue (average last 3 years)* | 45.3% | 45.3% | 45.3% | 45.3% | 45.3% | 45.3% |
| *(7) Other operating costs are a function of total revenue (average last 3 years)* | 49.6% | 49.6% | 49.6% | 49.6% | 49.6% | 49.6% |
| *(8) Depreciation expense growth of :* | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| *(9) Amortization expense growth of:* | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

## APPENDIX 5 — INVESTMENT AND CORPORATE GROUP

## HOLLINGER INTERNATIONAL INC. — INVESTMENT AND CORPORATE GROUP

### STATEMENT OF OPERATIONS

For the Years Ended December 31, 2003, 2002 and 2001 and for the
pro-forma years ended 2009, 2008, 2007, 2006, 2005 and 2004
(In thousands US$)

| | 2001 | 2002 | 2003 | 2004F | 2005F | 2006F | 2007F | 2008F | 2009F |
|---|---|---|---|---|---|---|---|---|---|
| Operating costs: | | | | | | | | | |
| Compensation costs | $ 2,773 | $ 3,171 | $ 10,686 | $ 4,066 | $ 4,147 | $ 4,230 | $ 4,315 | $ 4,401 | $ 4,489 |
| Other operating costs | 13,544 | 14,324 | 31,089 | 14,983 | 15,282 | 15,588 | 15,900 | 16,218 | 16,542 |
| Depreciation | 1,356 | 1,720 | 1,821 | 1,857 | 1,895 | 1,932 | 1,971 | 2,011 | 2,051 |
| Amortization | 681 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total operating costs | 18,354 | 19,215 | 43,596 | 20,906 | 21,324 | 21,751 | 22,186 | 22,629 | 23,082 |
| Operating income | (18,354) | (19,215) | (43,596) | (20,906) | (21,324) | (21,751) | (22,186) | (22,629) | (23,082) |

| | | | 2004F | 2005F | 2006F | 2007F | 2008F | 2009F |
|---|---|---|---|---|---|---|---|---|
| **Working capital accounts:** | | | | | | | | |
| Days payable assumption: | 69 | | 3,612 | 3,685 | 3,758 | 3,834 | 3,910 | 3,988 |
| Total working capital invested | | | (3,612) | (3,685) | (3,758) | (3,834) | (3,910) | (3,988) |
| Change in working capital | | | | (72) | (74) | (75) | (77) | (78) |

| | 2004F | 2005F | 2006F | 2007F | 2008F | 2009F |
|---|---|---|---|---|---|---|
| ***Assumptions:*** | | | | | | |
| *(1) Compensation costs growth of:* | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| *(2) Other operating costs growth of:* | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| *(3) Depreciation expense growth of :* | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| *(4) Amortization expense growth of:* | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

## APPENDIX 6 — CONSOLIDATED FINANCIAL FORECAST

## HOLLINGER INTERNATIONAL INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF OPERATIONS

For the Years Ended December 31, 2003, 2002 and 2001 and for the
pro-forma years ended 2009, 2008, 2007, 2006, 2005 and 2004
(In thousands US$)

| | 2001 | 2002 | 2003 | 2004F | 2005F | 2006F | 2007F | 2008F | 2009F |
|---|---|---|---|---|---|---|---|---|---|
| Operating revenues: | | | | | | | | | |
| Advertising | $ 804,462 | $ 710,849 | $ 733,826 | $619,568 | $447,995 | $454,535 | $455,263 | $473,725 | $496,697 |
| Circulation | 278,321 | 247,175 | 277,264 | 208,950 | 104,541 | 106,853 | 107,413 | 110,446 | 114,325 |
| Job printing and other | 25,092 | 16,669 | 16,427 | 39,045 | 22,675 | 22,902 | 23,131 | 23,362 | 23,595 |
| Other | 38,446 | 31,469 | 33,686 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total operating revenues | 1,146,321 | 1,006,162 | 1,061,203 | 867,562 | 575,211 | 584,290 | 585,806 | 607,533 | 634,618 |
| Operating costs and expenses | | | | | | | | | |
| Newsprint | 127,025 | 86,935 | 72,868 | 126,651 | 91,142 | 91,061 | 87,276 | 90,991 | 97,033 |
| Newsprint incurred through joint ventures | 77,399 | 60,589 | 75,402 | 0 | 0 | 0 | 0 | 0 | 0 |
| Compensation | 361,676 | 309,032 | 338,903 | 281,764 | 218,943 | 223,076 | 227,196 | 231,529 | 235,983 |
| Other operating costs | 494,003 | 388,670 | 459,493 | 370,272 | 208,291 | 211,607 | 212,560 | 219,813 | 228,745 |
| Other operating costs incurred through joint ventures | 48,473 | 46,677 | 49,667 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation | 37,968 | 37,001 | 38,499 | 32,995 | 23,671 | 24,145 | 24,628 | 25,120 | 23,835 |
| Amortization | 35,760 | 17,151 | 16,354 | 16,354 | 16,354 | 16,354 | 16,354 | 16,354 | 16,354 |
| Total operating costs and expenses | 1,182,304 | 946,055 | 1,051,186 | 828,037 | 558,402 | 566,243 | 568,014 | 583,807 | 601,950 |
| Operating income (loss) | (35,983) | 60,107 | 10,017 | 39,526 | 16,809 | 18,047 | 17,793 | 23,725 | 32,668 |

| | 2002 | 2003 | Average |
|---|---|---|---|
| **Working capital ratios:** | | | |
| Days receivables | 75 | 82 | 78 |
| Days payable | 66 | 72 | 69 |
| Days inventory | 43 | 54 | 49 |

***Ratio Notes:***

*Days receivable = {Accounts receivable / Total operating revenues} * 365*
*Days payable = {Labor and benefits + Other accounts payable / (newsprint + compensation + other operating costs)} * 365*
*Days inventory = {Inventory / newsprint} * 365*

## APPENDIX 7 — INTERNATIONAL CASH BALANCE RECONCILIATION

## HOLLINGER INTERNATIONAL INC. AND SUBSIDIARIES CONSOLIDATED

### CASH BALANCE RECONCILIATION

At March 1, 2005

(in thousands US$)

| | |
|---|---|
| **Cash:** | |
| Balance at September 30th, 2004 | $ 747,661 |
| Special Dividend | (227,000) |
| Special Dividend | (273,000) |
| Sale of Trump JV | 70,700 |
| Sale of Community Group | 13,200 |
| CanWest Debentures | 121,922 |
| Interest on CanWest Debentures | 1,053 |
| Interest on Horizon Notes | 225 |
| Regular dividend | (4,534) |
| Dividend paid by HCN L.P. | (740) |
| Repayment of 9% Senior Notes | (6,000) |
| Estimated EBITDA from Chicago | 30,871 |
| Estimated EBITDA from Canadian | (1,008) |
| Estimated EBITDA from Corporate | (8,780) |
| Estimated EBITDA from Community | (114) |
| Estimated balance at March 1, 2005 | 464,455 |

GRIFFITHS MCBURNEY

## APPENDIX 8 — INTERNATIONAL ESTIMATED COST OF EQUITY

## HOLLINGER INTERNATIONAL INC. CAPITAL ASSET PRICING MODEL

### THE CAPITAL ASSET PRICING MODEL

$C_e = R_f + \beta \, ( R_m - R_f )$

*WHERE* $C_e$ *= the estimated cost of equity*
*Where* $R_f$ *= the risk free rate (10 year US Government Bonds)*
*Where* $R_m$ *= the expected return on the market*
*Where* $\beta$ *= the observed* $\beta$ *of Hollinger International Inc. versus the S&P 500 index*

**For Hollinger International Inc.:**

Where $R_f = 4.3\%$
Where $R_m = 9.5\%$
Where ß = 0.84

* Source: Bloomberg
So, $C_e = 8.7\%$

| Comparable companies | Beta | Unlevered | Adjusted(1) |
|---|---|---|---|
| Belo Corp | 1.06 | 0.83 | 0.97 |
| Dow Jones & Co. | 1.08 | 0.99 | 1.14 |
| The EW Scripps Company | 0.77 | 0.74 | 0.86 |
| Gannett | 0.70 | 0.62 | 0.71 |
| Journal Register Company | 0.84 | 0.50 | 0.58 |
| Knight-Ridder Inc. | 0.86 | 0.72 | 0.84 |
| Lee Enterprises Inc. | 0.83 | 0.78 | 0.91 |
| New York Times Company | 0.75 | 0.66 | 0.77 |
| The McClatchy Company | 0.75 | 0.72 | 0.83 |
| Tribune Company | 0.72 | 0.66 | 0.76 |
| Washington Post Company | 0.82 | 0.79 | 0.92 |
| Average: | 0.83 | 0.73 | 0.85 |

* Source: Bloomberg

(1) The adjusted beta has been re-levered using the industry average capital structure.

(2) The adjusted industry ß of 0.85 closely approximates Hollinger International's actual ß of 0.84.

## APPENDIX 9 – INTERNATIONAL ESTIMATED WEIGHTED AVERAGE COST OF CAPITAL

### HOLLINGER INTERNATIONAL INC. WEIGHTED AVERAGE COST OF CAPITAL

At March 1, 2005

(In thousands, except percentage amounts)

### WACC CALCULATIONS

| | Industry capital structure | Required rate of return | After-tax return |
|---|---|---|---|
| Debt(1) | 20 | 5.9% | 3.7% |
| Equity | 80 | 8.7% | 8.7% |
| | 100 | | 7.7% |

| | |
|---|---|
| Estimated tax rate(2) | 37.0% |
| Weighted average cost of capital(3): | 7.7% |

### Comparable companies

| | Debt / Equity Ratio % |
|---|---|
| Belo Corp | 42.7% |
| Dow Jones & Co. | 14.8% |
| The EW Scripps Company | 6.4% |
| Gannett | 22.4% |
| Journal Register Company | 106.0% |
| Knight-Ridder Inc. | 29.8% |
| Lee Enterprises Inc. | 9.5% |
| New York Times Company | 19.5% |
| The McClatchy Company | 7.8% |
| Tribune Company | 15.7% |
| Washington Post Company | 5.7% |
| Average: | 25.5% |

* Source: Bloomberg

APPENDIX 10 — INTERNATIONAL DISCOUNTED CASH FLOW ANALYSIS

## HOLLINGER INTERNATIONAL INC. DISCOUNTED FREE CASH FLOW ANALYSIS

At March 1, 2005
(In thousands, except per share amounts)

| | 1-Mar-05 | 2005F | 2006F | 2007F | 2008F | 2009F |
|---|---|---|---|---|---|---|
| **Cash flow available to all holders of capital:** | | | | | | |
| Chicago operating income | | $ 42,650 | $ 44,293 | $ 44,181 | $ 50,831 | $ 58,890 |
| Corporate operating income | | (21,324) | (21,751) | (22,186) | (22,629) | (23,082) |
| Less: estimated adjusted taxes | | (13,942) | (14,392) | (14,189) | (16,486) | (19,300) |
| Net operating profit less adjusted taxes | | 7,384 | 8,151 | 7,806 | 11,716 | 16,508 |
| Add: depreciation and amortization | | 38,374 | 38,814 | 39,264 | 39,722 | 40,189 |
| Gross cash flow | | 45,758 | 46,965 | 47,070 | 51,438 | 56,697 |
| Required capital expenditures | | (17,298) | (18,227) | (18,522) | (18,544) | (19,302) |
| Estimated working capital changes | | (3,223) | (504) | 469 | (2,233) | (2,917) |
| Cash flow available to all holders of capital | | 25,237 | 28,234 | 29,017 | 30,661 | 34,478 |
| Prorate 2005F cash flow available to all holders of capital | | 21,031 | | | | |
| **Present value of pro-forma cash flows:** | | | | | | |
| Weighted average cost of capital | 7.7% | | | | | |
| Fraction of a year to discount | | 5/12 | 1 4/12 | 2 4/12 | 3 4/12 | 4 4/12 |
| PV of free cash flow | | 20,394 | 25,589 | 24,427 | 23,975 | 25,041 |
| **Residual present value:** | | | | | | |
| Residual year free cash flow | 35,355 | | | | | |
| Residual year free cash flow growth rate assumption | 2.55% | | | | | |
| Residual year capitalization rate (WACC — assumed growth) | 5.11% | | | | | |
| Residual value | 674,281 | | | | | |
| Residual present value | 471,983 | | | | | |
| **Net present value:** | | | | | | |
| Present value of free cash flows | 119,425 | | | | | |
| Cash | 394,455 | | | | | |
| Present value of debt outstanding | 8,396 | | | | | |
| Market value of holdings in Canadian Group | 136,406 | | | | | |
| Net present value | 1,113,873 | High | Low | | | |
| **Estimated value per share** | $ 12.28 | $ 12.84 | $ 11.81 | | | |

## APPENDIX 11 — HOLLINGER ESTIMATED NET ASSET VALUE

### HOLLINGER INC. ESTIMATED NET ASSET VALUE BASED VALUATION

At March 1, 2005

(In thousands, except share data)

| | High | Low |
|---|---|---|
| **ASSETS** | | |
| **Current:** | | |
| Cash | $ 65,614 | $ 65,614 |
| Cash from International dividend | 55,532 | 55,532 |
| Accounts receivable | 1,051 | 1,051 |
| Amounts due from related parties | 72,127 | 72,127 |
| Prepaid expenses | 1,148 | 1,148 |
| **Other:** | | |
| Investments in Hollinger International Inc. (1) | 221,463 | 209,686 |
| Other investments | 33,955 | 33,955 |
| Property and equipment | 895 | 895 |
| Deferred financing costs and other assets | 0 | 0 |
| Future income tax asset | 28,522 | 28,522 |
| TOTAL ASSETS | $ 480,308 | $ 468,531 |
| **LIABILITIES** | | |
| **Current:** | | |
| Accounts payable and accrued expenses | $ 32,646 | $ 32,646 |
| Amounts due to related parties | 28,183 | 28,183 |
| **Long-term:** | | |
| Long-term debt | 111,381 | 111,381 |
| Amounts due to related parties | 25,738 | 25,738 |
| Other liabilities and deferred credits | 697 | 697 |
| TOTAL LIABILITIES | $ 198,645 | $ 198,645 |
| NET ASSET VALUE | 281,663 | 269,886 |
| Retractable common shares outstanding | 34,945,776 | 34,945,776 |
| NET VALUE PER SHARE | $ 8.06 | $ 7.72 |

Note:

(1) This amount excludes the value of Class A Shares of International held for exchange of Series II Preferred Shares of Hollinger.

## HOLLINGER INC. AND SUBSIDIARIES CONSOLIDATED CASH BALANCE

At March 1, 2005
(in thousands)

| | US$ | C$ (2) |
|---|---|---|
| **Cash:** | | |
| Balance at February 28th, 2005 (1) | $54,994 | $67,911 |
| Less: dividends owing to Series II Preferred shares from Special dividend paid January 18th, 2005 (3) | (1,859) | (2,296) |
| Balance at March 1, 2005 | $53,134 | $65,614 |

Notes:

(1) Cash balance taken from schedule provided by Hollinger Inc.

(2) Converted at US$0.8098/$.

(3) This amount due to the Series II Preferred Shares.

## HOLLINGER INC. MARCH 1, 2005 SPECIAL DIVIDEND SCHEDULE

At March 1, 2005
(in thousands)

| | US$ | C$ (1) |
|---|---|---|
| Special dividend paid March 1, 2005 (2) | $44,970 | $55,532 |

Notes:

(1) Converted to C$ at US$0.8098/$.

(2) Based on 14,990,000 Class B Shares of International at US$3.00 per share. Hollinger Inc. expects to recover withholding tax therefore no 5% withholding tax deducted from these amounts.

## HOLLINGER INC. INVESTMENTS IN HOLLINGER INTERNATIONAL INC.

At March 1, 2005
(In thousands, except per share amounts)

| | High | Low |
|---|---|---|
| Value per Class B shares of Hollinger International Inc. (1) | $ 14.77 | $ 13.99 |
| Value of 14,990,000 Class B Shares held (2) | $221,463 | $209,686 |

Notes:

(1) Converted at US$0.8098/$.

(2) Withholding tax of 5% is not removed from distribution. The Company expects to recover withholding tax amounts.

## HOLLINGER INC. OTHER INVESTMENTS

At March 1, 2005
(In thousands)

| | |
|---|---|
| Investment in Hollinger Canadian Newspapers L.P. (1) | $ 159 |
| Cayman Free Press (2) | 3,670 |
| Domgroup Real Estate | 30,126 |
| | $33,955 |

Notes:

(1) 150,000 units owned @ market of $1.06 per unit.

(2) See September 30, 2004 Consolidated Statement of Net Assets Note 5. this asset was accounted for using the equity method and was written down by 50% based on Hollinger Inc.'s estimate of damage that occurred to the property and buildings owned by Cayman Free Press.

**HOLLINGER INC. PROPERTY AND EQUIPMENT**
At March 1, 2005
(In thousands)

| | |
|---|---|
| Machinery, equipment and other | $4,008 |
| Less: accumulated depreciation and amortization | 3,113 |
| | $ 895 |

**HOLLINGER INC. DEFERRED FINANCING COSTS AND OTHER ASSETS**
At March 1, 2005
(In thousands)

| | |
|---|---|
| Deferred financing costs (1) | $ 0 |
| Other assets (2) | 0 |
| | $ 0 |

Notes:

(1) Deferred financing costs are valued at zero.

(2) There are no other assets, other than deferred financing costs. [Source Hollinger Inc. management.]

**HOLLINGER INC. FUTURE TAXES**
At March 1, 2005
(In thousands)

| | |
|---|---|
| Future tax assets: | |
| Net operating loss carry forwards | $23,434 |
| Compensation and accrued pension | 245 |
| Investments | 1,860 |
| Other | 4,304 |
| Gross future tax assets | 29,843 |
| Less valuation allowance | 0 |
| Net future tax assets | 29,843 |
| Future tax liabilities: | |
| Property and equipment principally due to differences in depreciation | 306 |
| Investments (1) | 0 |
| Other | 1,015 |
| Gross future tax liabilities | 1,321 |
| Future income tax asset | $28,522 |

(1) The September 30, 2004 NAV statement provided by the company contemplates a tax event on disposition. GMP's analysis contemplates no disposition.

## APPENDIX D

## SUMMARY OF PROCEDURE TO EXERCISE DISSENT RIGHT

*Following is a summary of the procedure set out in Section 190 of the CBCA to be followed by a Common Shareholder or a Preferred Shareholder who intends to dissent from the CS Consolidation Resolution and/or PS Consolidation Resolution, as applicable, approving the CS Consolidation and the PS Consolidation described in the accompanying Circular and who wishes to require the Corporation to acquire his or her Common Shares or Series II Preference Shares and pay him or her the fair value thereof, determined as of the close of business on the day before the CS Consolidation Resolution and PS Consolidation Resolution are adopted.*

Section 190 of the CBCA provides that a shareholder may only exercise the right to dissent with respect to all the shares of a class held by him on behalf of any one beneficial owner and registered in the shareholder's name. One consequence of this provision is that **a shareholder may only exercise the right to dissent under Section 190 in respect of shares which are registered in that shareholder's name**. In many cases, shares beneficially owned by a person (a ''**Non-Registered Holder**'') are registered either: (i) in the name of an intermediary that the Non-Registered Holder deals with in respect of the shares (such as banks, trust companies, securities dealers and brokers, trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans, and their nominees); or (ii) in the name of a clearing agency (such as The Canadian Depositary for Securities Limited (CDS)) of which the intermediary is a participant. Accordingly, a Non-Registered Holder will not be entitled to exercise the right to dissent under Section 190 directly (unless the shares are re-registered in the Non-Registered Holder's name). A Non-Registered Holder who wishes to exercise the right to dissent should immediately contact the intermediary who the Non-Registered Holder deals with in respect of the shares and either: (i) instruct the intermediary to exercise the right to dissent on the Non-Registered Holder's behalf (which, if the shares are registered in the name of CDS or other clearing agency, would require that the share first be re-registered in the name of the intermediary); or (ii) instruct the intermediary to re-register the shares in the name of the Non-Registered Holder, in which case the Non-Registered Holder would have to exercise the right to dissent directly.

**In addition, shareholders who previously submitted their Common Shares and/or Series II Preference Shares for retraction who wish to dissent should be aware that Section 190 of the CBCA requires, among other things, that a Dissenting Shareholder have a share certificate. Accordingly, if you are such a shareholder, you must make arrangements to withdraw your retraction request and obtain the return of your share certificate(s). In order to exercise your withdrawal right, shareholders should contact the Computershare Call Centre — Shareholder Services at 1 (800) 564-6253.**

A registered holder of Common Shares who wishes to invoke the provisions of Section 190 of the CBCA must send to the Corporation a written objection to the CS Consolidation Resolution (a ''**CS Notice of Dissent**'') at or before the time fixed for the shareholders' meeting at which the CS Consolidation Resolution is to be voted on. A registered holder of Series II Preference Shares who wishes to invoke the provisions of Section 190 of the CBCA must send to the Corporation a written objection to the CS Consolidation Resolution and/or PS Consolidation Resolution (a ''**PS Notice of Dissent**'', and together with the CS Notice of Dissent, a ''**Notice of Dissent**'') at or before the time fixed for the shareholders' meeting at which the CS Consolidation Resolution and PS Consolidation Resolution are to be voted on. The sending of a Notice of Dissent does not deprive a Registered Shareholder of his right to vote on the CS Consolidation Resolution or PS Consolidation Resolution, as applicable, but **a vote either in person or by proxy against the CS Consolidation Resolution or PS Consolidation Resolution does not constitute a Notice of Dissent. A vote in favour of the CS Consolidation Resolution or PS Consolidation Resolution, as applicable, will deprive the Registered Shareholder of further rights under Section 190 of the CBCA.**

Within ten days after the adoption of the CS Consolidation Resolution or PS Consolidation Resolution by the Common Shareholders and the Preferred Shareholders, respectively, the Corporation is required to notify in writing each Common Shareholder and Preferred Shareholder who has filed a Notice of Dissent and has not voted for the CS Consolidation Resolution or PS Consolidation Resolution, as applicable, or withdrawn his objection (a **''Dissenting Shareholder''**) that the CS Consolidation Resolution or PS Consolidation Resolution has been adopted. A Dissenting Shareholder shall, within 20 days after he receives notice of adoption of the CS Consolidation Resolution or PS Consolidation Resolution, as applicable or, if he does not receive such notice, within 20 days after he learns that the CS Consolidation Resolution or PS Consolidation Resolution, as applicable, has been adopted, send to the Corporation a written notice (the ''**Demand for Payment**'') containing his name and address, the number and class of shares in respect of which he dissents, and a demand for payment of the fair value of such shares. Within 30 days after sending his Demand for Payment, the Dissenting Shareholder shall send the certificates representing the shares in respect of which he dissents to the Corporation or its transfer agent. The Corporation or the transfer agent shall endorse on the share certificates notice that the holder thereof is a Dissenting Shareholder under Section 190 of the CBCA and shall forthwith return the share certificates to the Dissenting Shareholder.

If a Dissenting Shareholder fails to send the Notice of Dissent, the Demand for Payment or his share certificates, he may lose his right to make a claim under Section 190 of the CBCA.

After sending a Demand for Payment, a Dissenting Shareholder ceases to have any rights as a holder of the shares in respect of which he has dissented other than the right to be paid the fair value of such shares as determined under Section 190 of the CBCA, unless: (i) the Dissenting Shareholder withdraws his Demand for Payment before the Corporation makes a written offer to pay (the ''**Offer to Pay**''); (ii) the Corporation fails to make a timely Offer to Pay to the Dissenting Shareholder and the Dissenting Shareholder withdraws his Demand for Payment; or (iii) the directors of the Corporation revoke the CS Consolidation Resolution or PS Consolidation Resolution, as applicable, relating to the CS Consolidation and PS Consolidation, respectively, in all of which cases the Dissenting Shareholder's rights as a shareholder are reinstated.

Not later than seven days after the later of the Effective Date of the CS Consolidation and PS Consolidation and the day the Corporation receives the Demand for Payment, the Corporation shall send, to each Dissenting Shareholder who has sent a Demand for Payment, an Offer to Pay for the shares of the Dissenting Shareholder in respect of which he has dissented in an amount considered by the directors of the Corporation to be the fair value thereof, accompanied by a statement showing how the fair value was determined. Every Offer to Pay made to Dissenting Shareholders for shares of the same class shall be on the same terms. The amount specified in an Offer to Pay which has been accepted by a Dissenting Shareholder shall be paid by the Corporation within ten days after it has been accepted, but an Offer to Pay lapses if the Corporation has not received an acceptance thereof within 30 days after the Offer to Pay has been made.

If an Offer to Pay is not made by the Corporation or if a Dissenting Shareholder fails to accept an Offer to Pay, the Corporation may, within 50 days after the Effective Date or within such further period as a court may allow, apply to the court to fix a fair value for the shares of any Dissenting Shareholder. If the Corporation fails to so apply to the court, a Dissenting Shareholder may apply to the court for the same purpose within a further period of 20 days or within such further period as the court may allow. A Dissenting Shareholder is not required to give security for costs in any application to the court. An application to the court by either the Corporation or the Dissenting Shareholder must be in the Province of Ontario or in the province in which the Dissenting Shareholder resides if the Corporation carries on business in that province.

On an application to the court, the Corporation shall give to each Dissenting Shareholder notice of the date, place and consequences of the application and of such shareholder's right to appear and be heard in person or by counsel. All such Dissenting Shareholders shall be joined as parties to any such application to the court to fix fair value and shall be bound by the decision rendered by the court in the proceedings commenced by such application. The court is authorized to determine whether any other person is a Dissenting Shareholder who should be joined as a party to such application.

The court shall fix fair value for the shares of all Dissenting Shareholders and may in its discretion allow a reasonable rate of interest on the amount payable to each Dissenting Shareholder from the Effective Date until the date of payment of the amount ordered by the court. The fair value fixed by the court may be more or less than the amount specified in an Offer to Pay. The final order of the court in the proceedings commenced by an application by the Corporation or a Dissenting Shareholder shall be rendered against the Corporation and in favour of each Dissenting Shareholder who has not accepted an Offer to Pay.

**The above is only a summary of the dissenting shareholder provisions of the CBCA, which are technical and complex. The full text of Section 190 of the CBCA is attached as Appendix E to this Circular. It is suggested that a Common Shareholder or Preferred Shareholder wishing to exercise a right to dissent should seek legal advice, as failure to comply strictly with the provisions of the CBCA may result in the loss or unavailability of the right to dissent.**

## APPENDIX E

## SECTION 190 OF THE *CANADA BUSINESS CORPORATIONS ACT*

**Right to dissent — s.190(1)**

(1) Subject to sections 191 and 241, a holder of shares of any class of a corporation may dissent if the corporation is subject to an order under paragraph 192(4)(d) that affects the holder or if the corporation resolves to:

(a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares of that class;

(b) amend its articles under section 173 to add, change or remove any restriction on the business or businesses that the corporation may carry on;

(c) amalgamate otherwise than under section 184;

(d) be continued under section 188;

(e) sell, lease or exchange all or substantially all its property under subsection 189(3); or

(f) carry out a going-private transaction or a squeeze-out transaction.

**Further right — s.190(2)**

(2) A holder of shares of any class or series of shares entitled to vote under section 176 may dissent if the corporation resolves to amend its articles in a manner described in that section.

**If one class of shares — s.190(2.1)**

(2.1) The right to dissent described in subsection (2) applies even if there is only one class of shares.

**Payment for shares — s.190(3)**

(3) In addition to any other right the shareholder may have, but subject to subsection (26), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the shareholder dissents or an order made under subsection 192(4) becomes effective, to be paid by the corporation the fair value of the shares in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was adopted or the order was made.

**No partial dissent — s.190(4)**

(4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

**Objection — s.190(5)**

(5) A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting and of their right to dissent.

**Notice of resolution — s.190(6)**

(6) The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (5) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn their objection.

**Demand for payment — s.190(7)**

(7) A dissenting shareholder shall, within twenty days after receiving a notice under subsection (6) or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing:

(a) the shareholder's name and address;

(b) the number and class of shares in respect of which the shareholder dissents; and

(c) a demand for payment of the fair value of such shares.

**Share certificate — s.190(8)**

(8) A dissenting shareholder shall, within thirty days after sending a notice under subsection (7), send the certificates representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent.

**Forfeiture — s.190(9)**

(9) A dissenting shareholder who fails to comply with subsection (8) has no right to make a claim under this section.

**Endorsing certificate — s.190(10)**

(10) A corporation or its transfer agent shall endorse on any share certificate received under subsection (8) a notice that the holder is a dissenting shareholder under this section and shall forthwith return the share certificate to the dissenting shareholder.

**Suspending of rights — s.190(11)**

(11) On sending a notice under subsection (7), a dissenting shareholder ceases to have any rights as a shareholder other than to be paid the fair value of their shares as determined under this section except where:

(a) the shareholder withdraws that notice before the corporation makes an offer under subsection (12);

(b) the corporation fails to make an offer in accordance with subsection (12) and the shareholder withdraws the notice; or

(c) the directors revoke a resolution to amend the articles under subsection 173(2) or 174(5), terminate an amalgamation agreement under subsection 183(6) or an application for continuance under subsection 188(6), or abandon a sale, lease or exchange under subsection 189(9),

in which case the shareholder's rights are reinstated as of the date the notice was sent.

**Offer to pay — s.190(12)**

(12) A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (7), send to each dissenting shareholder who has sent such notice:

(a) a written offer to pay for their shares in an amount considered by the directors of the corporation to be the fair value, accompanied by a statement showing how the fair value was determined; or

(b) if subsection (26) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

**Same terms — s.190(13)**

(13) Every offer made under subsection (12) for shares of the same class or series shall be on the same terms.

**Payment — s.190(14)**

(14) Subject to subsection (26), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (12) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

**Corporation may apply to court — s.190(15)**

(15) Where a corporation fails to make an offer under subsection (12), or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as a court may allow, apply to a court to fix a fair value for the shares of any dissenting shareholder.

**Shareholder application to court — s.190(16)**

(16) If a corporation fails to apply to a court under subsection (15), a dissenting shareholder may apply to a court for the same purpose within a further period of twenty days or within such further period as a court may allow.

**Venue — s.190(17)**

(17) An application under subsection (15) or (16) shall be made to a court having jurisdiction in the place where the corporation has its registered office or in the province where the dissenting shareholder resides if the corporation carries on business in that province.

**No security for costs — s.190(18)**

(18) A dissenting shareholder is not required to give security for costs in an application made under subsection (15) or (16).

**Parties — s.190(19)**

(19) On an application to a court under subsection (15) or (16),

(a) all dissenting shareholders whose shares have not been purchased by the corporation shall be joined as parties and are bound by the decision of the court; and

(b) the corporation shall notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to appear and be heard in person or by counsel.

**Powers of court — s.190(20)**

(20) On an application to a court under subsection (15) or (16), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall then fix a fair value for the shares of all dissenting shareholders.

**Appraisers — s.190(21)**

(21) A court may in its discretion appoint one or more appraisers to assist the court to fix a fair market value for the shares of the dissenting shareholders.

**Final order — s.190(22)**

(22) The final order of a court shall be rendered against the corporation in favour of each dissenting shareholder and for the amount of the shares as fixed by the court.

**Interest — s.190(23)**

(23) A court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

**Notice that subsection (26) applies — s.190(24)**

(24) If subsection (26) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (22), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

**Effect where subsection (26) applies — s.190(25)**

(25) If subsection (26) applies, a dissenting shareholder, by written notice delivered to the corporation within thirty days after receiving a notice under subsection (24), may:

(a) withdraw their notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to their full rights as a shareholder; or

(b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

**Limitation — s.190(26)**

(26) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that:

(a) the corporation is or would after the payment be unable to pay its liabilities as they become due; or

(b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.

## Schedule “C”

# HOLLINGER INC.
# RELEASE OF ALTERNATIVE FINANCIAL INFORMATION

Toronto, Ontario, Canada, March 4, 2005 –Hollinger Inc. ("Hollinger") (TSX: HLG.C; HLG.PR.B) today released 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"). The Alternative Financial Information was prepared by management of Hollinger and has not been 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 Hollinger International Inc. ("Hollinger International"), are not consolidated but rather are carried as investments and are accounted for at their market value. The Alternative Financial Information has been prepared in accordance with Hollinger's traditional accounting policies with the exception that it has been prepared as though Hollinger had always accounted for its assets and liabilities at their market values.

The alternative financial information is presented in lieu of the filing by Hollinger of its statutory financial statements with applicable Canadian securities regulatory authorities. Hollinger has been unable to file its statutory financial statements as at and for the year ended December 31, 2003 and the first three quarters of 2004 as a result of a series of difficulties Hollinger has experienced, including Hollinger's loss of control of Hollinger International in or about November, 2003 and the continued insufficient co-operation by Hollinger International and Hollinger International's auditors.

Hollinger intends to continue to provide bi-weekly updates on its affairs until such time as it is current with its filing obligations under applicable Canadian securities laws.

*Company Background*

Hollinger's principal asset is its interest in Hollinger International which is a newspaper publisher, the assets of which include the *Chicago Sun-Times*, a large number of community newspapers in the Chicago area and a portfolio of news media investments, and a portfolio of revenue-producing and other commercial real estate in Canada, including its head office building located at 10 Toronto Street, Toronto, Ontario.

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HOLLINGER INC.

## Market Value Information
## Consolidated Balance Sheet
September 30, 2004
(in thousands of Canadian dollars)
(unaudited)

| | | |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ | 15,328 |
| Restricted cash (note 3) | | 13,743 |
| Accounts receivable | | 1,051 |
| Amounts due from related parties (note 4) | | 72,127 |
| Prepaid expenses | | 1,148 |
| | | 103,397 |
| Investments (note 5) | | 367,463 |
| Property and equipment (note 6) | | 8,495 |
| Deferred financing costs | | 14,078 |
| | $ | 493,433 |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Accounts payable and accrued expenses | $ | 32,646 |
| Amounts due to related parties (note 4) | | 28,183 |
| Income taxes payable (note 7) | | 6,358 |
| | | 67,187 |
| Long-term debt (note 9) | | 117,626 |
| Retractable preference shares (note 8) | | 17,352 |
| Amounts due to related parties (note 4) | | 25,738 |
| Future income taxes (note 7) | | 39,147 |
| Other liabilities (note 4) | | 679 |
| | | 267,729 |
| **Net assets representing shareholders' equity** | | |
| Capital stock (note 10) | | 286,602 |
| Net unrealized decline in assets | | (67,354) |
| Net unrealized decrease in liabilities | | 603 |
| Retained earnings | | 5,853 |
| | | 225,704 |
| | $ | 493,433 |
| Net asset value per retractable common share | $ | 6.46 |

Contingencies and commitments (note 11)
Subsequent events (note 13)

See accompanying notes.

## 1. SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation**
As part of the Company's 1997 issuer bid, Hollinger Inc. (the "Corporation") became an open-end investment holding company. The Corporation's retractable common shares (the "Common Shares") are retractable at the option of the holder for an amount based on the market value of the Corporation's assets, on a non-consolidated basis, and during 1999, the Corporation's Series II preference shares became retractable for an amount based on the market value of Hollinger International Inc. ("International") common shares.

This consolidated balance sheet includes the accounts of the Corporation and those wholly-owned subsidiaries which carry out head office functions and which do not represent investments (together, the "Company"). Investments in other companies and subsidiaries are not consolidated but rather are carried as investments and are accounted for at their market value.

This consolidated balance sheet has been prepared in accordance with the Corporation's traditional accounting policies with the exception that it has been prepared as though the Corporation had always accounted for its assets and liabilities at their market values.

This consolidated balance sheet has not been audited or reviewed by the Corporation's auditors. This alternative financial information is presented in lieu of statutory financial statements as a result of the Corporation's inability to file its statutory financial statements as at and for the year ended December 31, 2003 and the first three quarters of 2004. This inability results from a series of difficulties the Corporation has experienced including the Corporation's loss of control of International on or about November 17, 2003 and International's and International's auditors' continued insufficient co-operation with the Corporation.

As a result of the inability by the Corporation to file its statutory financial statements on a timely basis, the Ontario Securities Commission and certain other provincial securities regulatory authorities issued cease trade orders that prohibit certain current and former directors, officers and insiders of the Corporation from trading in securities of the Corporation, until two full business days after the Corporation's required filings are brought up to date in compliance with applicable Canadian securities law. The Corporation has been granted an extension of the time for calling its 2004 annual meeting of shareholders to June 30, 2005.

The Company has experienced significant operating cash flow deficiencies and is restricted from making certain payments under the terms of the senior secured notes (note 9) and escrow agreement (notes 13 d) and e)). Because of International special dividends received in 2005 (note 13), despite the funds being held in escrow, the Company has sufficient funds available for general corporate purposes. This consolidated balance sheet has been prepared on the basis that the Company will continue to operate as a going concern.

*Accrual method of accounting*
This consolidated balance sheet has been prepared using the accrual method of accounting.

*Foreign currency translation*
Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary items are translated at exchange rates in effect when the assets were acquired or obligations incurred. Foreign exchange gains and losses are included in shareholders' equity on the balance sheet.

*Cash and cash equivalents*
Cash and cash equivalents include certain highly liquid investments with original maturities of three months or less.

*Investments*
Investments are carried at market value determined on the following bases:

(i) Liquid investments such as cash, short-term government bonds and deposit certificates are valued at cost plus accrued interest.
(ii) Investments having quoted market values on a recognized stock exchange are valued at the closing market price. Investments that are not listed on a recognized exchange but that are convertible or exchangeable into such an investment are valued based on the quoted market value of the investment into which they are exchangeable or convertible.
(iii) Other investments are valued at management's estimate of market value.
(iv) If an investment is denominated or quoted in a foreign currency its market value is converted to Canadian dollars at the mid-day Toronto exchange rate at the balance sheet date.

The difference between cost and market value has been recorded as an unrealized gain or loss on investments and included in shareholders' equity on the consolidated balance sheet.

*Property and equipment*
Property and equipment are stated at either cost or market value where determinable. Cost represents the cost of acquisition, including the direct costs of financing until the asset is ready for use.

Property and equipment are amortized over their estimated useful lives as follows:

| | |
|---|---|
| Buildings | straight line over 25 to 40 years |
| Machinery and equipment | straight line over 4 to 20 years or 7% to 12% on the diminishing balance basis |
| Leasehold interests | straight line over the term of the lease ranging from 5 to 40 years |

*Liabilities*
Liabilities for which there is a public market, other than the senior secured notes (note 9), or which are associated with a recognized stock exchange are recorded at the greater of principal amount plus accrued interest or equivalent market value; or, the present value of all payments that management expects will be made in respect of the liability. For liabilities that are exchangeable or

convertible, if management expects that investments will be delivered in satisfaction of those rights, payments will include those investments at their market values.

Liabilities include shares that are redeemable at the option of the holder other than Common Shares.

With respect to the Corporation's Series II preference shares (as more fully described in note 8), the liability is marked to market for fluctuations in the market price of the shares of Class A Common Stock of International and foreign exchange rates. The resulting gains or losses have been recorded as an unrealized gain or loss on liabilities and included in shareholders' equity on the balance sheet.

*Derivative financial instruments*
Derivative financial instruments include options, forward contracts and swaps related to investments or to liabilities. These are valued based on management's estimates of their asset value or liability value. Management is guided by public market information in assessing these values where such information is available. Any gain or loss is included in unrealized gain on investments, until sold or cancelled.

*Deferred financing costs*
Deferred financing costs consist of certain costs incurred in connection with debt financings. They are stated at cost and are amortized on a straight-line basis over the term of the related debt being up to eight years.

*Income taxes*
Future income tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset value will not be realized.

*Stock-based compensation and other stock-based payments*
Effective January 1, 2004, the Company adopted Section 3870 of the CICA Handbook, "Stock based Compensation and Other Stock-based Payments". This standard requires the Company to recognize an expense in the financial statements for all forms of employee stock-based compensation, including stock options. The adoption of this new accounting principle did not have an impact on the consolidated balance sheet.

*Use of estimates*
The preparation of this consolidated balance sheet requires the Corporation to make estimates and judgments that affect the reported amounts of assets, liabilities, and related disclosure of contingent assets and liabilities. On an on-going basis, the Corporation evaluates its estimates, including those related to bad debts, investments, income taxes, pensions and other post-retirement benefits, and

contingencies and litigation. The Corporation relies on historical experience and on various other assumptions that are believed to be reasonable under the circumstances in making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Certain of the Company's investments and liabilities are valued at management's estimate of market value. These fair value estimates are made at a specific point in time, based on assumptions concerning amount and timing of estimated future cash flows and assumed discount rates. The estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore may not accurately represent future realizable values.

## 2. CHANGE IN ACCOUNTING PRESENTATION

As described in note 1 above, the Corporation is an open-end investment corporation. Following accepted accounting practices for such corporations, the Corporation has retroactively adopted "investment company" accounting practices. The most significant results of this change in the basis of presentation are:

(a) investments are carried at market value rather than on the basis of cost, equity or consolidation;
(b) dividends from investees are recorded as investment income and unrealized gains and losses on investments are recorded in shareholders' equity as they occur, and realized gains and losses are credited directly to retained earnings, rather than recording such investments on an equity or consolidated basis;
(c) liabilities, other than the senior secured notes, are recorded at their fair values, where determinable;
(d) financial instruments other than the Common Shares are recorded entirely as liabilities rather than partly as liabilities and partly as equity; and
(e) net unrealized gains and losses on assets and liabilities are included in shareholders' equity and realized gains and losses on assets and liabilities are credited directly to retained earnings.

(Tabular amounts are in thousands of dollars except where noted)

**3. RESTRICTED CASH**

Restricted cash is comprised as follows:

| | |
|---|---|
| Cash security under senior secured notes payable (note 9) | $13,243 |
| Cash security for directors' indemnities (note 12) | 500 |
| | $13,743 |

On February 7, 2005, an additional $1,500,000 of cash was placed in trust, which is intended to be used as additional security for directors' indemnities.

**4. RELATED PARTIES**

**Amounts due from and to related parties are comprised as follows:**

| | |
|---|---|
| **Current amounts due from**: | |
| The Ravelston Corporation Limited ("RCL"), a parent company (a) | $14,374 |
| Ravelston Management Inc. ("RMI"), a company subject to common control (b) | 57,393 |
| International and its subsidiaries | 79 |
| Former director | 281 |
| | $72,127 |
| **Amounts due to:** | |
| Former directors, under share unit plan | $ 556 |
| Lord Black (c) | 19,868 |
| International and its subsidiaries (d) and (e) | 33,030 |
| Companies controlled by former directors | 467 |
| | 53,921 |
| **Less current portion:** | 28,183 |
| | $25,738 |

(a) This balance relates primarily to three loans made to RCL. The loans, in the principal amounts of $4,728,000, $4,803,000 and $5,175,000, were made to assist RMI in meeting its obligations to the Corporation under the Support Agreement and thereby assisting the Corporation in meeting its obligations under the Indentures (note 9). Each of the loans is supported by a demand promissory note bearing interest at the prime lending rate plus 4% per annum, calculated and payable monthly and a general security agreement of RCL. The principal amounts of these loans and interest thereon remain outstanding.

(b) This balance is due in connection with RMI's obligations under the Support Agreement (note 9). Amounts owing by RMI under the Support Agreement do not accrue interest and are unsecured obligations of RMI. RCL has unconditionally guaranteed RMI's obligations under the Contribution Agreement (note 9), with such guarantee supported by a pledge of RCL's shares of RMI.

The Company has been informed by RMI that it may dispute all but approximately $4,100,000 of this receivable.

(c) The Corporation had a joint obligation, pursuant to a judgment, to repay non-compete amounts of US$16,549,950 received by the Company in prior years plus interest. This amount is included as part of the receivable from RMI under the Support Agreement. Pursuant to an Order and Final Judgment of the Delaware Court of Chancery dated June 28, 2004 (the "Order"), the Corporation and Lord Black, the Corporation's controlling shareholder and former Chairman and Chief Executive Officer, were ordered to jointly pay to International the non-compete amounts plus interest. On July 16, 2004, the Company repaid to International US$5,964,000 and the balance was paid by Lord Black. The terms of the Company's obligation to make restitution to Lord Black, if any, have not been resolved. Until such determination is made, the balance sheet shows a payable to Lord Black. The Corporation is currently appealing the Order.

(d) (i) This balance relates to an amended promissory note of the Company dated March 10, 2003 in the principal amount of US$20,349,000. The principal amount bears interest at a rate of 14.25% per annum if interest is paid in cash (and 16.50% per annum if paid in kind where certain conditions restrict payment of interest under the Corporation's senior secured notes) for an aggregate of $31,171,000 at September 30, 2004. Interest is payable quarterly and the principal is payable on demand after March 2, 2011. The reimbursement obligations under this note are to be secured by a cash collateral account that RCL was required to fund. The loan is guaranteed by RCL and secured by its receivables under RCL's management services agreement with CanWest Global Communications Corp. ("CanWest"). All amounts owing under the note are subordinated to the Corporation's senior secured notes for so long as the notes are outstanding (note 9).

(ii) The remaining amount due to International of $1,859,000 is the result of prior shared business services.

(e) The Company had an informal agreement with International whereby the Company would pay the costs of computer equipment and related products and services at the Company's offices in Toronto in 2002 and International would pay the costs in 2003. The Company and International were to reconcile the spending and share the combined costs equally. Based upon International's evaluation of the combined costs under this arrangement, the Company owed approximately $200,000 to International. This amount has not been agreed to by the Company but has been recorded. The Company has not yet paid its share of the costs incurred and continues to retain possession of the computer and related equipment it had acquired.

(f) Included in accounts payable and accrued expenses on the consolidated balance sheet is approximately $6,500,000 with respect to legal fees incurred by Lord Black and F. David Radler, the Corporation's former President, the reimbursement of which is being sought from the Company under its indemnity of its directors and officers. The Company has not, at this time, agreed to reimburse these amounts.

**Related Party Contractual Obligations:**

(g) The Company entered into a consulting agreement with Peter G. White Management Ltd. ("PGWML"), a company controlled by Peter G. White, a director and executive officer of the Corporation, effective December 23, 2003, which provides that Mr. White renders various services to the Company. The agreement terminated on January 22, 2005 and was extended for a further six-month term to July 22, 2005. The agreement may be terminated on 30 days' notice. For its services under the agreement, PGWML receives $75,000 per month.

(h) At 10 Toronto Street, RCL and RMI make use of the Company premises and currently pay no rent. The Company is in discussion with RCL and RMI with respect to a potential lease and related financial arrangements.

(i) Certain employees of the Company provide services to RCL, RMI and Argus Corporation Limited, a parent company. As well, certain employees of RMI provide services to the Company. No re-allocation of these costs has been made to date. This is currently under review.

All such employees were formerly employees of RMI. Employment contracts of these employees were transferred to the Company effective January 1, 2004. The employees retained all seniority, pension benefits and other entitlements earned while at RMI upon transfer. As a result, the Company has fully provided for the actuary's estimate of the pension obligation with respect to these employees in this consolidated balance sheet. No agreement with RCL and RMI as to the Company's and their legal obligations with respect to the RCL pension plan has been made to date.

(Tabular amounts are in thousands of dollars except where noted)

## 5. INVESTMENTS

(i) Investments having quoted market values

| | | Number of Shares/Units | Amount |
|---|---|---|---|
| International | Class A Shares (a) (note 8) | 792,560 | $ 17,352 |
| | Class B Shares (a) (note 9) | 14,990,000 | 328,186 |
| | | 15,782,560 | 345,538 |
| Hollinger Canadian Newspapers, Limited Partnership | Units | 150,000 | 150 |

(ii) Investments at estimated market values

| | | Percentage held | |
|---|---|---|---|
| Cayman Free Press | Common shares | 39.993% | 3,670 |
| Real estate division of Domgroup Ltd. ("DRE") (b) | - | 100% | 17,998 |
| Other | - | - | 107 |
| | | | $367,463 |

(a) *International Class A and Class B Common Shares*
International's shares of Class A Common Stock ("International Class A Shares") and Class B Common Stock ("International Class B Shares") have identical rights with respect to cash dividends and in any sale or liquidation, but different voting rights. Each International Class A Share is entitled to one vote per share and each International Class B Share is entitled to ten votes per share on all matters, where the two classes vote together as a single class, including the election of International directors. International Class B Shares are convertible at any time at the option of the Company into International Class A Shares on a share-for-share basis and are transferable by the Company under certain conditions. Where the Company does not meet these conditions, and there is a change of control of International, the International Class B Shares are automatically converted on a share-for-share basis into International Class A Shares. The market value of the International Class B Shares, which do not trade, is stated at the closing market price of the International Class A Shares with no control premium taken into account.

(b) DRE includes the Vancouver division of Domgroup Ltd. and all of the cash of Domgroup Ltd.

(Tabular amounts are in thousands of dollars except where noted)

## 6. PROPERTY AND EQUIPMENT

| | |
|---|---|
| Carried at cost | |
| Machinery, equipment and other | $ 4,008 |
| Accumulated depreciation and amortization | |
| Machinery, equipment and other | 3,113 |
| | 895 |
| Carried at market value | |
| Land and buildings | 7,600 |
| Net book value | $ 8,495 |

## 7. INCOME TAXES

(a) Current income tax liability

Current income tax includes the estimated tax liability arising on the 2004 retraction of Series II preference shares.

A substantial portion of the current income tax liability, once paid, could be refundable to the Company upon payment of dividends or upon retraction or redemption of Common Shares or Series II preference shares including on a going private transaction.

(b) Future income taxes

The Company has operating losses carried forward for tax purposes of approximately $56,600,000, the tax benefit of which has been reflected in the consolidated balance sheet as a reduction of future income taxes. These losses expire as follows:

| | |
|---|---|
| 2007 | $ 3,000 |
| 2008 | 300 |
| 2009 | 11,700 |
| 2010 | 38,000 |
| 2011 | 3,600 |
| | $56,600 |

The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities are presented below:

(Tabular amounts are in thousands of dollars except where noted)

| | |
|---|---|
| Future tax assets: | |
| Net operating loss carry forwards | $23,434 |
| Compensation and accrued pension | 245 |
| Investments | 1,860 |
| Other | 4,304 |
| Gross future tax assets | 29,843 |
| Less valuation allowance | - |
| Net future tax assets | 29,843 |
| Future tax liabilities: | |
| Property and equipment, principally due to differences in depreciation | 306 |
| Investments | 67,669 |
| Other | 1,015 |
| Gross future tax liabilities | 68,990 |
| Net future income tax liabilities | $39,147 |

Due to the Corporation's mutual fund corporation status for tax purposes, it is possible that some or a large portion of the income taxes disclosed above could be refundable.

**8. RETRACTABLE PREFERENCE SHARES**

The 1,722,951 outstanding Series II preference shares are exchangeable at the holder's option for 0.46 of an International Class A Share held by the Company for each Series II preference share for an aggregate of 792,560 International Class A Shares. The Company has the option to make a cash payment of equivalent value on the redemption of any of the Series II preference shares.

At September 30, 2004, a licensed trust company was holding 792,560 International Class A Shares held by the Company in support of exchange requests made by holders of Series II preference shares from time to time. The Company intends to honour any future retractions of its Series II preference shares with these International Class A Shares.

**9. LONG-TERM DEBT**

At September 30, 2004, the Company had US$78,000,000 ($98,654,000) aggregate principal amount of 11.875% senior secured notes due March 1, 2011 (the "Senior Notes") and US$15,000,000 ($18,972,000) aggregate principal amount of 11.875% senior secured notes due March 1, 2011 (the "Second Priority Notes" and, together with the Senior Notes, the "Notes"). The Notes are carried at cost on this consolidated balance sheet as they are not subject to redemption until March 1, 2007, at which time a premium is to be paid on the redemption of any of the Notes.

The Senior Notes are secured by a first priority lien on 14,990,000 International Class B Shares held by the Company plus $13,243,000 of cash collateral. The cash collateral amount may be used to satisfy future interest payment obligations on the outstanding Senior Notes. The Senior Notes are fully and unconditionally guaranteed by RMI. The Second Priority Notes are guaranteed by RMI and are secured by a second priority lien on the collateral securing the Senior Notes.

Under the terms of the Indentures governing the Senior Notes and the Second Priority Notes (collectively, the "Indentures"), the Company is subject to certain financial covenants and other restrictions. As part of the terms of the Notes, the Corporation was required to cause an exchange offer registration statement to be declared effective with the United States Securities and Exchange Commission (the "SEC") under the United States *Securities Act of 1933*, as amended, within a certain period of time. The registration of the securities is not being sought by the Corporation at this time. As a result of this registration default, the annual interest rate of the Notes has increased up to a maximum additional interest rate of one percent per annum over the 11 7/8% interest rate until such time as the registration default is cured, whereupon the interest rate will revert to the original level. As at September 30, 2004, the Corporation was in compliance with all other covenants and other restrictions in respect of the Senior Notes.

On March 10, 2003, the date the Corporation issued the Senior Notes, RMI entered into a support agreement (the "Support Agreement") with the Corporation under which RMI agreed to make annual support payments in cash to the Corporation on a periodic basis by way of contributions to the capital of the Corporation (without receiving any shares of the Corporation) or subordinated debt. The Corporation, RMI and RCL also entered into a contribution agreement (the "Contribution Agreement") in this regard. The amount of the annual support payments is equal to the greater of: (a) the non-consolidated negative net cash flow of the Corporation (which does not extend to outlays for retractions and redemptions in respect of the share capital of the Corporation), or (b) US$14,000,000 per year (less any future payments of services agreement fees directly to the Company, and any excess in the net dividend amount received by the Company on the shares of International that is over US$4,650,000 per year), in either case, as reduced by any permanent repayment of debt owing by RCL to the Corporation. The timing of payment of the annual support amount on a quarterly basis is specifically defined in the Indentures to be within 45 days after the first three quarters of the year and within 90 days of the last quarter of the year. The Support Agreement terminates upon the repayment in full of the Notes.

As a result of the Corporation's inability to file its statutory financial statements as at and for the year ended December 31, 2003 and file its 2003 Form 20-F with the SEC, subsequent to June 30, 2004, the Corporation was not in compliance with its obligations to deliver to relevant parties such filings under the Indentures. This non-compliance led to the occurrence of an event of default under the Indentures, however on September 30, 2004, the Corporation sought and obtained a waiver with respect of this event of default. At such time, the Corporation also sought and obtained a consent for a temporary suspension of the Corporation's obligation under the Indentures to furnish to relevant parties periodic and other reports under applicable U.S. federal securities laws until January 1, 2006.

(Tabular amounts are in thousands of dollars except where noted)

**10. CAPITAL STOCK**

| | |
|---|---|
| **Authorized** | |
| Unlimited number of retractable common shares and an unlimited number of preference shares | |
| Issued and fully paid | |
| **Preference shares** | |
| 1,722,951 Series II shares | $ - |
| **Retractable common shares** | |
| 34,945,776 shares | 286,602 |
| | $286,602 |

(a) The Common Shares have terms equivalent to common shares, except that they are retractable at any time by the holder for their retraction price, which is fixed from time to time, in exchange for International Class A Shares of equivalent value or, at the Corporation's option, cash. The retraction price determined each quarter (or, in certain specific cases more frequently) is between 90% and 100% of the Company's current value, being the aggregate fair market value of all of its assets less the aggregate of (i) the maximum amount payable at such date by the Corporation on its liquidation, dissolution or winding-up in respect of any outstanding preference shares, and (ii) its liabilities, including any tax liabilities that would arise on a sale by International of all or substantially all of its assets, which, in the opinion of the Board, would not be refundable at such date, divided by the number of Common Shares outstanding on such date.

(b) There is continued uncertainty regarding the Corporation's future ability to complete retractions of the Common Shares and cash retractions of Series II preference shares. Dividends on the Series II preference shares are not payable until declared by the Board of Directors which will take into account when dividends are considered from time to time, among other things, the support payments to be made to the Corporation by RMI. Under applicable corporate law, the Corporation cannot redeem Common Shares or declare or pay dividends in certain circumstances, including if there are reasonable grounds for believing that the Company is, or would after such payment be, unable to pay its liabilities as they become due. In such circumstances, shareholders do not become creditors of the Corporation and remain as shareholders until such time as the retraction is able to be completed under applicable law. At present, the Corporation's uncertain ability to make payments on future retractions of Common Shares or dividends on Common Shares is because of the fact that liquidity of its assets is limited under the terms of the Notes. Substantially all of the Company's International shares were provided as security for the Notes limiting the liquidity of the Company's assets. As of February 25, 2005, there are retraction notices from holders of 395,665 Common Shares which are unable to be completed at the present time.

(c) The Company has a stock option plan for its employees.

Details of the Corporation's stock option plan are as follows:
The Corporation has an Executive Share Option Plan, under which the Corporation may grant options to certain key executives of the Company, its subsidiaries or affiliated companies or its parent company, for up to 5,560,000 Common Shares.

These options give the holder the right to purchase, subject to the executive's entitlement to exercise, one Common Share for each option held. The options are exercisable to the extent of 25% thereof at the end of each of the first through fourth years following granting, on a cumulative basis. Options expire six years after the date of grant. Unexercised options expire one month following the date of termination of the executive's employment, except in the case of retirement at normal retirement age, death or certain offers made to all or substantially all of the holders of Common Shares, in which events, all unexercised options become exercisable in full.

At September 30, 2004, there were 913,000 options outstanding having an exercise price of $13.72 per share and a remaining contractual life to December 8, 2004. All of the outstanding options at September 30, 2004 expired unexercised on December 8, 2004.

## 11. CONTINGENCIES AND COMMITMENTS

The Company has been named as defendant or co-defendant in a number of legal actions. All claims made against the Company are being defended vigorously. Except as otherwise stated, no provisions have been made for any potential liability under these actions. Legal fees expected to be incurred with respect to these actions total approximately $11,500,000. This amount has been accrued in accounts payable and accrued expenses in this consolidated balance sheet. The following actions have been taken against or by the Company:

(a) The Company is named as a co-defendant in a complaint filed in the State of Illinois by International claiming damages and recovery for alleged breaches of fiduciary duty relating to management fees, sales and transfers of assets and non-competition and other payments made. International is seeking damages from all defendants of US$542,000,000 including pre-judgment interest of US$117,000,000. International is seeking to hold the Company jointly and severally liable for the full amount of the alleged damages under conspiracy and other theories. Repayment has been made of certain non-compete payments (see note 4).

(b) The Company is named as a co-defendant in a number of class action suits in Canada and the United States that allege, among other things, securities fraud with respect to the use of management service fees to misappropriate funds from International, improper non-compete payments, inadequate Board oversight of executive pay, improper expenses and related party transactions.

(c) International has named the Company as co-defendant in a suit seeking enforcement of a November 15, 2003 restructuring proposal to uphold a Shareholders' Rights Plan, a declaration that corporate by-laws were invalid and to prevent the closing of a certain transaction. The

Company filed a counterclaim seeking to restrict the Shareholders' Rights Plan that International sought to adopt to prevent a certain transaction and claiming that the restructuring proposal was not negotiated in good faith and had been breached by International. A decision on International's claim was delivered on February 26, 2004 finding in favour of International which was confirmed on March 4, 2004 through a partial final judgment confirming the February 26, 2004 findings. Also on March 4, 2004, the Company filed a notice of appeal of the February 26, 2004 decision, which has not yet been decided. On May 19, 2004, the Court issued a decision on a summary judgment motion brought by International finding in favour of International and dismissing in large part the Company's counterclaims. The ruling also is on appeal.

(d) International has named the Company as co-defendant in a suit seeking injunctive relief for the return of documents it claims ownership of and the assistance and co-operation of the defendants in recovering the documents and in having International and its auditors' access to the corporate headquarters of the Company. No examinations for discovery have been conducted to date. The parties negotiated and executed a Protocol dated March 25, 2004, providing for access and possession by International to the claimed records.

(e) On September 3, 2004, Mr. Justice Colin Campbell of the Ontario Superior Court of Justice ordered (and on October 13, 2004 delivered his reasons for) the appointment of an Inspector of the affairs of the Company pursuant to section 229 of the *Canada Business Corporations Act* (the "Order") upon the application of Catalyst Fund General Partner I Inc. By further order (together with the Order, the "Orders") dated October 27, 2004, Ernst & Young Inc. was named as inspector and commenced its work (the "Inspection") soon thereafter. The Orders broadly require an investigation into the affairs of the Company and specifically into related party transactions, non-competition payments for the period January 1, 1997 to the present and the current status of the Company's audited financial statements for the year ended December 31, 2003. The Inspector has provided certain interim reports to the court, primarily outlining its need for more time to conduct its work. It is unclear as to whether ultimately the costs of the Inspection may be shared more broadly, but initial costs of the Inspection are being borne by the Company at a rate approaching $1,000,000 per month. The cost of the inspection is anticipated to total approximately $8,000,000. This amount has been accrued in addition to the legal fee accrual of $11,500,000 described above in accounts payable and accrued expenses in this consolidated balance sheet.

(f) CanWest filed suit against the Company and others including International claiming damages under the agreement for the sale by International of certain Canadian newspapers in November 2000, including $22,500,000 for future losses relating to The National Post, $2,745,000 for capital and operating requirements and $752,000 for payment of newsprint rebates. International paid $26,500,000 million of principal plus interest with respect to the future losses relating to The National Post in November 2004 in settlement of an August 2004 order.

Exchange of documents and examinations for discovery in respect of the remaining two matters referred to above which have not yet been settled is expected to proceed in early 2005.

(g) The Company was the guarantor under an aircraft lease that was prematurely terminated in January, 2004. The lessor has commenced an action against the Company for damages of approximately US$5,000,000.

(h) On November 15, 2004, the SEC filed an action in the United Status District court for the Northern District of Illinois against Lord Black, F. David Radler and the Company seeking injunctive, monetary and other equitable relief.

The SEC's allegations against the Company are as follows: (i) the Company made material misstatements and omissions in its responses to International's 1999 and 2000 proxy questionnaires and the Company's 2001 Form 40-F filing and 2002 Form 2-F, Form 40-F and proxy statement filings with the SEC concerning US$16,500,000 million in payments it allegedly fraudulently received in connection with non-compete agreements associated with certain sales transactions; (ii) the Company allegedly knew or was reckless in not knowing that International's filings with the SEC were false and misleading because they failed to disclose the non-compete payments made to the Company; and (iii) the Company is liable for International's violations of certain federal securities laws during this period as a result of its alleged failure to properly disclose the non-compete payments it received.

The SEC complaint seeks the following from the Company: (i) disgorgement of ill-gotten gains by the Company and unspecified civil penalties; (ii) a voting trust upon the shares of International held directly or indirectly by the Company; and (iii) an order enjoining the Company from further violations of the federal securities laws.

(i) The affairs of the Company are presently under investigation by certain securities regulatory authorities. The appropriateness of certain transactions reported in previous financial statements as filed, of the financial statements themselves and the completeness of other regulatory filings are being questioned.

(j) The Company is subject to litigation from time to time in the ordinary course of business. Although the amount of any liability with respect to any such litigation cannot be determined, in the opinion of management, such liability, if any, will not have a material adverse effect on the Company's financial condition.

(k) The Company has incurred legal expense in the defence of various actions brought against it and others in both the United States and Canada. The Company has in turn advanced a claim against its directors' and officers' liability insurers asserting that, under the terms and conditions of the policies of insurance, these insurers are required to indemnify the Company in respect of this legal expense incurred in connection with some of the actions brought against the Company. The claims made total approximately $3,700,000, however, the actual amount of recovery is not determinable at the present time. The Company has not recorded any recovery with respect to these claims in this consolidated balance sheet.

## 12. GUARANTEES

*Notes*

In connection with the issuance of the Senior Notes, the Corporation has agreed to indemnify the initial purchaser of the Senior Notes against any losses or damages resulting from inaccuracy of financial statements, taxes and compliance with securities legislation. The Corporation also indemnified the Senior Noteholders against any related tax liabilities arising from payments made with respect to the Senior Notes, except taxes on Senior Noteholder's income. These indemnifications generally extend for the term of the Senior Notes and do not provide for any limit on the maximum potential liability.

The Corporation is unable to estimate the maximum potential liability for these types of indemnifications as the Indentures and related purchase agreement do not specify a maximum amount and the amounts are dependent upon future contingent events, the nature and likelihood of which cannot be determined at this time. No amount has been accrued in this consolidated balance sheet with respect to these indemnifications and the Corporation is unable to estimate amounts due for withholding taxes, if any, at this time. Any such amounts will increase the future effective cost of borrowing.

*Property Leases*

DRE has agreed to indemnify lessors of its operating leases against liabilities, damages, costs, claims and actions resulting from damaged property, violations of any lease covenants or any accident or injury occurring on the leased premises.

The Company is unable to estimate the maximum exposure for these types of indemnifications as the operating leases do not specify a maximum amount and the amounts are dependent upon future contingent events, the nature and likelihood of which cannot be determined at this time. No amount with respect to these indemnifications has been considered in the determination of the market value of the Company's investment in DRE in this consolidated balance sheet.

*Dispositions*

In connection with certain dispositions of assets and/or businesses, the Company has provided customary representations and warranties whose terms range in duration and may not be explicitly defined. The Company has also retained certain liabilities for events occurring prior to sale, relating to tax, environmental, litigation and other matters. Generally, the Company has indemnified the purchasers in the event that a third party asserts a claim against the purchaser that relates to a liability retained by the Company. These types of indemnification guarantees typically extend for a number of years or in some cases extend indefinitely.

The Company is unable to estimate the maximum potential liability for these indemnifications as the underlying agreements do not always specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time.

Historically, the Company has not made any significant indemnification payments under such agreements and no amount has been accrued in this consolidated balance sheet with respect to these indemnification guarantees. The Company continues to monitor the conditions that are subject to guarantees and indemnifications to identify whether it is probable that a loss has occurred, and would recognize any such losses under any guarantees or indemnifications when those losses are probable and estimable.

*Directors*
The Corporation has entered into customary indemnification agreements in favour of its current and former directors. With respect to one current and one former director, the Corporation has entered into a trust and contribution agreement with a third party trustee and deposited in trust the amount of $500,000 to defend such directors from any claims made for which they would be entitled to indemnity pursuant to their indemnification agreements (see note 3). In February 2005, the Corporation placed an additional $1,500,000 of cash in trust which is intended to be used as additional security for directors' indemnities.

**13. SUBSEQUENT EVENTS**

(a) On October 28, 2004, the Corporation was advised that RCL intends to support a going private transaction involving the Corporation, structured as a consolidation of the outstanding Common Shares and Series II preference shares (the "Proposed Transaction"). The Board established a committee of independent directors to consider, evaluate and make a recommendation to it concerning the Proposed Transaction.

On October 28, 2004, the Board approved the following transactions which would permit the Proposed Transaction to proceed and be considered by the shareholders of the Corporation and would provide the necessary financing to complete the Proposed Transaction:

(i) The Corporation received consents from holders of a majority in aggregate principal amount of its outstanding Notes approving amendments to the Indentures. The amendments permit, among other things, the retirement of all outstanding Common Shares (other than those held directly or indirectly by RCL) for cash pursuant to (i) the Proposed Transaction, (ii) retraction requests, and/or (iii) payments in respect of the due exercise of dissent rights of such shares in connection with the Proposed Transaction and the retirement of all outstanding Series II preference shares for International Class A Shares owned by the Company pursuant to the Proposed Transaction and/or payments in respect of the due exercise of dissent rights of such shares in connection with the Proposed Transaction. The amendments to the Indentures also permit the Corporation to incur additional indebtedness in an aggregate amount outstanding not to exceed US$40,000,000 through the issuance of Second Priority Notes.

The amendments will become effective if, and only if, all necessary corporate and regulatory approvals in connection with the consolidation of the outstanding Common Shares (the "Common Share Approvals") have been obtained on or prior to March 31, 2005.

(ii) The Corporation received binding commitments for the issuance and sale of up to US$40,000,000 in aggregate principal amount of Second Priority Notes, such amount to be drawn down by the Corporation if, and only if, the Common Share Approvals have been obtained on or prior to March 31, 2005.

(iii) The Corporation entered into a non-binding commitment with an arm's length lender with respect to bridge credit facilities with a term of 12 months providing up to $16,000,000 in borrowings, which credit facilities may only be drawn down if, among other things, the Common Share Approvals have been obtained. If proceeded with, the Company would be providing security to the lender in support of the credit facilities, including first priority mortgages on certain real estate assets owned by the Company.

On November 16, 2004, RCL indicated that it intends to support the Proposed Transaction on the basis of $7.25 in cash for each Common Share (other than the shares owned by it and certain of its affiliates) and 0.46 of an International Class A Share for each Series II preference share.

(b) On November 2, 2004, Lord Black resigned his positions as Chairman, Chief Executive Officer and a director of the Corporation. On November 18, 2004, Mr. Justice Campbell of the Ontario Superior Court of Justice ordered the removal of three other related directors, F. David Radler, J.A. Boultbee and Barbara Amiel Black. The Board is now comprised of six directors. Gordon W. Walker was appointed as the initial Chairman of the Board and Donald M.J. Vale assumed the function of President.

(c) On January 18, 2005, International filed its 2003 Form 10-K with the SEC, which included restated audited financial results for the fiscal years ended December 31, 1999 to 2002.

The foregoing was a necessary but not sufficient condition to permit the Corporation to complete and file its 2003 annual consolidated financial statements as the completion and audit of such consolidated financial statements will require a level of co-operation from International, which is in negotiation, and International's auditors.

(d) On January 18, 2005, International paid a special dividend on the International Class A Shares and the International Class B Shares, which resulted in approximately US$39,000,000 being received by the Company. As part of its settlement discussions with staff of the SEC relating to the action commenced by the SEC against the Company, Lord Black and F. David Radler in the U.S. District Court, Northern District of Illinois, the Company voluntarily agreed that it would enter into an arrangement whereby it would deposit such amount and, subject to any overriding rights of the holders of Notes, the amount of any subsequent distribution made by International, net of applicable withholding taxes, into an escrow account with a licensed trust company. The escrow will terminate upon the conclusion of the SEC action as to all parties. The escrow provides that the Company will have access to the escrowed funds for ordinary business and certain other enumerated purposes.

(e) On March 1, 2005, International paid a second special dividend on the International Class A Shares and the International Class B Shares. The total amount of this second special dividend received by the Company was approximately US$47,300,000. The net proceeds received are subject to the same escrow agreement referred to in (d) above.

(f) On February 25, 2005, certain of the directors of the Corporation filed a motion in the Ontario Superior Court of Justice for, inter alia, advice and direction as to whether in the circumstances the Proposed Transaction should be put to the Corporation's shareholders before Ernst & Young Inc. delivers its final Inspection report. The motion also seeks an order approving an increase of $10,000,000 as additional security for directors' indemnities, confirmation of the deposit of $1,500,000 as additional security for directors' indemnities (note 3) and the establishment of an indemnification fund in favour of two financial executives of the Corporation with a deposit of $500,000. The motion further seeks an order approving payments to the directors of the Corporation (other than Mr. White) in the event of the termination of their tenure as directors and a retention bonus in the event that the Corporation continues as a public company after March 31, 2005, in each case, in an amount equal to a multiple of fees paid to such directors since November 18, 2004. The motion is scheduled to be heard on March 7, 2005.

Materials filed with the court indicate that certain of the directors of the Corporation have been advised that the Corporation and its subsidiaries have claims against RCL and related corporations and individuals for in excess of $200,000,000 and that the Corporation should commence legal proceedings forthwith to enforce those claims. The directors have further been informed that RCL intends to strenuously resist any such claims.

**Schedule “D”**

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
Form 10-K

pANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year ended December 31, 2003

or

oTRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File No. 1-14164
Hollinger International Inc.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware | 95-3518892 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |
| 712 Fifth Avenue, New York, New York | 10019 |
| (Address of Principal Executive Office) | (Zip Code) |

Registrant's telephone number, including area code
(212) 586-5666

Securities registered pursuant to Section 12(b) of the Act:

| Title of Each Class: | Name of Each Exchange on Which Registered: |
|---|---|
| Class A Common Stock par value $.01 per share | New York Stock Exchange |
| | New York Stock Exchange |
| 8 5/8% Senior Notes due 2005 | New York Stock Exchange |
| 9% Senior Notes due 2010 | |

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes o No p

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is an accelerated filer (as defined in the Securities Exchange Act of 1934 Rule 12b-2) Yes p No o

The aggregate market value of Class A Common Stock held by non-affiliates as of June 30, 2003, was approximately $644,988,310 determined using the closing price per share on that date of $10.77, as reported on the New York Stock Exchange. As of such date, non-affiliates held no shares of Class B Common Stock. There is no active market for the Class B Common Stock.

The number of outstanding shares of each class of the registrant's common stock as of December 31, 2004 was as follows: 75,687,055 shares of Class A Common Stock and 14,990,000 shares of Class B Common Stock.

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## EXPLANATORY NOTE

The Company is filing this annual report on Form 10-K for the fiscal year ended December 31, 2003 following its review of the report of the Special Committee of Independent Directors (the "Special Committee"). The Company's Board of Directors formed the Special Committee on June 17, 2003 to investigate, among other things, allegations described in a beneficial ownership report on Schedule 13D filed with the SEC by Tweedy, Browne & Company, LLC ("Tweedy Browne"), an unaffiliated stockholder of the Company, on May 19, 2003, as amended on June 11, 2003, and any other matters the Special Committee determined should be investigated. The Special Committee filed its report with the U.S. District Court for the Northern District of Illinois on August 30, 2004. The Company included the full text of the report as an exhibit to a current report on Form 8-K filed with the Securities and Exchange Commission ("SEC") on August 31, 2004, as amended by a current report on Form 8-K/A filed with the SEC on December 15, 2004.

The Company previously made public its need to review the Special Committee's report before it could complete its annual report on Form 10-K for the year ended December 31, 2003. The Company expects to file, within a reasonable time, quarterly reports on Form 10-Q for the periods ended March 31, 2004, June 30, 2004 and September 30, 2004 and the required pro forma financial information reflecting the sale of Telegraph Group Limited on a current report on Form 8-K.



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## FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act") and the Private Securities Litigation Reform Act of 1995, that involve a number of risks and uncertainties. These statements relate to future events or the Company's future financial performance with respect to its financial condition, results of operations, business plans and strategies, operating efficiencies, competitive positions, growth opportunities, plans and objectives of management, capital expenditures, growth and other matters. These statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, levels of activity, performance or achievements of the Company or the newspaper industry to be materially different from those expressed or implied by any forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "could," "would," "should," "expect," "plan," "anticipate," "intend," "believe," "estimate," "predict," "potential," "pro forma," "seek," or "continue" or the negative of those terms or other comparable terminology. These statements are only predictions and such expectations may prove to be incorrect. Some of the things that could cause the Company's actual results to differ substantially from its current expectations are:

* changes in prevailing economic conditions, particularly in the target markets of the Company's newspapers;
* actions of the Company's controlling stockholder;
* continuing investigations by the SEC and other government agencies in the United States and Canada;
* adverse developments in pending litigation involving the Company and its affiliates, directors and executive officers;
* actions of competitors, including price changes and the introduction of competitive service offerings;
* changes in the preferences of readers and advertisers, particularly in response to the growth of Internet-based media;
* the effects of changing cost or availability of raw materials, including changes in the cost or availability of newsprint and magazine body paper;
* changes in laws or regulations, including changes that affect the way business entities are taxed;
* changes in accounting principles or in the way such principles are applied; and
* other matters identified in "Item 1 -- Business -- Risk Factors."

The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, after the date this Form 10-K is filed with the SEC. The Company does not, nor does any other person, assume responsibility for the accuracy and completeness of those statements. All of the forward-looking statements are qualified in their entirety by reference to the factors discussed under the caption "Risk Factors."

The Company cautions that the areas of risk described above may not be exhaustive. The Company operates in a continually changing business environment, and new risks emerge from time to time. Management cannot predict such new risks, nor can it assess either the impact, if any, of such risks on the Company's businesses or the extent to which any risk or combination of risks may cause actual results to differ materially from those projected in any forward-looking statements. In light of these risks, uncertainties and assumptions, it should be kept in mind that events, trends or financial performance described in any forward-looking statement made in this annual report on Form 10-K might not occur.

PART I

## Item 1.Business

### Overview

The Company is a leading publisher of English-language newspapers in the United States and Canada. The Company owns or has interests in over 200 publications, including daily and non-daily newspapers, and magazines. The Company's premier title is the Chicago Group's Chicago Sun-Times, which has the second highest daily readership and circulation of any newspaper in the Chicago metropolitan area and had the eighth highest daily readership of any metropolitan daily newspaper in the United States, as reported in the 2003 Scarborough Report.

Unless the context requires otherwise, all references herein to the "Company" are to Hollinger International Inc., its predecessors and consolidated subsidiaries, "Publishing" refers to Hollinger International Publishing Inc., a wholly-owned subsidiary of the Company, and "Hollinger Inc." refers to the Company's parent, Hollinger Inc. and its affiliates.

### Chicago Group

The Chicago Group consists of more than 100 newspapers in the greater Chicago metropolitan area. The Chicago Group's primary newspaper is the Chicago Sun-Times, which was founded in 1948 and is one of Chicago's most widely read newspapers. The Chicago Sun-Times is published in a tabloid format and has the second highest daily readership and circulation of any newspaper in the 16-county Chicago metropolitan area, attracting approximately 1.6 million readers daily as reported in the 2003 Scarborough Report. The Chicago Group pursues a clustering strategy in the greater Chicago metropolitan market, covering all of Chicago's major suburbs as well as its surrounding high growth counties. This strategy enables the Company to offer joint selling programs to advertisers, thereby expanding advertisers' reach. For the year ended December 31, 2003, the Chicago Group had revenues of $450.8 million and operating income of $24.5 million.

### Canadian Newspaper Group

The Canadian Newspaper Group includes the operations of Hollinger Canadian Publishing Holdings Co. ("HCPH Co.") that has an 87% interest in Hollinger Canadian Newspapers, Limited Partnership ("Hollinger L.P."). HCPH Co. and Hollinger L.P. own numerous daily and non-daily newspaper properties and Canadian trade magazines and tabloids for the transportation, construction, natural resources and manufacturing industries, among others. In addition, the Canadian Newspaper Group administers the retirement plans, and absorbs the costs related to post-retirement, post-employment benefit and pension plans of certain retired employees of HCPH Co. (successor of Southam Inc.). For the year ended December 31, 2003, the Canadian Newspaper Group had revenues of approximately $80.5 million and an operating loss of approximately $5.0 million.

### Recent Developments

#### Investigation of and Legal Proceedings Relating to Certain Related Party Transactions

Hollinger Inc., a Canadian publicly traded company, directly or indirectly owns approximately 17.4% of the equity and 66.8% of the voting interest in the Company. In beneficial ownership reports filed with the SEC on Schedule 13D, The Ravelston Corporation Limited ("Ravelston"), a privately held Canadian company, and Lord Conrad M. Black of Crossharbour ("Black"), a Director and former Chairman and Chief Executive Officer of the Company, claim beneficial ownership over Hollinger Inc.'s interests in the Company. Black also owns 600 shares of the Company's Class A Common Stock directly. In addition, Black claims beneficial ownership over 1,363,750 shares of Class A Common Stock underlying stock options that Black has alleged he exercised in February and April 2004. These shares have not been issued by the Company, pending the outcome of litigation involving the alleged option exercises. See "Item 3 -- Legal Proceedings -- Black v. Hollinger International Inc., filed on April 5, 2004."

The above ownership figures are based on 75,687,055 shares of Class A Common Stock and 14,990,000 shares of Class B Common Stock outstanding as of December 31, 2004 and beneficial ownership reports of Hollinger Inc., Ravelston and Black filed with the SEC. According to those reports, Hollinger Inc. owns directly or indirectly, and Ravelston and Black claim beneficial ownership over, all of the shares of Class B Common Stock outstanding, each of which carries the right of 10 votes per share.

On June 17, 2003, the Board of Directors established a special committee of independent directors (the "Special Committee") to investigate, among other things, certain allegations regarding various related party transactions, including allegations described in a beneficial ownership report on Schedule 13D filed with the SEC by Tweedy Browne, an unaffiliated stockholder of the Company, on May 19, 2003, as amended on June 11, 2003. In its Schedule 13D report, Tweedy Browne made allegations with respect to the terms of a series of transactions between the Company and certain former executive officers and certain current and former members of the Board of Directors, including Black, F. David Radler ("Radler"), the Company's former President and Chief Operating Officer, J.A. Boultbee ("Boultbee"), a former Executive Vice-President and a former member of the Board of Directors, and Peter Y. Atkinson ("Atkinson"), a former Executive Vice-President and a former member of the Board of Directors. The allegations concern, among other things, payments received directly or indirectly by such persons relating to "non-competition" agreements arising from asset sales by the Company, payments received by such persons under the terms of management services agreements between the Company and Ravelston, Ravelston Management Inc. ("RMI"), Moffat Management Inc. ("Moffat") and Black-Amiel Management Inc. ("Black-Amiel") and sales by the Company of assets to entities with which such persons were affiliated. In October 2003, the Special Committee found references to previously undisclosed "non-competition" payments to Hollinger Inc. while reviewing documents obtained from the Company. The Special Committee also found information showing that "non-competition" payments to Black, Radler, Boultbee and Atkinson had been falsely described in, among other filings, the Company's annual report on Form 10-K for the fiscal year ended December 31, 2001 (the "2001 Form 10-K"). The Special Committee and the Audit Committee each conducted expedited investigations into these matters.

On November 15, 2003, the Special Committee and the Audit Committee disclosed to the Board of Directors the preliminary results of their investigations. The committees determined that a total of $32.2 million in payments characterized as "non-competition" payments were made by the Company without appropriate authorization by either the Audit Committee or the full Board of Directors. Of the total unauthorized payments, approximately $16.6 million was paid to Hollinger Inc. in 1999 and 2000, approximately $7.2 million was paid to each of Black and Radler in 2000 and 2001, and $602,500 was paid to each of Boultbee and Atkinson in 2000 and 2001. As a consequence of these findings, the Special Committee then entered into discussions with Black that culminated in the Company and Black signing an agreement on November 15, 2003 (the "Restructuring Agreement"). The Restructuring Agreement provides for, among other things, restitution by Hollinger Inc., Black, Radler, Boultbee and Atkinson to the Company of the full amount of the unauthorized payments, plus interest; the hiring by the Board of Directors of Lazard Freres & Co. LLC and Lazard & Co., Limited (collectively, "Lazard") as financial advisors to explore alternative strategic transactions, including the sale of the Company as a whole or the sale of its specific businesses (the "Strategic Process"); and certain management changes, including the retirement of Black as CEO and the resignations of Radler, Boultbee and Atkinson. In addition, Black agreed, as the majority stockholder of Hollinger Inc., that during the pendency of the Strategic Process he would not support a transaction involving ownership interests in Hollinger Inc. if such transaction would negatively affect the Company's ability to consummate a transaction resulting from the Strategic Process unless the transaction were necessary to enable Hollinger Inc. to avoid a material default or insolvency.

On November 19, 2003, Black retired as CEO of the Company. Gordon Paris ("Paris") became the Company's Interim CEO upon Black's retirement. Effective November 16, 2003, Radler resigned as President and Chief Operating Officer of the Company and as publisher of the Chicago Sun-Times, at which time Paris became Interim President. On November 16, 2003, Radler and Atkinson also resigned as members of the Board of Directors. The Company terminated Boultbee as an officer on November 16, 2003. On January 17, 2004, Black was removed as non-executive Chairman of the Board of Directors and Paris was elected as Interim Chairman on January 20, 2004. On March 5, 2004 Black was removed as Executive Chairman of the

Telegraph Group Limited. On March 23, 2004, Colson retired as Chief Operating Officer of the Company and Chief Executive Officer of the Telegraph Group Limited in accordance with the terms of his Compromise Agreement with the Company. On April 27, 2004, Atkinson resigned as Executive Vice President of the Company under the terms of his settlement with the Company.

Although Radler was not a direct party to the Restructuring Agreement, he has agreed to pay the amount identified as attributable to him in the Restructuring Agreement. Prior to the end of December 2003, Radler paid the Company $850,000. During 2004, Radler paid an additional amount of approximately $7.8 million, including interest of $1.5 million.

Although Atkinson was not a direct party to the Restructuring Agreement, he agreed to pay the amount identified as attributable to him in the Restructuring Agreement. On April 27, 2004, Atkinson and the Company entered into a settlement agreement in which Atkinson has agreed to pay a total amount of approximately $2.8 million, representing all "non-competition" payments and payments under the incentive compensation plan of Hollinger Digital LLC ("Hollinger Digital") that he received, plus interest. The total amount of $2.8 million includes approximately $603,000 identified as attributable to Atkinson in the Restructuring Agreement. Prior to the end of December 2003, Atkinson paid the Company $350,000. On April 27, 2004, Atkinson exercised his vested options and the net proceeds of $4.0 million from the sale of the underlying shares of Class A Common Stock were deposited into an escrow account. Upon the approval of the terms of the settlement agreement by the Court of Chancery in the State of Delaware (the "Delaware Chancery Court"), the Company will receive $2.4 million. Included in the $2.4 million is approximately $253,000 which represents the balance identified, before interest, as attributable to Atkinson at December 31, 2003 in the Restructuring Agreement. On April 27, 2004, the Company entered into a consulting agreement with Atkinson. See "Item 13 -- Certain Relationships and Related Transactions -- Release and Settlement Agreement with Atkinson" and "-- Consulting Agreement with Atkinson."

By Order and Judgment dated June 28, 2004, the Delaware Chancery Court found, among other things, that Black and Hollinger Inc. breached their respective obligations to make restitution pursuant to the Restructuring Agreement and ordered, among other things, that Black and Hollinger Inc. pay the Company $29.8 million in aggregate. Hollinger Inc. and Black paid the Company the amount ordered by the court on July 16, 2004, but both have appealed the order to the Delaware Supreme Court. See "Item 3 -- Legal Proceedings -- Hollinger International Inc. v. Conrad M. Black, Hollinger Inc., and 504468 N.B. Inc."

Boultbee has not paid to the Company any amounts in restitution for the unauthorized "non-competition" payments set forth in the Restructuring Agreement, and has filed a suit in Canada against the Company and members of the Special Committee seeking damages for an alleged wrongful dismissal. See "Item 3 -- Legal Proceedings -- Other Actions."

As more fully described under "Item 13 -- Certain Relationships and Related Transactions -- Services Agreements," the Company was party to management services agreements with RMI, Moffat and Black-Amiel. The Restructuring Agreement provides for the termination of these agreements in accordance with their terms, effective June 1, 2004, and the negotiation of the management fee payable thereunder for the period from January 1, 2004 until June 1, 2004. In November 2003, in accordance with the terms of the Restructuring Agreement, the Company notified RMI of the termination of the services agreements effective June 1, 2004 and subsequently proposed a reduced management fee of $100,000 per month for the period from January 1, 2004 through June 1, 2004. RMI did not accept the Company's offer and demanded a management fee of $2.0 million per month, which the Company did not accept. RMI seeks damages from the Company for alleged breaches of the services agreements in legal actions pending before the courts. See "Item 3 -- Legal Proceedings -- Hollinger International Inc. v. Ravelston, RMI and Hollinger Inc."

On January 16, 2004, the Company consented to the entry of a partial final judgment and order of permanent injunction (the "Court Order") against the Company in an action brought by the SEC in the U.S. District Court for the Northern District of Illinois (the "January 2004 SEC Action"). The Court Order enjoins the Company from violating provisions of the Exchange Act, including the requirements to file accurate annual reports on Form 10-K and quarterly reports on Form 10-Q and keep accurate books and records. The Court Order requires the Company to permit the Special Committee to complete its investigation and to take whatever actions the Special Committee, in its sole discretion, deems necessary to fulfill its mandate, including to pursue litigation and collect damages and recover assets for the Company. The Court Order also provides for the automatic appointment of Richard C. Breeden ("Breeden"), currently advisor and legal counsel to the Special Committee, as Special Monitor of the Company, in order to complete the ongoing Special Committee investigation, pursue litigation and collect damages and assets for the Company and protect the Company's assets, in the event that the Board of Directors or the Company's stockholders take actions in violation of the Court Order.

On January 28, 2004, the Company filed a civil complaint in the United States District Court for the Northern District of Illinois asserting breach of fiduciary duty and other claims against Hollinger Inc., Ravelston, RMI, Black, Radler and Boultbee, which complaint was first amended on May 7, 2004. The amended complaint added certain other defendants, including Barbara Amiel Black ("Amiel Black"), a Director of the Company and wife of Black, and Daniel W. Colson ("Colson"), former Chief Operating Officer and Director of the Company, sought approximately $484.5 million in damages, including approximately $103.9 million in pre-judgment interest, and also included claims under the Racketeer Influenced and Corrupt Organizations Act ("RICO"), which provides for a trebling of damages and attorneys' fees. On October 8, 2004, the court granted the defendants' motion to dismiss the RICO claims and also dismissed the remaining claims without prejudice on jurisdictional grounds. On October 29, 2004, the Company filed a second amended complaint seeking to recover approximately $542.0 million in damages, including prejudgment interest of approximately $117.0 million, and punitive damages. The second amended complaint adds Richard N. Perle ("Perle"), a Director of the Company, as a defendant and withdrew as defendants certain companies affiliated with Black and Radler. The Company is seeking to appeal the dismissal of the RICO claims. On December 13, 2004, defendants moved to dismiss the second amended complaint. The motions are pending. See "Item 3 -- Legal Proceedings -- Litigation Involving Controlling Stockholder, Senior Management and Directors."

On August 30, 2004, the Special Committee published the results of its investigation. See "-- Report of the Special Committee" below.

On November 15, 2004, the SEC filed an action in the United States District Court for the Northern District of Illinois against Black, Radler and Hollinger Inc. seeking injunctive, monetary and other equitable relief. In the action, the SEC alleges that the three defendants violated federal securities laws by engaging in a fraudulent and deceptive scheme to divert cash and assets from the Company and to conceal their self-dealing from the Company's public stockholders from at least 1999 through at least 2003. The SEC also alleges that Black, Radler and Hollinger Inc. were liable for the Company's violations of certain federal securities laws at least during this period. See "Item 3 -- Legal Proceedings -- United States Securities and Exchange Commission v. Conrad M. Black, et al."

The Company is party to several lawsuits either as plaintiff or as a defendant, including several stockholder class action lawsuits, in connection with the events described above. See "Item 3 -- Legal Proceedings."

Corporate Review Committee; Adoption of Shareholder Rights Plan; Delaware Court Injunction

On January 18, 2004, Black and Ravelston entered into a Tender and Stockholder Support and Acquisition Agreement with Press Holdings International Limited ("PHIL") for the sale of the control of Hollinger Inc., (the "Hollinger Sale"). The Company formed the Corporate Review Committee of the Board of Directors, consisting of all directors, other than Black, Amiel Black and Colson, all of whom were directly or indirectly interested in the Hollinger Sale, to review the terms of the Hollinger Sale and supervise the Strategic Process. The Corporate Review Committee adopted a shareholder rights plan ("SRP"), described further below. On January 23, 2004, Hollinger Inc. adopted by written stockholder consent amendments to the Company's bylaws and attempted to dissolve all committees of the Board of Directors, including the Corporate Review Committee, other than the Special Committee and the Audit Committee. On January 26, 2004, the Company commenced legal action in Delaware seeking relief declaring that Hollinger Inc.'s actions were invalid; that the adoption of the SRP was valid; and that Black and Hollinger Inc. breached their fiduciary duties to the Company and the terms of the Restructuring Agreement. On March 4, 2004, the Delaware Chancery Court issued a decision in favor of the Company declaring the bylaw amendments invalid;

upholding the validity of the SRP; and enjoining Black and Hollinger Inc. from taking any action to consummate any transaction in violation of the provisions of the Restructuring Agreement, including the Hollinger Sale, or committing any other breaches of the Restructuring Agreement. As a result, PHIL withdrew its offer and the Hollinger Sale was abandoned. On June 28, 2004, the Delaware Chancery Court extended through October 31, 2004 its injunctive relief that enjoined Black and Hollinger Inc. from taking any action to consummate any transaction in violation of the provisions of the Restructuring Agreement. On October 29, 2004, the Company, Hollinger Inc. and Black reached an agreement (the "Extension Agreement") to voluntarily extend the injunction until the earlier of January 31, 2005 or the date of the completion of any distribution by the Company to its stockholders of a portion of the proceeds of the Company's sale of the Telegraph Group Limited (described below), net of taxes to be paid on the sale of the Telegraph Group Limited and less amounts used to pay down the Company's indebtedness, through one or more of a dividend, a self-tender offer, or some other mechanism. On October 30, 2004, the court issued an order extending the injunction as provided in, and incorporating the other terms of, the Extension Agreement.

On February 27, 2004, under the terms of the SRP, the Company paid a dividend of one preferred share purchase right (a "Right") for each share of Class A Common Stock and Class B Common Stock held of record at the close of business on February 5, 2004. Each Right, if and when exercisable, entitles its holder to purchase from the Company one one-thousandth of a share of a new series of preferred stock at an exercise price of $50.00.

The SRP provides that the Rights will separate from the Class A Common Stock and Class B Common Stock and become exercisable only if a person or group beneficially acquires, directly or indirectly, 20% or more of the outstanding stockholder voting power of the Company or if a person or group announces a tender offer which, if consummated, would result in such person or group beneficially owning 20% or more of such voting power, in either case, without the approval of the Company's directors, who may amend or redeem the SRP. The directors of the Company may redeem the Rights at $0.001 per Right or amend the terms of the SRP at any time prior to the separation of the Rights from the Class A Common Stock and Class B Common Stock.

If a person or group acquires 20% or more of the stockholder voting power of the Company, each Right will entitle its holder (other than such person or group), in lieu of purchasing preferred stock, to purchase one share of Class A Common Stock at a 50% discount to the then current per share market price. In addition, in the event of certain business combinations following such an acquisition, each Right will entitle its holder to purchase the common stock of an acquirer of the Company at a 50% discount from the market value of the acquirer's stock.

Black and each of his controlled affiliates, including Hollinger Inc., are considered "exempt stockholders" under the terms of the SRP. This means that so long as Black and his controlled affiliates do not collectively, directly or indirectly, increase the number of shares of Class A and Class B Common Stock above the level owned by them when the SRP was adopted, their ownership will not cause the Rights to separate from the Common Stock. This exclusion would not apply to any person or group to whom Black or one of his affiliates transfers ownership, whether directly or indirectly, of any of the Company's shares. Consequently, the Rights may become exercisable if Black transfers sufficient voting power to an unaffiliated third party through a sale of interests in the Company, Hollinger Inc., Ravelston or another affiliate.

The SRP provides that on or before January 25, 2005, the Special Committee (or any other committee of independent directors of the Board of Directors who were not the subject of the report delivered by the Special Committee described below) will re-evaluate the SRP to determine whether it remains in the best interests of the Company's stockholders. If determined as necessary, such committee may recommend amendments to the terms of the SRP, or redemption of the Rights. Unless earlier redeemed, exercised or exchanged, the Rights will expire on January 25, 2014.

The validity of the SRP is the subject of an appeal to the Delaware Supreme Court. See "Item 3 -- Legal Proceedings -- Hollinger International Inc. v. Conrad M. Black, Hollinger Inc., and 504468 N.B. Inc."



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### Sale of the Telegraph Group

As part of the Strategic Process, on July 30, 2004, the Company completed the sale of Telegraph Group Limited ("Telegraph Group") to Press Holdings Limited and Holyrood Holdings Limited, affiliates of PHIL. Telegraph Group operated the Company's business in the United Kingdom, including The Daily Telegraph, The Sunday Telegraph, The Weekly Telegraph, telegraph.co.uk and The Spectator and Apollo magazines. Under the terms of the agreement, Press Acquisitions Limited acquired all of the outstanding shares of Telegraph Group for a purchase price of lb.729.6 million in cash (or approximately $1,323.9 million at an exchange rate of $1.8145 to lb.1 as of the date of sale). This purchase price is subject to adjustment depending on certain working capital levels in the Telegraph Group, but the Company does not expect any such adjustment to be material.

The Company used approximately $603.1 million of the proceeds of the sale of the Telegraph Group to repay long-term indebtedness and related derivative contracts. The Board of Directors also declared a special cash dividend (the "Special Dividend") payable on January 18, 2005 in an aggregate amount of approximately $227.0 million, this being the first tranche of a total amount of $500.0 million which the Board of Directors determined was in the best interest of the Company and its stockholders to be distributed to stockholders. The Board of Directors intends to distribute approximately $273.0 million of the proceeds of the sale of the Telegraph Group, this being the second tranche of the $500.0 million cash distribution, either by way of a tender offer or a second special dividend. See "-- Declaration of Special and Regular Dividend."

For the year ended December 31, 2003, the U.K. Newspaper Group had revenues of approximately $519.5 million and operating income of approximately $40.7 million. Results of the U.K. Newspaper Group for the year ended December 31, 2003 are included in the Consolidated Financial Statements of the Company for that period.

### 9% Senior Notes

In June 2004, the Company commenced a tender offer and consent solicitation to purchase and retire Publishing's 9% Senior Notes due in 2010 (the "9% Senior Notes") and eliminate the covenants in place with respect to principal amounts not tendered. Approximately 97% of the principal amount of the 9% Senior Notes were tendered, and the covenants were removed from the 9% Senior Notes that remained outstanding. The Company used approximately $344.8 million of the proceeds from the sale of the Telegraph Group to purchase the 9% Senior Notes tendered and for related expenses. The Company also used $10.5 million to cancel the interest rate swaps the Company had in place on the 9% Senior Notes. The tender closed on August 2, 2004. The Company has since purchased and retired an additional $3.4 million in principal amount of the 9% Senior Notes. See "Item 7 -- Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

### Senior Credit Facility

On July 30, 2004, the Company used approximately $213.4 million of the proceeds from the sale of the Telegraph Group to repay all amounts outstanding under and cancel the Company's $310.0 million Senior Credit Facility with Wachovia Bank, N.A. (the "Senior Credit Facility"). In addition, the Company paid approximately $2.1 million in fees related to this early repayment and incurred costs of $32.3 million in fees to cancel the cross currency interest rate swaps the Company had in place with respect to amounts outstanding under the Senior Credit Facility. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

### Declaration of Special and Regular Dividend

On December 16, 2004, from the proceeds of the sale of the Telegraph Group, the Board of Directors declared a Special Dividend of $2.50 per share payable on the Company's Class A and Class B Common Stock on January 18, 2005 to holders of record of such shares on January 3, 2005, in an aggregate amount of approximately $227.0 million, this being the first tranche of a total amount of $500.0 million which the Board of Directors determined was in the best interest of the Company and its stockholders to be distributed to stockholders. The Board of Directors intends to distribute approximately $273.0 million of the proceeds from the sale of the Telegraph Group, this being the second tranche of the $500.0 million cash distribution, in the form of a tender offer for its shares of Class A and Class B Common Stock. The Board of Directors expects to make a final determination about whether to proceed with a tender offer during the first quarter of 2005. Alternatively, the Board may consider a second special cash dividend to complete the distribution, instead of a tender offer. There can be no assurance that the second distribution will be made or, if made, whether it will be in the form of a tender offer or a dividend, and if a tender offer, as to the price or form such offer will take. The Board of Directors believes that following the Special Dividend and the second distribution, the Company will have sufficient liquidity to fund its operations and obligations and to avail itself of strategic opportunities. Following the Special Dividend, it is expected that the outstanding grants under the Company's stock incentive plans will be appropriately adjusted to take into account this return of cash to existing stockholders.

On December 16, 2004, the Board of Directors also declared a regular quarterly dividend in the amount of $0.05 per share, payable on the Company's Class A and Class B Common Stock on January 18, 2005 to stockholders of record on January 3, 2005.

The Chicago Sun-Times Circulation Overstatement

On June 15, 2004, the Company announced that the Audit Committee was conducting an internal review into practices that resulted in the overstatement of circulation figures for the Chicago Sun-Times. On October 5, 2004, the Company announced the results of this internal review. The review by the Audit Committee determined that weekday and Sunday average circulation of the Chicago Sun-Times, as reported in the audit reports issued by the Audit Bureau of Circulations ("ABC") commencing in 1998, had been overstated. The Audit Committee found no overstatement of Saturday circulation data. The inflated circulation figures were submitted by the Company to ABC, which then reported these figures in its annual audit report issued with respect to the Chicago Sun-Times.

Inflation of the Chicago Sun-Times single-copy circulation began modestly and increased over time. In the most recent report of the Chicago Sun-Times circulation published by ABC, which covered the period ended March 2003, the average single-copy circulation was found by the Audit Committee to have been overstated by approximately 50,000 weekday copies and 17,000 Sunday copies. The inflation of circulation continued to grow during the twelve-month period ended March 28, 2004, but these circulation figures were not included in an ABC audit report.

The Chicago Sun-Times announced a plan intended to make restitution to its advertisers for losses associated with the overstatements in the ABC circulation figures. To cover the estimated cost of restitution and settlement of related lawsuits filed against the Company, the Company recorded pre-tax charges of approximately $24.1 million for 2003 and approximately $2.9 million for the first quarter of 2004. The Company will evaluate the adequacy of the accruals as negotiations with advertisers proceed. See "-- Risk Factors" below.

The Company has implemented procedures to help ensure that similar circulation overstatements do not occur in the future. See "Item 9A -- Controls and Procedures."

The Audit Committee also conducted a Company-wide review and found that certain circulation inflation practices were employed at two other Chicago area newspapers, the Daily Southtown and The Star, as well as at The Jerusalem Post. Since the inflation practices at the Daily Southtown and The Star began in mid-2003, none of the inflated circulation figures have been reported publicly in ABC circulation audit reports. There is no independent third-party, such as the ABC, that audits or reports circulation figures for Israeli newspapers. The overstatement practices have been discontinued at these newspapers, and the Company does not expect the practices at these three newspapers will have a material impact on the Company.

Sale of Interest in Trump Joint Venture

On June 21, 2004, the Company entered into an agreement to sell its 50% interest in the real estate joint venture that was established by the Company and an entity affiliated with Mr. Donald Trump for the development of the property on which a portion of the facilities of the Chicago Sun-Times operations were situated. Immediately prior to the sale of the interest in the joint venture, the Company contributed to the joint venture, its property in downtown Chicago where the Chicago Sun-Times had conducted its editorial, pre-press, marketing, sales and administrative activities. Under the terms of the agreement, the Company received $4.0 million in cash upon the signing of the sales agreement and the balance of approximately $66.7 million, net of closing costs and adjustments, was received in cash on closing. The Company completed this transaction on October 15, 2004.

As a result of the decision to sell its interest in the joint venture and the property to be developed, the Chicago Sun-Times entered into a 15-year operating lease for new office space. The Chicago Sun-Times relocated to the new office space in the fourth quarter of 2004.

Report of the Special Committee

On August 30, 2004, the Special Committee released its report setting out the scope and results of its investigation into certain related party transactions involving certain former executive officers and certain current and former directors of the Company and Hollinger Inc. and its affiliates. The report was delivered to the SEC and filed with the U.S. District Court for the Northern District of Illinois. In addition, on August 31, 2004, the Company filed a copy of the report with the SEC as an exhibit to a current report on Form 8-K, as amended by a current report on Form 8-K/A filed with the SEC on December 15, 2004. The report, as filed with the SEC in an amended form on such date, is hereinafter referred to as the "Report".

Below is a summary of the results of the Special Committee's investigation contained in the Report. For a complete discussion of the results of the investigation of the Special Committee, see the Report, as amended, included as an exhibit to the Company's Form 8-K/A filed with the SEC.

As noted under "Item 3 -- Legal Proceedings," most of the findings of the Special Committee set forth in the Report are the subject of ongoing litigation and are being disputed by the former executive officers and certain of the current and former directors of the Company who are the subject of the Report. The amount of damages sought by the Company in these actions is set out in "Item 3 -- Legal Proceedings." It should be noted that all of the directors do not necessarily agree with all of the findings of the Report as to any one or more of the directors who are the subject of the Report.

Where disclosure either as a related party transaction or otherwise is required, such disclosure, including corrections to previously disclosed information, has been made in this annual report on Form 10-K, including the Consolidated Financial Statements and related Notes, or in the Report.

(a) Report's Findings of Excessive Management Fees Paid by the Company to Ravelston and RMI

The Special Committee concluded that Hollinger Inc., Ravelston and RMI collected excessive and unjustifiable management fees from the Company for the benefit of Black, Radler and certain other former executive officers of the Company. From 1997 through 2003, the Company paid approximately $218.4 million in management fees to Hollinger Inc., Ravelston, RMI and their affiliates (including Moffat and Black-Amiel, as discussed below). As noted above, the Restructuring Agreement provided for the termination of the services agreements with RMI as of June 1, 2004.

The Company disclosed publicly the amounts charged by and paid to Hollinger Inc., Ravelston and RMI as related party transactions in previous years. In its 2002 Form 10-K (by way of incorporating portions of its proxy statement), the Company attributed a portion of the management fees to the compensation of Black, Radler, Colson, Atkinson and Boultbee for 2001 and 2002. For years prior to 2001, the Company did not attribute any portion of the management fees to executive compensation. The Company has commenced legal actions to recoup the excessive management fees that the Company paid to Hollinger Inc., Ravelston and RMI. See "Item 3 -- Legal Proceedings -- Litigation Involving Controlling Stockholders, Senior Management and Directors."

Moffat and Black-Amiel, offshore companies directly or indirectly owned by Black and certain other former executive officers of the Company, also entered into management services agreements with the Company. The Special Committee concluded that these services agreements did not have any economic substance, nor did they provide any direct benefit to the Company, and were in fact created as a means to allow those former executive officers to divert monies from the Company to offshore entities. The management fees paid to these companies have been disclosed publicly as related party transactions in previous years. The Company did not attribute any portion of these management fees to executive compensation in previous years. Additionally, in or about August 1999, former management caused the Company to pay $900,000 to Moffat that was recorded as a "broker fee." The Special Committee determined that this related party payment was never authorized by the Company's independent directors, and moreover, that it was a sham and unfair to the Company's public stockholders because neither Moffat nor its principals ever performed "broker" services for the Company. The Company has commenced legal action, as noted above, to recoup this $900,000 payment.

(b) Report Stated that Unwarranted and Excessive Compensation Was Paid by the Company to Amiel Black

The Special Committee concluded that there was no economic substance for compensation of $1.4 million paid to Amiel Black since 1999, for serving as the Company's Vice President, Editorial. These salary and bonus payments were in addition to payments of director fees and for writing columns. The Company is seeking to recover these payments through legal action pending before the courts. See "Item 3 -- Legal Proceedings."

(c) Report's Findings Relating to U.S. Community Newspaper Transactions and Related "Non-Competition" Styled Payments and Transfers of Company Cash to Hollinger Inc., Black, Radler, Boultbee and Atkinson

The Special Committee investigated several past transactions relating to sales of U.S. community newspapers formerly owned by the Company to both related and third parties. The Special Committee concluded, among other things, that as part of these transactions significant payments ($32.2 million) of purported "non-competition" fees were made to Hollinger Inc., Black, Radler, Boultbee and Atkinson without the approval of the Audit Committee or the Board of Directors. The Special Committee also determined that there was no economic rationale for the payments of the purported "non-competition" fees made to Hollinger Inc., Black, Radler, Boultbee and Atkinson, and that those payments were unfair to the Company. The Special Committee also determined that the Company's past public disclosures made with respect to the following transactions were incomplete or inaccurate.

(i) Intertec Publishing Co.

In its 1998 Form 10-K, the Company disclosed that it had concluded a transaction to sell American Trucker magazine. The purchase and sale agreement provided for the payment by the purchaser of a $2.0 million "non-competition" fee to the Company. The Company failed to disclose that on February 1, 1999, approximately eight months after the sale closed, the Company transferred funds equivalent to the "non-competition" fee to Hollinger Inc. According to the Report, no approval of the Audit Committee or the full Board of Directors was sought or obtained for this transfer of funds.

(ii) Community Newspaper Holdings Inc. I

In its 1998 Form 10-K, the Company disclosed as a subsequent event that it had concluded a transaction to sell certain U.S. community newspaper properties. The underlying agreement for the purchase and sale allocated $50.0 million of the proceeds to a "non-competition" agreement and included Hollinger Inc. as a non-competition covenantor along with the Company. The Company failed to disclose that upon closing of the transaction $12.0 million of the "non-competition" fee was paid to Hollinger Inc. According to the Report, neither the Audit Committee nor the Board of Directors was informed of or approved this payment to Hollinger Inc.

The Special Committee determined that Hollinger Inc. used the $14.0 million of unauthorized payments, which Hollinger Inc. received from the Company on February 1, 1999 out of the Company's proceeds from the Intertec and Community Newspaper Holdings Inc. ("CNHI") I transactions, to ostensibly repay a portion of a 1997 $42.5 million overdue loan from the Company.



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(iii) Horizon Publications Inc.

In its 1999 Form 10-K, the Company disclosed that it had concluded a transaction with Horizon Publications Inc. ("Horizon"), a company controlled by Black and Radler, to sell various community newspapers. The underlying agreement for the purchase and sale provided for a "non-competition" payment by Horizon of $5.0 million. Of this amount $1.2 million was paid directly to Hollinger Inc. The existence of this payment was not disclosed in the 1999 Form 10-K. According to the Report, neither the Audit Committee nor the Board of Directors was informed of or approved this payment, nor were they informed of the extent of ownership and participation of Black and Radler in Horizon.

(iv) Forum Communications Inc., Paxton Media Group and Community Newspaper Holdings Inc. II

In its 2000 Form 10-K, the Company disclosed that it had concluded three separate transactions to sell various publishing assets to Forum Communications Inc. ("Forum"), Paxton Media Group ("Paxton") and CNHI. The underlying agreements for the purchase and sale provided for the payment of "non-competition" fees to Hollinger Inc. totaling $1.4 million in connection with these transactions, which occurred in September and November of 2000. According to the Report, neither the Audit Committee nor the Board of Directors was informed of or approved these payments.

In addition to the above noted "non-competition" payments, the Special Committee determined that an additional $9.5 million of sale proceeds from the CNHI II transaction was improperly paid to Black, Radler, Boultbee and Atkinson in 2000 without the authorization of either the Audit Committee or the full Board of Directors. The Special Committee also concluded that further amounts totaling $5.5 million were paid to the same executive officers in February 2001, which payments were purportedly supported by sham "non-competition" agreements backdated to December 31, 2000. Lastly, according to the Report, in April 2001, payments totaling $600,000 were made to the same four executive officers without approval of either the Audit Committee or the full Board of Directors and without any underlying "non-competition" agreements. The Special Committee determined that these latter payments were made out of unutilized post-closing accruals relating to certain U.S. community newspaper sale transactions.

The Company failed to disclose the above discussed payments, totaling $15.6 million, in its 2000 Form 10-K. Although disclosure of those payments was made in the 2001 Form 10-K, based on the Report, the disclosure was incorrect and incomplete in several ways, including the following:

* the Company asserted falsely that its independent directors had approved the terms of the payments;

* no disclosure was made of the $1.4 million paid to Hollinger Inc. in connection with the Forum, Paxton and CNHI II transactions;

* the $600,000 in payments to Black, Radler, Boultbee and Atkinson were incorrectly stated to have been made in connection with the sale of U.S. newspaper properties;

* the "non-competition" agreements and payments were falsely stated to have been made to satisfy a closing condition of the sale; and

* the payment of the $5.5 million was incorrectly characterized as having been made in 2000. The payment was actually made and documented in 2001.

(d) Report's Findings Relating to the CanWest Global Communications Transaction and Related Party Payments

On November 16, 2000, the Company completed the sale of most of its Canadian newspapers and related assets to CanWest Global Communications Corporation ("CanWest"). In connection with that sale, "non-competition" payments totaling Cdn.$80.0 million ($51.8 million) and interest payments totaling $1.1 million were made to Ravelston, Black, Radler, Boultbee and Atkinson. According to the Report, under the terms of a management services agreement between CanWest and Ravelston, which was entered into in conjunction with the CanWest transaction, Ravelston received, and continues to receive, an annual management fee of Cdn.$6.0 million until the fee arrangement is terminated. If the agreement is terminated by CanWest,



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Ravelston is to receive Cdn.$45.0 million and if terminated by Ravelston, Ravelston is to receive Cdn.$22.5 million.

In connection with these payments, the Special Committee concluded that:

*the structure of the management services and "non-competition" provisions of the CanWest transaction resulted in substantial and unjustifiable damage to the Company's public stockholders;

*the terms of the management services agreement between CanWest and Ravelston had the effect of reducing the purchase price otherwise payable to the Company by Cdn.$60.0 million ($39.0 million);

*although the "non-competition" agreements were approved by the Board of Directors and the Audit Committee prior to the sale, such approval and the ratification of such approval in May 2001, were based on false, misleading and incomplete information.

*the interest payments of $1.1 million were never disclosed to the Audit Committee nor was approval for those payments sought or obtained;

*the "non-competition" fees and interest payments had the effect of reducing the transaction proceeds to the Company upon sale by $52.9 million;

*no one was negotiating on behalf of the Company's public stockholders with respect to the above fees;

*none of the payment recipients was entitled to any consideration for signing the "non-competition" agreements because they remained Company officers and the Company was itself bound not to compete with CanWest;

*although the properties sold to CanWest included assets of both the Company and Hollinger L.P., prior management of the Company directed that the entire "non-competition" payment attributable to the assets sold to CanWest by Hollinger L.P. be made from the Company's share of the Hollinger L.P. distribution. In other words, the Company bore 100%, rather than its pro rata share of 87%, of this burden;

*the entirety of the payments to Ravelston, Black, Radler, Boultbee and Atkinson represents proceeds from a direct violation of their fiduciary duties to the Company and its public stockholders.

The Company's 2000 Form 10-K disclosed the transactions with CanWest but failed to disclose the existence of the above-mentioned "non-competition" and interest payments and management fees.

The management fees and "non-competition" payments to Ravelston and the four former executive officers were disclosed in the Company's 2001 Form 10-K. However, the Special Committee concluded that disclosure to be deficient in at least the following ways:

*payment of $1.1 million in interest in connection with the "non-competition" payments was not disclosed;

*the disclosure incorrectly stated the allocation of amounts between Ravelston and the four former executive officers;

*the disclosure creates the false impression that the "non-competition" payments were paid in addition to the purchase price, when in fact they effectively reduced the purchase price, and that the negotiation with CanWest determined the amounts paid to the individuals and Ravelston when, in fact, the allocation of the payments was determined solely by the Company's former executive officers; and

*contrary to the disclosure, CanWest did not require as a condition to the closing of the transaction the "non-competition" agreements from Boultbee and Atkinson.

(e) Report's Findings Relating to Osprey Media Holdings Inc. and "Non-competition" Styled Payments

In two separate transactions in July and November 2001, the Company completed the sale of most of its remaining Canadian newspapers to Osprey Media Holdings Inc. ("Osprey Media"). In connection with these transactions, the Company paid "non-competition" fees totaling $5.2 million to Black, Radler, Boultbee and Atkinson. According to the Report, these fees were presented to the Audit Committee only after the closing of each of the transactions and ratified by the Audit Committee on the basis of misleading information. The Special Committee determined these payments to be unfair, and that none of the payment recipients was entitled to any consideration for signing the "non-competition" agreements because they remained Company officers and the Company was itself bound not to compete with Osprey. The Special Committee also concluded, as in the CanWest transaction, that Black and former management avoided having to seek the Hollinger L.P. independent directors' approval of the "non-competition" payments by directing that the entire "non-competition" payment attributable to the Hollinger L.P. assets sold to Osprey be made from the Company's share of the Hollinger L.P. distribution, thereby further unfairly reducing net proceeds to the Company from the sale. Although the transactions and related "non-competition" payments totaling $5.2 million were disclosed in the Company's 2001 Form 10-K, according to the Report, the 2001 Form 10-K did not disclose, among other things, (i) that the allocation had been decided by the former executive officers or (ii) that no part of the "non-competition" fees was paid by Hollinger L.P.

(f) Report Concluded that Unauthorized and Excessive Payment Was Made to Colson

The Special Committee determined that there was no economic substance to or valid business purpose for a $1.1 million payment made to Colson on September 5, 2001, which payment was not approved by either the Audit Committee or the Compensation Committee of the Board of Directors.

(g) Report's Findings Relating to Related Party Asset Sales to Horizon and Bradford Publishing Co.

The Special Committee concluded that during the period from early 1999 to January 2003, Black and Radler diverted income, assets and opportunities from the Company to Horizon and Bradford Publishing Co. ("Bradford"), newspaper-publishing companies controlled by Black and Radler. According to the Report, the diversion was effected by repeatedly transferring some of the Company's publications to Horizon and Bradford at less than fair market value and by usurping corporate opportunities belonging to the Company. These actions, the Special Committee concluded, constituted a violation of Black's and Radler's fiduciary duties as controlling stockholders and as officers and directors of the Company.

Although in a number of instances the Horizon and Bradford transactions were approved by the Audit Committee, the Special Committee determined that the approvals were based on false, misleading or incomplete information. In only one instance was a fairness opinion obtained and, in that case, the Special Committee concluded that the opinion was based in large part on false information and incorrect assumptions. The Special Committee found no evidence that this opinion was ever submitted to the Board of Directors.

The transactions between the Company and Horizon and Bradford during the years 1999 to 2001 were not properly disclosed in the Company's annual reports on Form 10-K. Among other things, the Company aggregated the asset transfers into one combined disclosure relating to the Company's sales of U.S. community newspapers, and failed to identify that some of these transactions were conducted with related parties. In 2001, the Company amended the disclosures to state the number of properties sold to Bradford and Horizon and the total aggregate consideration for those properties, but did not identify assets that were transferred to Horizon or Bradford.

(h) Report's Findings Relating to Hollinger Digital, Trireme, and the Franklin Delano Roosevelt Collection

The Special Committee reviewed certain aspects of the Company's technology and other investments, in particular, those made through its subsidiary Hollinger Digital and its investment in Trireme Associates LLC ("Trireme"). The Special Committee determined that the incentive compensation plan of Hollinger Digital ("Digital Incentive Plan") was excessive and unfair to the Company's public stockholders, in particular because incentive compensation was based solely upon investment gains with no offset for the effect of losses and because these "upside-only" bonuses were awarded based on a definition of "realized gain" on an investment that was divorced from the amount the Company actually realized. The Special Committee also concluded that Audit Committee approval, when sought, was based on incomplete and misleading information; conflicts of interest with respect to both compensation and investments were not disclosed; and disclosure of compensation under the Digital Incentive Plan in the Company's financial statements was inaccurate.

The Company did not disclose in its 2000 or 2001 Form 10-Ks or proxy statements that Black, Radler, Colson, Boultbee and Atkinson received payments under the Digital Incentive Plan, totaling approximately $5.2 million, although the Company's proxy statements for the same periods contain some incomplete disclosures with respect to these payments. In addition, the Company did not disclose in its 2000 or 2001 Form 10-Ks or proxy statements that one of its directors, Perle, received $3.1 million in incentive payments under the Digital Incentive Plan. Overall, the Special Committee found that former management received over $8.0 million in Digital Incentive Plan payments, while the Company suffered an aggregate net loss of approximately $68.0 million on its investments through Hollinger Digital as of December 31, 2003. No payments were made under the Digital Incentive Plan in either 2002 or 2003.

According to the Report, in late 2002, Perle purported to commit the Company to invest $25.0 million in Trireme, a venture capital fund in which Perle had a significant financial interest. The Report also stated that, although this commitment was not binding on the Company, the Company subsequently invested $2.5 million in Trireme. At the time, Perle was a director of the Company and a director and executive officer of Hollinger Digital. The Special Committee concluded that the Trireme investment was a related party transaction that required the approval of the independent directors or the Audit Committee and that no such approval was ever sought or obtained.

The Special Committee also reviewed the Company's acquisitions of papers and other memorabilia of President Franklin Delano Roosevelt (the "FDR Collection"). The Special Committee found that the Company paid at least $9.6 million for the FDR Collection. According to the Report, no approval for the purchases was obtained from the Board of Directors or the Audit Committee prior to their consummation. The Special Committee determined that: (i) Black arranged the Company's purchases of the FDR Collection without obtaining independent appraisals; (ii) the majority of the items comprising the FDR Collection were displayed or stored in Black's private residences; (iii) during the period over which the Company purchased the FDR Collection, Black was writing a biography of President Roosevelt; and (iv) the Company significantly overpaid for portions of the FDR Collection, at Black's direction. The U.S. National Archives has asserted an ownership claim to a portion of the FDR Collection known as the Grace Tully Collection.

(i) Report's Findings Relating to Perquisites Paid to Black, Radler, Colson and Amiel Black

The Special Committee concluded that a number of perquisites paid by the Company for the benefit of Black, Radler, Colson and Amiel Black were contrary to the public stockholders' interests because the aggregate cost of the perquisites was prohibitive; there was no legitimate business purpose for most of the expenditures; and the perquisites were not submitted for approval of either the Compensation Committee or the Audit Committee. In addition, there was inadequate disclosure of the perquisites in the Company's public filings. According to the Report these perquisites included, among other things: personal use of corporate aircraft; Company provided cars and drivers; payment for personal staff; payment for household staff costs; and car repairs.

The Special Committee also concluded that Black violated his fiduciary duties to the Company by causing the Company to sell to him an apartment it owned in Manhattan for a fraction of its actual value in December 2000. According to the Report, this related party transaction was not presented to the Audit Committee or the full Board of Directors for approval. The Report stated that the transaction was falsely characterized in the Company's 2001 and 2002 proxy statements as having been made for "fair market value," when, in fact, Black paid substantially less than fair market value.

(j) Report's Findings Relating to Charitable Giving

The Special Committee concluded, among other things, that the Company's charitable giving was tainted by Black's and Radler's usurpation of public credit for substantial cash donations made with Company funds. The Special Committee also concluded that Black and Radler abused the Company's charitable giving to serve their personal interests, and failed to seek the Audit Committee or full Board of Directors approval for these donations.

(k) Report's Findings Relating to the Sale of NP Holdings Company Tax Losses to Ravelston

In 2002, the Company sold its subsidiary, NP Holdings Company ("NP Holdings"), to RMI allowing RMI to use tax loss carryforwards which the Company was unable to fully use. Although this sale was approved by the Audit Committee, the Special Committee concluded that this approval was based upon false and misleading information. The Special Committee also concluded, among other things, that the transaction was unfair to the Company and that no disclosure was made to the Audit Committee of either a higher offer for NP Holdings or of an underlying financing arrangement exposing the Company to a contingent liability of $14.6 million arising from the sale. According to the Report, prior disclosure of this transaction in the Company's public filings was false and misleading with respect to these issues.

(l) Report's Findings Relating to Loan Transactions to Hollinger Inc.

The Special Committee determined that during the period from 1997 to 2002, former executive officers caused the Company to enter into a number of unfair related party transactions to the detriment of the Company, which allowed Hollinger Inc. to, among other things, borrow money from the Company at below market rates of interest, "repay" the Company with the Company's own funds, use the Company's limited liquidity to Hollinger Inc.'s advantage, and defer obligations to Hollinger Inc. creditors by drawing on the Company's credit capacity without adequate compensation to the Company. The Special Committee concluded that the various manipulations of loan structures caused the Company to suffer significant financial loss. The Report stated that these transactions were undertaken, for the most part, either without Audit Committee approval or with Audit Committee approval predicated upon false, misleading and incomplete information. The Special Committee concluded that Black, Radler and Boultbee made material misrepresentations to the Audit Committee and breached their fiduciary duties to the Company in these transactions. The Special Committee found that the Company's financial statement disclosure regarding a reduction in the interest rate charged on one of the related party loans was incorrect because it suggested that the reduction had been properly approved.

(m) Report's Findings Relating to the Conduct of the Company's Audit Committee

The Special Committee concluded that the Audit Committee was deliberately misled repeatedly by prior management. The Special Committee also determined that, although the Audit Committee was generally entitled to reasonably rely on representations and presentations by management, the Audit Committee was not sufficiently deliberate in its evaluation of certain related party transactions. The Special Committee Report also notes that since June 2003, the Audit Committee has performed ably and in the interests of the Company's public stockholders.

Hollinger L.P. Tender Offer

On August 6, 2004, the Toronto Stock Exchange ("TSX") suspended the listing of the units of Hollinger L.P. because the general partner of Hollinger L.P. does not have at least two independent directors as required by TSX listing requirements. On August 5, 2004, the Company expressed an interest in pursuing a tender offer for the units of Hollinger L.P. not held by affiliates of the Company. An independent committee of the general partner of Hollinger L.P., consisting of the sole independent director of the general partner, was formed and it retained independent legal counsel and financial advisors. Continuing liquidity for minority unit holders during the tender process has been provided through a listing of the units on a junior board of the TSX Venture Exchange. On December 10, 2004, it was announced that the Company would not pursue the tender until such time as Hollinger L.P. is current in its financial statement filings.

CanWest Debentures

In November 2000, the Company and Hollinger L.P., received approximately Cdn.$766.8 million aggregate principal amount of 12 1/8% Fixed Rate Subordinated Debentures due November 15, 2010 (the "CanWest Debentures") issued by a wholly-owned subsidiary of CanWest called 3815668 Canada Inc. (the

"Issuer"). The CanWest Debentures were guaranteed by CanWest and were issued to the Company and Hollinger L.P. in partial payment for the sale of certain Canadian newspaper and Internet assets to CanWest. In 2001, the Company and Hollinger L.P. sold participations of approximately Cdn.$756.8 million (US$490.5 million) principal amount of the CanWest Debentures to a special purpose trust (the "Participation Trust"). Notes of the Participation Trust, denominated in U.S. dollars (the "Trust Notes"), were in turn issued and sold by the Participation Trust to third parties. As a result of the periodic interest payments on the CanWest Debentures made in kind in 2002, 2003 and 2004 and a partial redemption by the Issuer of the CanWest Debentures in 2003, as of September 30, 2004, there was outstanding approximately Cdn.$889.5 million aggregate principal amount of CanWest Debentures. The Company and Hollinger L.P. were the record owners of all of these CanWest Debentures, but as of September 30, 2004, beneficially owned only approximately Cdn.$4.7 million and Cdn.$83.8 million principal amount, respectively, of CanWest Debentures, with the balance beneficially owned by the Participation Trust.

On October 7, 2004, the Company and Hollinger L.P. entered into a Facilitation Agreement (the "Facilitation Agreement") with CanWest pursuant to which the parties agreed to redeem the CanWest Debentures and dissolve the Trust. CanWest exchanged the Trust Notes for new debentures issued by CanWest (the "CanWest Exchange Offer"). The CanWest Exchange Offer closed on November 18, 2004, and the amount received by the Company and Hollinger L.P. was approximately $133.6 million in cash in respect of CanWest Debentures beneficially owned and residual interests in the Participation Trust attributable to foreign currency exchange. As a result of the closing, the Participation Trust has been unwound and neither the Company nor Hollinger L.P. have retained any ownership in the CanWest Debentures.

Sale of The Jerusalem Post

On December 15, 2004, the Company announced that as part of the Strategic Process, it had completed the sale of The Palestine Post Limited, the publisher of The Jerusalem Post, The Jerusalem Report and related publications, to Mirkaei Tikshoret Ltd. ("MTL"). The transaction involved the sale by the Company of its debt and equity interests in The Palestine Post Limited to MTL for $13.2 million.

General

Hollinger International Inc. was incorporated in the State of Delaware on December 28, 1990 and its wholly owned subsidiary Publishing was incorporated in the State of Delaware on December 12, 1995. The Company's principal executive offices are at 712 Fifth Avenue, New York, New York, 10019, telephone number (212) 586-5666.

Business Strategy

Pursue Revenue Growth by Leveraging the Company's Leading Market Position. The Company intends to continue to leverage its leading position in daily readership in the attractive Chicago market in order to drive revenue growth. Following the successful sale of the Telegraph Group for approximately $1.3 billion, the Company's primary asset is the Chicago Group, including its flagship property, the Chicago Sun-Times. The Company will seek to continue to build revenues by taking advantage of the extensive cluster of the combined Chicago Group publications which allows the Company to offer local advertisers geographically and demographically targeted advertising solutions and national advertisers an efficient one-stop vehicle to reach the entire Chicago market.

Publish Relevant and Trusted High Quality Newspapers. The Company is committed to maintaining the high quality of the Company's newspaper products and editorial integrity in order to ensure continued reader loyalty. The Chicago Sun-Times has been recognized for its editorial quality with several Pulitzer Prize-winning writers and awards for excellence from Illinois' major press organizations. The Company will continue to explore ways in which it can define and institute best practices for the Company's publications.

Prudent Asset Management. In addition to pursuing revenue growth from existing publications, from time to time the Company may pursue acquisitions to expand the Chicago Group and selective newspaper acquisitions in the United States and non-core divestitures. Many of the Company's Internet and other non-core investments remain available for sale. The Company successfully completed the sale of the Telegraph Group and the sale of The Jerusalem Post and related publications in 2004. Sufficient funds were realized from the sale of the Telegraph Group to enable the Company to repay substantially all of its outstanding long-term debt.

Institute Strong Corporate Governance Practices. The Company is committed to the implementation and maintenance of strong and effective corporate governance policies and practices and to high ethical business practices.

## Risk Factors

Certain statements contained in this report under various sections, including but not limited to "Business Strategy" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," are forward-looking statements that involve risks and uncertainties. Such statements are subject to the following important factors, among others, which in some cases have affected, and in the future could affect, the Company's actual results and could cause the Company's actual consolidated results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, the Company:

### Risks Relating to Recent Developments

The Company's controlling stockholder may cause actions to be taken that are not supported by the Company's Board of Directors or management, and which might not be in the best interests of the Company's public stockholders.

The Company is controlled by Hollinger Inc., and is indirectly controlled by Black through his control of Ravelston, which in turn controls Hollinger Inc. Through its controlling interest, Hollinger Inc. is able to determine the outcome of all matters that require stockholder approval, including the election of directors, amendment of the Company's charter, adoption or amendment of bylaws and approval of significant corporate transactions such as a sale of assets. Hollinger Inc. can also have a significant influence over decisions affecting the Company's capital structure, including the incurrence of additional indebtedness and the declaration of dividends.

As more fully described in its Report, the Special Committee concluded that during the period from at least 1997 to at least 2003, Black, in breach of his fiduciary duties as a controlling stockholder and officer and director, used his control over the affairs of the Company to divert cash and assets from the Company and to conceal his actions from the Company's public stockholders. The SEC, in its complaint filed with the federal court in Illinois on November 15, 2004, alleges that certain of the acts and omissions of Black violated federal securities laws in several respects in the period from at least 1999 to at least 2003. In addition, the Delaware Chancery Court found that during the period from November 2003 to early 2004, Black breached his fiduciary and contractual duties "persistently and seriously" in connection with the Strategic Process and purported to adopt bylaws "disabling the Board of Directors from protecting the Company from his wrongful acts."

The Company's current management, the Special Committee and the Corporate Review Committee, as well as the SEC, have undertaken several actions designed to prevent Black from repeating his past practices. The Court Order in the January 2004 SEC Action, among other things, requires the Company to comply with its undertaking to allow the Special Committee to complete its work and provides for the appointment of Breeden as a Special Monitor of the Company under certain circumstances. For example, Breeden would become Special Monitor upon the adoption of any resolution that discharges the Special Committee before it completes its work, diminishes or limits the powers of the Special Committee or narrows the scope of its investigations or review, or if any directors are removed prior to the end of their terms, or there is a failure to nominate or re-elect any incumbent director (unless such director voluntarily decides not to seek nomination or re-election to the Board of Directors), or there is an election of any new person as a director unless such action is approved by 80% of the then incumbent directors. In addition, the Delaware Chancery Court has enjoined Hollinger Inc. and Black from taking any action in violation of the Restructuring Agreement, including interference with the Strategic Process, until the earlier of January 31, 2005 or the date of the completion of any distribution by the Company to its stockholders of a portion of the proceeds from the sale of the Telegraph Group.

Although the various court remedies are designed to prevent Hollinger Inc. and Black from engaging again in similar practices, there can be no assurance that they will remain in place or will not be modified or vacated in the future or that Hollinger Inc. or Black will comply with those remedies. If any of these events were to occur, there is a risk that Black, Ravelston and Hollinger Inc. will again use their control over the affairs of the Company to repeat past practices identified in the Report or otherwise take actions detrimental to the public stockholders of the Company.

The Company may face interference by its controlling stockholder that will prevent it from recovering on its claims.

The Company, through the Special Committee, has commenced litigation against Hollinger Inc., Black, other former officers and current and former directors of the Company and certain entities affiliated with the Company's controlling stockholder. There is a material risk that the controlling stockholder may attempt to thwart or obstruct the efforts of the Company and the Special Committee and that if any such efforts succeed, the Company may not fully recover on its claims. Even without such interference, there can be no assurance that the Company will prevail on its claims and damages allegations, or that it will be able to collect money from any judgment it may obtain against Hollinger Inc., Black and their co-defendants.

Continued scrutiny resulting from ongoing SEC investigations may have a material adverse effect on the Company's business and results of operations.

The Company has received various subpoenas and requests from the SEC and other government agencies in the United States and Canada, seeking the production of documentation in connection with various investigations into the Company's governance, management and operations. The Company is cooperating fully with these investigations and is complying with these requests. See "Item 3 -- Legal Proceedings" for a more detailed description of these investigations. On January 16, 2004, the Company consented to the entry of the Court Order against it in the January 2004 SEC Action. The Court Order, among other things, enjoins the Company from violating certain provisions of the Exchange Act, including the requirements to file accurate annual reports on Form 10-K, quarterly reports on Form 10-Q and keep accurate books and records. As part of the Court Order, the Company agreed that the SEC has the right to amend its complaint in the January 2004 SEC Action to assert that the conduct alleged in such action also violated other federal securities laws, including the anti-fraud provisions of the Exchange Act, and to add allegations of other conduct the SEC believes to have violated federal securities laws. The Company cannot predict when these government investigations will be completed, nor can the Company predict what the outcome of these investigations may be. It is possible that the Company will be required to pay material amounts in disgorgement, interest and/or fines, consent to or be subject to additional court orders or injunctions, or suffer other sanctions, each of which could have a material adverse effect on the Company's business and results of operations.

The Company's controlling stockholder may take actions that trigger the Special Monitor provisions of the Court Order.

The Court Order, to which the Company consented, provides for a Special Monitor under certain circumstances, including the adoption of any resolution that discharges the Special Committee before it completes its work, diminishes or limits the powers of the Special Committee or narrows the scope of its investigations or review, or if any directors are removed prior to the end of their term, or there is a failure to nominate or re-elect any incumbent director (unless such director voluntarily decides not to seek nomination or re-election to the Board of Directors), or there is an election of any new person as a director unless such action is approved by 80% of the then incumbent directors. Although nothing in the Court Order prevents the Company's controlling stockholder from changing the composition of the Board of Directors, the Court Order may make it less likely that there will be any changes in the composition of the Board of Directors while the Court Order remains in effect. There is a risk, however, that the Company's controlling stockholder will, by written stockholder consent, make such change even while the Court Order remains in effect. Under the terms of the Court Order, if the controlling stockholder takes such an action, the Special Monitor would be appointed. There may be further litigation concerning the Special Monitor. The Special Monitor's mandate will be to protect the interests of the public stockholders of the Company to the extent permitted by law, to prevent the dissipation of assets of the Company, to investigate possible illegal or improper conduct by the Company or any of its current or former officers, directors, employees and agents, to recover property of the Company and to assert claims on behalf of the Company based upon his investigation, and he will be authorized to take any steps he deems necessary to fulfill his mandate. The Company will be required to fully cooperate with the Special Monitor, to provide access to corporate records and to pay reasonable compensation to the Special Monitor and any experts the Special Monitor retains to assist the Special Monitor in performing his duties.

Pending litigation could have a material adverse effect on the Company.

The Company is currently involved, either as plaintiff or as defendant, in several lawsuits, including: a derivative action brought by Cardinal Value Equity Partners, L.P. against certain of the Company's former executive officers and certain of its current and former directors, entities affiliated with them and the Company as "nominal" defendant; purported class actions brought by stockholders against it, certain former executive officers and certain of its current and former directors, Hollinger Inc., Ravelston, other affiliated entities, Torys LLP, the Company's former legal counsel and the Company's independent registered public accounting firm, KPMG LLP; and, several suits and counterclaims brought by Black and/or Hollinger Inc. Tweedy Browne has also initiated a suit against the Company for attorneys' fees. In addition, Black has commenced libel actions against certain of the Company's current directors, officers and advisors to whom the Company has indemnification obligations. See "Item 3 -- Legal Proceedings" for a more detailed description of these proceedings. Several of these actions remain in preliminary stages and it is not yet possible to determine their ultimate outcome. The Company cannot provide assurance that the legal and other costs associated with the defense of all of these actions, the amount of time required to be spent by management and the Board of Directors in these matters and the ultimate outcome of these actions will not have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's senior management team is required to devote significant attention to matters arising from actions of prior management.

The efforts of the current senior management team and Board of Directors to manage the Company's business have been hindered at times by their need to spend significant time and effort to resolve issues inherited from and arising from the conduct of the prior senior management team and the direct and indirect controlling stockholders. To the extent the senior management team and the Board of Directors will be required to devote significant attention to these matters in the future, this may have, at least in the near term, an adverse effect on operations.

Weaknesses in the Company's internal controls and procedures could have a material effect on the Company.

Based in part on the results of the investigations of the Special Committee set forth in its Report, the Company's management concluded that both significant deficiencies and material weaknesses existed in the Company's systems of internal controls and procedures prior to, during the year ended and as of December 31, 2003. The SEC, in its complaint filed with the federal court in Illinois on November 15, 2004 naming Black, Radler and Hollinger Inc. as defendants, alleges that Black, Radler and Hollinger Inc. were liable for the Company's failure to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurance that transactions were recorded as necessary to permit preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") from at least 1999 through at least 2003. The SEC also alleges that Black, Radler and Hollinger Inc., directly and indirectly, falsified or caused to be falsified books, records, and accounts of the Company in order to conceal their self-dealing from the Company's public stockholders. In addition, subsequent to December 31, 2003, the Company became aware that circulation figures for the Chicago Sun-Times and certain other publications had been overstated for a number of years starting in 1997, and went undetected, largely as a result of the same significant deficiencies and material weaknesses in internal controls noted above. Current management has taken steps to correct these deficiencies and weaknesses during and subsequent to 2003, and believes that the Company's internal controls and procedures have strengthened. However, it is possible that the Company has not yet discovered or addressed all deficiencies or weaknesses that may be material to the Company's business, results of operations or financial position. See "Item 9A -- Controls and Procedures."

The Company's internal controls over financial reporting may not be effective.

Section 404 of the Sarbanes-Oxley Act of 2002 and related rules require that management document and test the Company's internal control over financial reporting and assert in the annual report for the year ended December 31, 2004 whether the Company's internal control over financial reporting at December 31, 2004 was effective. In addition, the Company's independent registered public accounting firm must report on management's assessment and the effectiveness of the Company's internal controls. Any material weakness in internal control over financial reporting existing at that date will preclude either management or the independent registered public accounting firm from making positive assertions.

The Company is in the process of documenting and testing its internal control over financial reporting to provide the basis for management's report. However, at this time, due to the recent instances of breakdowns in the Company's internal controls and procedures and the ongoing evaluation and testing, it is possible that the Company will identify continued material weaknesses in internal control over financial reporting that will be required to be reported as of December 31, 2004.

In addition, the Company's independent registered public accounting firm only recently completed their audit of the 2003 consolidated financial statements and have not yet provided the Company with a "management letter" in connection with such audit. It is possible that, in connection with their 2003 audit, the independent registered public accounting firm will identify certain matters involving internal controls over financial reporting and their operation that the independent registered public accounting firm considers to be reportable conditions under standards established by the American Institute of Certified Public Accountants as well as material weaknesses in internal controls over financial reporting, which the Company would not have addressed prior to December 31, 2004.

The Company has postponed the filing of its most recent quarterly reports, and material information concerning its current operating results and financial condition is therefore unavailable.

The Company has postponed the filing of its periodic reports for the quarters ended March 31, 2004, June 30, 2004 and September 30, 2004 and the required pro forma financial information reflecting the sale of the Telegraph Group on a current report on Form 8-K. Although the Company intends to make these filings within a reasonable time, it cannot state with certainty when complete financial and operational information relating to its first three quarters of 2004 will become available. When these reports are filed they may reflect changes or trends that are material to the Company's business.

Black's renunciation of his Canadian citizenship could negatively affect the Canadian Operations.

Under the Canadian Income Tax Act (the "ITA"), there are limits on the deductibility by advertisers of the cost of advertising in newspapers that are not considered Canadian-owned under the ITA. The Canada Revenue Agency ("CRA") may find that, as a consequence of Black's renunciation of his Canadian citizenship in June 2001, certain of the Company's Canadian newspapers are no longer considered to be Canadian-owned for purposes of the ITA. Although the Company believes that it has a structure in place that meets the ITA Canadian ownership rules for at least a portion of the period since June 2001, that structure may be challenged by the CRA. Should any challenge be successful, advertisers might seek compensation from the Company for any advertising costs disallowed or otherwise seek a reduction of advertising rates for certain Canadian newspaper publications.

Additionally, one or more of the Company's Canadian subsidiaries has received funding under a Canadian governmental program that is intended to benefit entities that are Canadian owned or controlled.

The Canadian government could seek the return of these funds as a result of Black's renunciation of his Canadian citizenship.

Actual cost of restitution and settlement of lawsuits related to overstatement of circulation figures of the Chicago Sun-Times may exceed current estimates; overstatement of circulation figures in the past may result in the loss of advertisers in the future.

In June 2004, the Company announced that the Audit Committee had initiated an internal review into practices that resulted in the overstatement of circulation figures for the Chicago Sun-Times. Following the announcement, several lawsuits were filed against the Company, some of which are purported class actions composed of all persons who purchased advertising space in the Chicago Sun-Times during the period in which circulation figures were overstated.

In October 2004, the Company announced the results of the internal review of the Audit Committee. The Audit Committee determined that weekday and Sunday average circulation of the Chicago Sun-Times, as reported in the audit reports published by ABC commencing in 1998, had been overstated. The Audit Committee found no overstatement of Saturday circulation data. The Chicago Sun-Times announced a plan intended to make restitution to its advertisers for losses associated with the overstatements in the ABC circulation figures. To cover the estimated cost of the restitution and settlement of related lawsuits filed against the Company, the Company recorded pre-tax charges of approximately $24.1 million for 2003 and approximately $2.9 million for the first quarter of 2004. The Company will evaluate the adequacy of the accruals as negotiations with advertisers proceed. If the actual total cost of restitution and settlement of related lawsuits significantly exceeds the Company's current estimates this could have an adverse effect on the Company's results of operations and liquidity.

In addition, a significant portion of the Company's revenue is derived from the sale of advertising space in the Chicago Sun-Times. Should certain advertisers decide not to advertise with the Chicago Sun-Times in the future, the Company's business, results of operations and financial condition could be adversely affected.

Risks Relating to the Company's Business and the Industry

The Company's revenues are cyclical and dependent upon general economic conditions in the Company's newspapers' target markets.

Advertising and circulation are the Company's two primary sources of revenue. The Company's advertising revenues and, to a lesser extent, circulation revenues are cyclical and dependent upon general economic conditions in the Company's newspapers' target markets. Historically, increases in advertising revenues have corresponded with economic recoveries while decreases, as well as changes in the mix of advertising, have corresponded with general economic downturns and regional and local economic recessions. Advertising revenue for the Chicago Group in 2003 was up by $10.8 million or 3.2% over the prior year. However, the Company's dependency on advertising sales, which generally have a short lead-time, means that the Company has only a limited ability to accurately predict future results.

The Company is a holding company and relies on the Company's subsidiaries to meet its financial obligations.

The Company is a holding company and its assets consist primarily of investments in subsidiaries and affiliated companies. The Company relies on distributions from subsidiaries to meet its financial obligations. The Company's ability to meet its future financial obligations may be dependent upon the availability of cash flows from its domestic and foreign subsidiaries through dividends, intercompany advances, management fees and other payments. Similarly, the Company's ability to pay dividends on its common stock may be limited as a result of being dependent upon the distribution of earnings of the Company's subsidiaries and affiliated companies. The Company's subsidiaries and affiliated companies are under no obligation to pay dividends and, in the case of Publishing and its principal domestic and foreign subsidiaries, are subject to statutory restrictions and may become subject to restrictions in future debt agreements that limit their ability to pay dividends.



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The Company has substantial potential tax liabilities.

The Company's Consolidated Balance Sheet as of December 31, 2003 includes $748.8 million of accruals intended to cover contingent liabilities related to additional taxes and interest it may be required to pay in various tax jurisdictions. A substantial portion of these accruals relate to the tax treatment of gains on the sale of a portion of the Company's non-U.S. operations. The accruals to cover contingent tax liabilities also relate to management fees, "non-competition" payments and other items that have been deducted in arriving at taxable income, which deductions may be disallowed by taxing authorities. If those deductions were to be disallowed, the Company would be required to pay additional taxes and interest since the dates such taxes would have been paid had the deductions not been taken, and it may be subject to penalties. The Company will continue to record accruals for interest that it may be required to pay with respect to its contingent tax liabilities.

Although the Company believes that it has defensible positions with respect to significant portions of these tax liabilities, there is a risk that the Company may be required to make payment of the full amount of such tax liabilities. Although these accruals for contingent tax liabilities are reflected in the Company's Consolidated Balance Sheet, if the Company were required to make payment of the full amount, this could result in a significant cash payment obligation. The actual payment of such cash amount could have a material adverse effect on the Company's liquidity and on the Company's ability to borrow funds.

The Company has substantial accruals for tax contingencies in a foreign jurisdiction; if payments are required, a portion may be paid with funds denominated in U.S. dollars.

The Company's Consolidated Balance Sheet at December 31, 2003 includes $455.6 million of accruals for tax contingencies in a foreign jurisdiction. The accruals are denominated in foreign currency and translated into U.S. dollars at the period-end currency exchange rate effective as of each balance sheet date. If the Company were required to make payments with respect to such tax contingencies, it may be necessary for the Company to transfer U.S. dollar-denominated funds to its foreign subsidiaries to fund such payments. The amount of U.S. dollar-denominated funds that may need to be transferred will depend primarily on the resolution of the matters described in the preceding paragraph. The amount of U.S. dollar-denominated funds that may need to be transferred also will depend upon the currency exchange rate between the U.S. dollar and the foreign currency at the time or times such funds might be transferred. The Company cannot predict future currency exchange rates. Changes in the exchange rate could have a material effect on the Company's financial position, results of operations and cash flows, depending on the extent and timing of transfers of funds, if any are required.

Newsprint represents the Company's single largest raw material expense and increases in the price of newsprint could decrease net income.

Newsprint represents the Company's single largest raw material expense and is the most significant operating cost, other than employee costs. In 2003, newsprint costs represented approximately 14.0% of revenues. Newsprint costs vary widely from time to time and trends in pricing can vary between geographic regions. If newsprint prices increase in the future and the Company is unable to pass these costs on to customers, such increases may have a material adverse effect on the Company's results of operations. Although the Company has, in the past, implemented measures in an attempt to offset a rise in newsprint prices, such as reducing page width where practical and managing waste through technology enhancements, price increases have in the past had a material adverse effect on the Company and may do so again in the future.

Competition in the newspaper industry originates from many sources. The advent of new technologies and industry practices, such as the provision of newspaper content on free Internet sites, may decrease sales or force the Company to make other changes that harm operating performance.

Revenues in the newspaper industry are dependent primarily upon advertising revenues and paid circulation. Competition for advertising and circulation revenue comes from local and regional newspapers, radio, broadcast and cable television, direct mail and other communications and advertising media that operate in the Company's markets. The extent and nature of such competition is, in large part, determined by the location and demographics of the markets and the number of media alternatives in those markets. Some of the Company's competitors are larger and have greater financial resources than the Company has. The Company may experience price competition from competing newspapers and other media sources in the future. In addition, competing newspapers in certain markets have added new, free publications that target similar demographics to those that are particularly strong for some of the Company's newspapers. Lastly, the use of alternative means of delivery, such as free Internet sites, for news and other content, has increased significantly in the past few years. Should significant numbers of customers choose to receive content using these alternative delivery sources rather than the Company's newspapers, the Company may be forced to decrease the prices charged for the Company's newspapers or make other changes in the way the Company operates, or the Company may face a long-term decline in circulation, any or all of which may harm the Company's results of operations and financial condition.

The Company's publications have experienced declines in circulation in the past and may do so in the future.

The Chicago Sun-Times has experienced declines in circulation. Any declines in circulation the Company may experience at its publications could have a material adverse impact on the Company's business and results of operations, particularly on advertising revenue. Any future significant declines in circulation could lead to a material adverse effect in addition to that occasioned by the previously described overstatement of circulation. Significant declines in circulation could result in an impairment of the value of the Company's intangible assets, which could have a material adverse effect on the Company's results of operations and financial position.

The Company may experience labor disputes, which could slow down or halt production or distribution of the Company's newspapers or other publications.

Approximately 36% of the Chicago Group employees are represented by labor unions and those employees are mostly covered by collective bargaining or similar agreements which are regularly renewable. A work stoppage or strike may occur prior to the expiration of the current labor agreements or during negotiations of new labor agreements or extensions of existing labor agreements. Work stoppages or other labor-related developments could slow down or halt production or distribution of the newspapers, which would adversely affect results of operations.

A substantial portion of the Company's operations are concentrated in one geographic area.

The geographic diversification the Company previously experienced has been substantially curtailed. With the sale of the Telegraph Group in July 2004, and The Jerusalem Post in December 2004, approximately 85% of the Company's revenue for the year ended December 31, 2003, excluding the U.K. Newspaper Group and The Jerusalem Post and related publications, and a major portion of the Company's business activities are concentrated in the greater Chicago metropolitan area. As a result, the Company's revenues are heavily dependent on economic and competitive factors affecting the greater Chicago metropolitan area.

Risks Related to Voting Control by a Single Stockholder

The Company's controlling stockholder has used its control over the affairs of the Company to engage in activities that were not in the best interests of the Company's public stockholders; there is a risk that the controlling stockholder will use its control in a similar way in the future.

The Company is controlled by Hollinger Inc., and is indirectly controlled by Black through his control of Ravelston, which in turn controls Hollinger Inc. Through its controlling interest, Hollinger Inc. is able to control the affairs of the Company. As more fully described above under "Risks Relating to Recent Developments," and as detailed in the Report, in the past, Hollinger Inc. and Black have used their control over the Company to engage in practices that conflicted with the interests of the Company's public



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stockholders. Although the Company's current management, the Special Committee and the Corporate Review Committee, as well as the SEC, have undertaken several actions designed to prevent Hollinger Inc. and Black from engaging again in similar practices, there can be no assurance that they will remain in place or will not be modified or vacated in the near future or that Hollinger Inc. and Black will comply with these remedies. Thus, there is a risk that Hollinger Inc. and Black will attempt to exercise their control in the future in a manner contrary to the interests of public stockholders.

There could be a change of control of the Company through a change in control of Hollinger Inc. under circumstances not approved by the independent directors of the Company.

Hollinger Inc., Ravelston and Black are currently restricted in their ability to sell their beneficial interests in the Company to third parties by the terms of an order of the Delaware Chancery Court, the Restructuring Agreement and the Company's SRP. The scope and time of these restrictions are the subject of legal proceedings pending before the Delaware Supreme Court and the final outcome is uncertain.

If Hollinger Inc., Ravelston and Black were not restricted in their ability to sell their beneficial controlling interest in the Company, and they chose to make such a sale, such a sale could result in a change of control of the Company under circumstances not approved by the independent directors of the Company.

Under the terms of the Restructuring Agreement, Black agreed, among other things, that the Company would hire Lazard as financial advisor to pursue the Strategic Process. Black agreed that during the pendency of the Strategic Process, in his capacity as the majority stockholder of Hollinger Inc., he would not support a transaction involving ownership interests in Hollinger Inc. if such transaction would negatively affect the Company's ability to consummate a transaction resulting from the Strategic Process, unless such a transaction involving Hollinger Inc. was necessary to enable it to avoid a material default or insolvency.

In January 2004, Black attempted to sell his controlling interest in Hollinger Inc. as part of the Hollinger Sale. The Company filed a suit in the Delaware Chancery Court for judgment declaring that, among other things, the Hollinger Sale violated the terms of the Restructuring Agreement. The Delaware Chancery Court, among other things, has enjoined Black and Hollinger Inc. from taking any action to consummate any transaction in violation of the provisions of the Restructuring Agreement, including the Hollinger Sale. On October 29, 2004, the Company, Hollinger Inc. and Black entered into the Extension Agreement to voluntarily extend the injunction until the earlier of January 31, 2005 or the date of the completion of a distribution by the Company to its stockholders of a portion of the proceeds of the Company's sale of the Telegraph Group. On October 30, 2004, the court issued an order extending the injunction as provided in, and incorporating the other terms of, the Extension Agreement.

In February 2004, the Company adopted a shareholder rights plan. This SRP is designed to prevent any third person from acquiring, directly or indirectly, without the approval of the Company's Board of Directors (or Corporate Review Committee of the Board of Directors), a beneficial interest in the Company's Class A Common Stock and Class B Common Stock that represents over 20% of the outstanding voting power of the Company. Through its ownership of all outstanding Class B Common Stock, Hollinger Inc. currently controls approximately 66.8% of the Company's outstanding voting power, which ownership is excluded from triggering the provisions of the SRP. However, a transaction resulting in a change of control in Hollinger Inc., without the approval of the Company's Board of Directors (or the Corporate Review Committee), would have the effect of triggering the SRP. As part of its June 2004 judgment, the Delaware Chancery Court upheld the validity of the plan as to its effect on Hollinger Inc. However, Black and Hollinger Inc. have appealed the court's judgment. There can be no assurance that the plan will be upheld on appeal.

The Company is unable to determine what impact, if any, a change of control may have on the Company's corporate governance or business initiatives.

The Company is a party to a Business Opportunities Agreement with Hollinger Inc., the terms of which limit the Company's ability to pursue certain business opportunities in certain countries.

The Business Opportunities Agreement sets forth the terms under which Hollinger Inc. and the Company will resolve conflicts over business opportunities. The Company and Hollinger Inc. agreed to allocate to the Company opportunities relating to the start-up, acquisition, development and operation of newspaper businesses and related media businesses in the United States, Israel, the United Kingdom and other member states of the European Union, Australia and New Zealand and to Hollinger Inc. opportunities relating to the start-up, acquisition, development and operation of media businesses, other than related media businesses, globally and newspaper businesses and related media businesses in Canada. For purposes of the agreement, "newspaper business" means the business of publishing and distributing newspapers, magazines and other paid or free publications having national, local or targeted markets, "media business" means the business of broadcast of radio, television, cable and satellite programs, and "related media business" means any media business that is an affiliate of, or is owned or operated in conjunction with, a newspaper business. The terms of the Business Opportunities Agreement will be in effect for so long as Hollinger Inc. holds at least 50% of the Company's voting power. See "Item 13 -- Certain Relationships and Related Transactions -- Business Opportunities Agreement."

The Business Opportunities Agreement may have the effect of preventing the Company from pursuing business opportunities that the Company's management would have otherwise pursued.

If Hollinger Inc., the Company's immediate parent company, sought protection from its creditors or became the subject of bankruptcy or insolvency proceedings there may be harm to and there may be a change of control of the Company.

Hollinger Inc. has publicly stated that as of December 15, 2004, Hollinger Inc. owned, directly or indirectly 782,923 shares of the Company's Class A Common Stock and 14,990,000 shares of the Company's Class B Common Stock (which represent all of the issued and outstanding shares of Class B Common Stock). All of the direct and indirect interest of Hollinger Inc. in the shares of the Company's Class A Common Stock is being held in escrow with a licensed trust company in support of future retractions of Hollinger Inc.'s Series II Preference Shares and all of the direct and indirect interest of Hollinger Inc. in the shares of the Company's Class B Common Stock is pledged as security in connection with Hollinger Inc.'s outstanding 11 7/8% Senior Secured Notes due 2011 and 11 7/8% Second Priority Secured Notes due 2011. Hollinger Inc. reported that, as of the close of business on December 10, 2004, $78.0 million principal amount of the Senior Secured Notes and $15.0 million principal amount of the Second Priority Secured Notes were outstanding.

Under the terms of the Series II Preference Shares of Hollinger Inc., each Preference Share may be retracted by its holder for 0.46 of a share of the Company's Class A Common Stock. Until the Series II Preference Shares are retracted in accordance with their terms, Hollinger Inc. may exercise the economic and voting rights attached to the underlying shares of the Company's Class A Common Stock.

Hollinger Inc. has relied on payments from Ravelston to fund its operating losses and service its debt obligations. Ravelston financed its support of Hollinger Inc., in part, from the management fees received from the Company under the terms of the management services agreement with RMI. The Company terminated this agreement effective June 1, 2004.

If Hollinger Inc. or any of its subsidiaries that own shares of Class A or Class B Common Stock of the Company were to commence proceedings to restructure its indebtedness under the Companies' Creditors Arrangement Act (Canada), (the "CCAA"), or became the subject of an insolvency or liquidation proceeding under the Bankruptcy and Insolvency Act (Canada) (the "BIA") or enforcement proceedings by the pledgee, the collectibility of amounts owed by Hollinger Inc. to the Company may be negatively impacted.

In any such proceedings, issues may arise in connection with any transfer or attempted transfer of shares of the Company's Class B Common Stock. Under the terms of the Company's certificate of incorporation, such transfers may constitute a non-permitted transfer. In the event of a non-permitted transfer, the Class B Common Stock would automatically convert into Class A Common Stock as a result of which the controlling voting rights currently assigned to the Class B Common Stock would be eliminated. There is a risk that this result would be challenged in court by Hollinger Inc. or its insolvency representatives.

In an insolvency or secured creditor enforcement proceeding, the ownership rights, including voting rights, attached to the shares of the Company's Class A and Class B Common Stock would be exercised with a view to maximizing value for the secured creditors and other stakeholders of Hollinger Inc. Since the interests of secured creditors and other stakeholders of Hollinger Inc. may not be aligned with the interests of the Company's public stockholders, actions might be taken that are not in the best interests of the Company's public stockholders.

Description of Historical Business

The Company operates principally in the business of publishing, printing and distribution of newspapers and magazines and holds investments principally in companies that operate in the same business. The Company divides its business into four principal segments; the Chicago Group, the U.K. Newspaper Group, the Community Group and the Canadian Newspaper Group. In addition, the Company's operations include its Investment and Corporate Group, which performs various administrative and corporate functions. On July 30, 2004, the Company sold the Telegraph Group which carried out the operations of the U.K. Newspaper Group. See "Item 1 -- Recent Developments -- Sale of the Telegraph Group." On December 15, 2004, the Company completed the sale of The Palestine Post, the publisher of The Jerusalem Post and related publications, which represented substantially all of the assets and operations of the Community Group. See "Item 1 -- Recent Developments -- Sale of The Jerusalem Post."

Chicago Group

The Chicago Group consists of more than 100 newspapers in the greater Chicago metropolitan area including the Chicago Sun-Times, the Post Tribune in northwest Indiana and Chicago's Daily Southtown. The Chicago Group's other newspaper properties in the greater Chicago metropolitan area include:

* Pioneer Newspapers Inc. ("Pioneer"), which currently publishes 57 weekly newspapers in Chicago's northern and northwestern suburbs;

* Midwest Suburban Publishing Inc., which in addition to the Daily Southtown, publishes 23 biweekly newspapers, 13 weekly newspapers and four free distribution papers primarily in Chicago's southern and southwestern suburbs;

* Fox Valley Publications Inc., which does business as Chicago Suburban Newspapers and publishes five daily newspapers (The Herald News, The Beacon News, The Courier News, The News Sun and The Naperville Sun), and 13 free distribution newspapers and six free total market coverage ("TMC") products in the fast growing counties surrounding Chicago and Cook County; and

* Post Tribune, located in northwest Indiana, publishes a daily newspaper, a weekly newspaper and one TMC product.

Sources of Revenue. The Chicago Group's revenues were 42.5%, 43.9% and 38.6% of the Company's consolidated revenues in 2003, 2002 and 2001, respectively. The following table sets forth the sources of revenue and the percentage such sources represent of total revenues for the Chicago Group during the three years ended December 31, 2003.

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2003 | | 2002 | | 2001 | |
| | (Dollars in thousands) | | | | | |
| Advertising | $352,029 | 78% | $341,262 | 77% | $338,521 | 76% |
| Circulation | 86,532 | 19 | 89,427 | 20 | 92,716 | 21 |
| Job printing and Other | 12,228 | 3 | 11,089 | 3 | 11,647 | 3 |
| Total | $450,789 | 100% | $441,778 | 100% | $442,884 | 100% |

Advertising. Substantially all advertising revenues are derived from local and national retailers and classified advertisers. Advertising rates and rate structures vary among the publications and are based on, among other things, circulation, readership, penetration and type of advertising (whether classified, national or retail). In 2003, retail advertising accounted for the largest share of advertising revenues (44%), followed by classified (39%) and national (17%). The Chicago Sun-Times offers a variety of advertising alternatives, including full-run advertisements, geographically zoned issues, special interest pullout sections and advertising supplements in addition to regular sections of the newspaper targeted to different readers. The Chicago area suburban newspapers also offer similar alternatives to the Chicago Sun-Times platform for their daily and weekly publications. The Chicago Group operates the Reach Chicago Newspaper Network, an advertising vehicle, that can reach the combined readership base of all the Chicago Group publications and allows it to offer local advertisers geographically and demographically targeted advertising solutions and national advertisers an efficient one-stop vehicle to reach the entire Chicago market.

Circulation. Circulation revenues are derived primarily from two sources. The first is sales of single copies of the newspaper made through retailers and vending racks, and the second is home delivery newspaper sales to subscribers. In calendar year 2003, approximately 60% of the copies of the Chicago Sun-Times reported as sold and 60% of the circulation revenues generated were attributable to single-copy sales. Approximately 79% of 2003 circulation revenues of the Company's suburban newspapers were derived from home delivery subscription sales. When the copies of the Chicago Sun-Times sold in calendar year 2003 are adjusted to eliminate the inflation of single-copy sales, discussed below, the percentage of copies sold attributable to single-copy sales drops to approximately 56%; the revenue percentage remains the same because the inflation techniques did not inflate revenue.

U.S. newspaper circulation is reported annually in an audit report published by the ABC. Circulation data for the 52 week period ending on the last day of the first quarter of each year is audited by ABC and published in an audit report dated April 1 of the following year. Therefore, for example, circulation occurring in the twelve months ended March 31, 2002 was publicly reported in the audit report dated April 1, 2003.

The average daily (i.e. Monday through Friday), Saturday and Sunday circulation of the Chicago Sun-Times reported in the ABC audit report dated April 1, 2004 was 482,421, 307,324, and 376,401 copies, respectively. As discussed below, these daily and Sunday circulation figures were overstated. As noted in "Item 1 -- Business -- Recent Developments," the Audit Committee initiated an internal review into practices that resulted in the overstatement of Chicago Sun-Times daily and Sunday circulation and determined that inflation of daily and Sunday single-copy circulation of the Chicago Sun-Times began modestly in the late 1990's and increased over time. The Audit Committee concluded that the report of the Chicago Sun-Times circulation published in April 2004 by ABC, overstated single-copy circulation by approximately 50,000 copies on weekdays and approximately 17,000 copies on Sundays. That published audit report reflected inflated circulation during the 53 week period ended March 30, 2003. The Audit Committee determined that inflation of single-copy circulation continued until all inflation was discontinued in early 2004. The inflation occurring after March 30, 2003 did not affect public disclosures of circulation. The Company has implemented procedures to help ensure that circulation overstatements do not occur in the future.

The most recent ABC audit reports for other papers produced by the Chicago Group disclosed daily and Sunday paid circulation of the Daily Southtown of approximately 48,000 and 53,000, respectively; daily and Sunday paid circulation of the Post-Tribune of approximately 66,000 and 71,000 respectively; and aggregate daily and Sunday paid circulation of the Chicago Suburban Newspapers of approximately 125,000 and 136,000, respectively. The reported aggregate circulation for the free TMC products disclosed in the most recent ABC audit report was approximately 211,000 copies. Pioneer has reported weekly paid circulation of approximately 187,000 copies and Midwest Suburban Publishing Inc. has 23 bi-weekly newspapers with paid Thursday circulation of approximately 49,000 copies and Sunday circulation of approximately 47,000 copies.

Other Publications and Business Enterprises. The Chicago Group continues to strengthen its online presence. Suntimes.com and the related Chicago Group websites have approximately 2.5 million unique users with some 35 million-page impressions per month. The www.classifiedschicago.com regional classified-advertising website, which is a partnership with Paddock Publications, pools classified advertisements from all

Chicago Group publications, as well as Paddock Publications' metropolitan daily creating a valuable venue for advertisers, readers and on-line users. Additionally, www.DriveChicago.com continues to be a leader in automotive websites. This website, which represents a partnership with the Chicago Automobile Trade Association, pools the automotive classified advertising of three of the metropolitan Chicago area's biggest dailies with the automotive inventories of many of Chicago's new car dealerships. In 2004, the Chicago Group launched www.chicagojobs.com, a partnership with Paddock Publications and Shaker Advertising, one of the largest recruitment agencies in the Chicago market. The website provides online users and advertisers an extremely robust employment website that is one of the best in the Chicago market.

Sales and Marketing. Each operating division in the Chicago Group has its own marketing department that works closely with both advertising and circulation sales and marketing teams to introduce new readers to the Company's newspapers through various initiatives. The Chicago Sun-Times marketing department uses strategic alliances at major event productions and sporting venues, for on-site promotion and to generate subscription sales. The Chicago Sun-Times has media relationships with local TV and radio outlets that has given it a presence in the market and enabled targeted audience exposure. Similarly at Fox Valley Publications, Pioneer and Midwest Suburban Publishing, marketing professionals work closely with circulation sales professionals to determine circulation promotional activities, including special offers, sampling programs, in-store kiosks, sporting event promotions, dealer promotions and community event participation. In-house printing capabilities allow the Fox Valley marketing department to offer direct mail as an enhancement to customers' run of press advertising programs. Midwest Suburban Publishing, like the other operating divisions, generally targets readers by zip code and has designed a marketing package that combines the strengths of its daily and bi-weekly publications. The Post-Tribune marketing department focuses on attracting readers in areas with zip codes that major advertisers have identified as being the most attractive.

Distribution. The Company has gained benefits from its clustering strategy. In recent years, the Company has succeeded in combining distribution networks within the Chicago Group where circulation overlaps. The Chicago Sun-Times is distributed through both an employee and contractor network depending upon the geographic location. The Chicago Sun-Times takes advantage of a joint distribution program with its sister publications, Fox Valley Publications and Midwest Suburban Publishing. The Chicago Sun-Times has approximately 6,000 street newspaper boxes and more than 8,400 newsstands and over the counter outlets from which single copy newspapers are sold, as well as approximately 270 street "hawkers" selling the newspapers in high-traffic urban areas. Midwest Suburban Publishing's Daily Southtown is distributed primarily by Chicago Sun-Times independent contractors. Additionally, in certain western suburbs, the Daily Southtown has a joint distribution program with Fox Valley Publications. The Daily Southtown and its sister publication, The Star, are also distributed in approximately 2,100 outlets and newspaper boxes in Chicago's southern suburbs and Chicago's south side and downtown areas. Midwest's Penny Saver is distributed through the United States Postal Service and through independent contractors. Approximately 82% of Fox Valley Publications's circulation is from home delivery subscriptions. While 83% of the Post-Tribune's circulation is by home delivery, it also distributes newspapers to approximately 620 retail outlets and approximately 420 single copy newspaper boxes. Pioneer has a solid home delivery base that represents 96% of its circulation. Pioneer is also distributed to approximately 80 newspaper boxes and is in more than 800 newsstand locations.

Printing. The Chicago Sun-Times' Ashland Avenue printing facility was completed in April 2001 and gave the Chicago Group printing presses with the quality and speed necessary to effectively compete with the other regional newspaper publishers. Fox Valley Publications' 100,000 sq. ft. plant, which has been operating since 1992, houses a state-of-the-art printing facility in Plainfield, Illinois, which prints all of its products. Midwest Suburban Publishing prints all of its publications at its South Harlem Avenue facility in Chicago. Pioneer prints the main body of its weekly newspapers at its Northfield production facility. In order to provide advertisers with more color capacity, certain of Pioneer's newspaper's sections are printed at the Chicago Sun-Times Ashland Avenue facility. The Post-Tribune has one press facility in Gary, Indiana. The Chicago Group has been successful in implementing new production technology, sharing resources and excess capacity available during certain print "windows" to achieve cost savings and effectively compete for commercial print jobs.



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Competition. Each of the Company's Chicago area newspapers competes to varying degrees with radio, broadcast and cable television, direct marketing and other communications and advertising media, as well as with other newspapers having local, regional or national circulation. The Chicago metropolitan region comprises Cook County and six surrounding counties and is served by eight local daily newspapers of which the Company owns six. The Chicago Sun-Times competes in the Chicago region with the Chicago Tribune, a large established metropolitan daily and Sunday newspaper. In addition, the Chicago Sun-Times and other Chicago Group newspapers face competition from other newspapers published in adjacent or nearby locations and circulated in the Chicago metropolitan area market. In 2002, the Chicago Sun-Times launched Red Streak, a newspaper targeted at younger readership in the region. The majority of the editorial content is derived from the Chicago Sun-Times. This paper is intended to serve as an effective vehicle to compete with the Red Eye (a publication of the Tribune Company).

Employees and Labor Relations. As of December 31, 2003, the Chicago Group employed approximately 3,200 employees including approximately 520 part-time employees. Of the 2,674 full-time employees, 678 were production staff, 653 were sales and marketing personnel, 360 were circulation staff, 220 were general and administrative staff, 741 were editorial staff and 22 were facilities staff. Approximately 1,150 employees were represented by 23 collective bargaining units. Employee costs (including salaries, wages, fringe benefits, employment-related taxes and other direct employee costs) equaled approximately 37.8% of the Chicago Group's revenues in the year ended December 31, 2003.

There have been no strikes or general work stoppages at any of the Chicago Group's newspapers in the past five years. The Chicago Group believes that its relationships with its employees are generally good.

Raw Materials. The primary raw material for newspapers is newsprint. In 2003, approximately 138,000 tonnes were consumed. Newsprint costs equaled approximately 14.4% of the Chicago Group's revenues. Average newsprint prices for the Chicago Group decreased approximately one percent in 2003 from 2002. The Chicago Group is not dependent upon any single newsprint supplier. The Chicago Group's access to Canadian, United States and offshore newsprint producers ensures an adequate supply of newsprint. The Chicago Group, like other newspaper publishers in North America, has not entered into any long-term fixed price newsprint supply contracts. The Chicago Group believes that its sources of supply for newsprint are adequate for its anticipated needs.

U.K. Newspaper Group

On July 30, 2004, the Company completed the sale of the Telegraph Group which carried out the operations of the U.K. Newspaper Group. See "Item 1 -- Recent Developments -- Sale of the Telegraph Group." The following information reflects the U.K. Newspaper Group's business while the Telegraph Group was owned by the Company. The U.K. Newspaper Group's operations included The Daily Telegraph, The Sunday Telegraph, The Weekly Telegraph, telegraph.co.uk, and The Spectator and Apollo magazines.

Sources of Revenue. The U.K. Newspaper Group's revenues were 49.0%, 47.9% and 42.4% of the Company's consolidated revenues in 2003, 2002 and 2001, respectively. The following table sets forth the sources of revenue and their percentage of total revenues for the U.K. Newspaper Group during the three years ended December 31, 2003.

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2003 | | 2002 | | 2001 | |
| | (In thousands of British pounds sterling) | | | | | |
| Advertising | lb.195,462 | 62% | lb.211,045 | 66% | lb.228,715 | 68% |
| Circulation | 105,961 | 33 | 93,640 | 29 | 94,502 | 28 |
| Other | 16,377 | 5 | 16,261 | 5 | 14,252 | 4 |
| Total | lb.317,800 | 100% | lb.320,946 | 100% | lb.337,469 | 100% |

Advertising. Advertising is the largest source of revenue at the Telegraph Group. The Daily Telegraph and The Sunday Telegraph display advertising strengths in the financial, automobile and travel sections. The level of classified advertisements, especially recruitment advertisements, has historically fluctuated with the economy. Classified advertising revenue represented 27% of total advertising revenue in 2003. Recruitment advertising was the largest classified advertising category, representing about 32% of all classified advertising in terms of revenue in 2003.

Circulation. In 2003, The Daily Telegraph had an average net circulation of approximately 925,000 and The Sunday Telegraph had an average net circulation of approximately 717,000. The Daily Telegraph had 311,000 pre-paid non-postal subscriptions. The Sunday Telegraph was the second highest circulation quality Sunday newspaper in the U.K.

Other Publications and Business Enterprises. The Telegraph Group is involved in several other publications and business enterprises, including The Spectator and Apollo magazines, The Weekly Telegraph newspaper and telegraph.co.uk (formerly Electronic Telegraph). Telegraph.co.uk had approximately 3.0 million unique users with some 30.0 million page impressions per month in 2003.

Sales and Marketing. The Telegraph Group's marketing department helps introduce new readers to its newspapers through strategic marketing initiatives. The Telegraph Group uses research groups that seek the views of readers and non-readers providing useful information to better target editorial, promotional and commercial activities. In addition, the direct marketing department is responsible for the development of a customer contact strategy, circulation initiatives such as subscription programs, discount vouchers supporting the launch of new sections and supplements, and various support promotions.

Distribution. The Telegraph Group's newspapers are distributed to wholesalers by truck under a contract with a subsidiary of TNT Express (U.K.) Limited ("TNT"). The arrangements with wholesalers contain performance provisions to ensure minimum standards of copy availability while controlling the number of unsold copies. On May 25, 2001, a new contract with TNT was entered into by West Ferry Printers, a joint venture of the Telegraph Group and another British newspaper publisher.

Wholesalers distribute newspapers to retail news outlets. The number of retail news outlets throughout the United Kingdom has increased as a result of a 1994 ruling by the British Department of Trade and Industry that prohibits wholesalers from limiting the number of outlets in a particular area. More outlets do not necessarily mean more sales and the Telegraph Group's circulation department has continued to develop its control of wastage while taking steps to ensure that copies remain in those outlets with high single copy sales. In addition to single copy sales, many retail news outlets offer home delivery services. In 2003, home deliveries accounted for approximately 45% of sales of both The Daily Telegraph and The Sunday Telegraph.

Printing. The majority of copies of The Daily Telegraph and The Sunday Telegraph are printed by West Ferry Printers and another joint venture, Trafford Park Printers. The magazine sections of the Saturday edition of The Daily Telegraph and of The Sunday Telegraph are printed under contract by external magazine printers. The Telegraph Group also prints the majority of its overseas copies under contracts with external printers in Northern Ireland, Spain and Belgium.

Major capital expenditures at each joint venture require the approval of the Boards of Directors of the joint venture partners. There is high utilization of the plants at West Ferry Printers and Trafford Park Printers, with little spare capacity.

West Ferry Printers has 18 presses, six of which are configured for The Telegraph Group's newspapers, eight are used for the newspapers published by The Telegraph Group's joint venture partner, and the remaining four are used by contract printing customers. Trafford Park Printers has six presses, two of which are used primarily for The Telegraph Group's newspapers.

Competition. The Telegraph Group's newspapers compete for advertising revenue with other forms of media, particularly television, magazine, direct mail, posters and radio. In addition, total gross advertising expenditures, including financial, display and recruitment classified advertising, are affected by economic conditions in the United Kingdom. The Daily Telegraph's primary competition in the United Kingdom is The Times.

Employees and Labor Relations. At December 31, 2003, the Telegraph Group and its subsidiaries employed approximately 1,238 persons and the joint venture printing companies employed an additional 917 persons. Of the Telegraph Group's approximately 1,238 employees, 49 were production staff, 397 were sales and marketing personnel, 204 were general and administrative staff and 588 were editorial staff.

Raw Materials. Newsprint represents the single largest expense next to employee costs. Approximately 146,000 tonnes of newsprint are consumed annually. In 2003, the total cost was approximately 14.5% of the U.K. Newspaper Group's revenues. Prices were fixed throughout 2003 at levels some 7.6% below the average price paid during 2002. Negotiated contracts for 2004 are consistent with those in 2003.

On October 17, 2001, Paper Purchase and Management Limited was established as a joint venture between the Telegraph Group and Guardian Media Group plc. The main purpose of the joint venture is to control the specifications and sourcing, as well as monitoring the usage of newsprint throughout the printing plants operated by one or both of the joint venture partners and at other locations where the joint venture partners' publications are printed on a contract basis. Further, by combining the purchasing power of the joint venturers, the Telegraph Group is able to obtain better prices. The joint venture purchases newsprint from a number of different suppliers located primarily in Canada, the United Kingdom, Scandinavia and continental Europe.

Community Group

On December 15, 2004, the Company announced that it had completed the sale of The Palestine Post Limited, the publisher of The Jerusalem Post and related publications, which represented substantially all assets and operations of the Community Group. See "Item 1 -- Recent Developments -- Sale of The Jerusalem Post." The following information reflects the Community Group's business without giving effect to the sale of The Jerusalem Post and related publications.

Sources of Revenue. The Community Group's revenues were 1.0%, 1.3% and 1.7% of the Company's consolidated revenues in 2003, 2002 and 2001, respectively. The following table sets forth the sources of revenue and the percentage that such sources represented of total revenues for The Jerusalem Post during the three years ended December 31, 2003.

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2003 | | 2002 | | 2001 | |
| | (Dollars in thousands) | | | | | |
| Advertising | $ 3,585 | 34% | $ 3,937 | 30% | $ 5,806 | 30% |
| Circulation | 5,717 | 55 | 6,082 | 46 | 7,751 | 41 |
| Job printing and other | 1,095 | 11 | 3,212 | 24 | 5,558 | 29 |
| Total | $10,397 | 100% | $13,231 | 100% | $19,115 | 100% |

The Community Group's primary source of revenue is from circulation of The Jerusalem Post and its related publications, including The Jerusalem Report, which is a bi-weekly magazine. It also derives revenue from advertising and from specialty job printing. The Jerusalem Post in the past derived a relatively high percentage of its revenues from job printing as a result of a long-term contract to print and bind copies of the Golden Pages, Israel's equivalent of a Yellow Pages telephone directory. During 2002, Golden Pages ceased placing printing orders. An action was commenced by The Jerusalem Post in 2003 against the Golden Pages seeking damages for alleged breach of contract.

Distribution. The Jerusalem Post daily and Friday editions are available through either home delivery subscriptions or single-copy kiosk sales. The daily products are sold at approximately 2,000 retail outlets across Israel.

Printing. The Jerusalem Post and its related publications use two offset printing presses for printing various daily and weekend editions of the newspaper and for commercial printing. The Jerusalem Post commenced production, in August 2003, on a state-of-the-art press that reduced the paper's operating costs and increased printing revenue through meeting the growing demands of contract printing clients. Automation and quality improvements will significantly reduce labor costs and will result in a meaningful reduction in newsprint wastage.

Competition. The Jerusalem Post is the leading English-language daily newspaper in the Middle East. Its nearest competitor, the English translation of Ha'aretz, Israel's oldest Hebrew daily newspaper, has a circulation level that is approximately 14% of that of The Jerusalem Post.

Employees and Labor Relations. As of December 31, 2003, The Jerusalem Post and its related publications employed approximately 150 people, of which 17 were represented by a union. Subsequent to December 31, 2003, the Company replaced the publisher of The Jerusalem Post.

Raw Materials. Newsprint costs were approximately 9.1% of the Community Group's revenue in 2003. Newsprint that had been used for the production of the Golden Pages had been provided by the owners of that publication.

Regulatory Matters. Newspapers in Israel are required by law to obtain a license from the country's interior minister, who is authorized to restrain publication of certain information if, among other things, it may endanger public safety. To date, The Jerusalem Post has not experienced any difficulties in maintaining its license to publish nor has it been subject to any efforts to restrain publication. In addition, all written media publications in Israel are reviewed by Israel's military censor prior to publication in order to prevent the publication of information that could threaten national security. Such censorship is considered part of the ordinary course of business in the Israeli media and has not adversely affected The Jerusalem Post's business in any significant way.

Canadian Newspaper Group

The Canadian Newspaper Group includes the operations of HCPH Co. that has an 87% interest in Hollinger L.P.

At December 31, 2003, HCPH Co. and Hollinger L.P. owned numerous daily and non-daily newspaper properties and the Business Information Group (formerly Southam Magazine and Information Group) which publishes Canadian trade magazines and tabloids for the transportation, construction, natural resources and manufacturing industries, among others.

Sources of Revenue. The Canadian Newspaper Group's revenues were 7.6%, 6.9% and 17.3% of the Company's consolidated revenues in 2003, 2002 and 2001, respectively. The following table sets forth the sources of revenue and the revenue mix of the total Canadian Newspaper Group, including operations sold up to the date of sale, during the three years ended December 31, 2003. Operations sold in the past three years include: the sale of French language newspapers to Gesca in 2001; the sale of Ontario community newspapers to Osprey Media in 2001; and the sale of the remaining 50% interest in the National Post to CanWest in 2001. See Note 3 to the Company's consolidated financial statements.

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2003 | | 2002 | | 2001 | |
| | (In thousands of Canadian Dollars) | | | | | |
| Newspapers: | | | | | | |
| Advertising | $ 52,114 | 46% | $ 47,215 | 43% | $171,032 | 56% |
| Circulation | 7,039 | 6 | 6,611 | 6 | 53,030 | 17 |
| Job printing and other | 11,439 | 10 | 11,883 | 11 | 35,249 | 12 |
| Business Communications | 41,633 | 38 | 43,412 | 40 | 45,763 | 15 |
| Total | $112,225 | 100% | $109,121 | 100% | $305,074 | 100% |

Advertising. Newspaper advertising revenue in 2003 totaled Cdn. $52.1 million. Advertisements are carried either within the body of the newspapers, and referred to as run-of-press (ROP) advertising, or as inserts. ROP advertising, which represented 91.6% of total advertising revenue in 2003, is categorized as either retail, classified or national. The three categories represented 69%, 12% and 19%, respectively, of ROP advertising revenue in 2003.

Circulation. Virtually all newspaper circulation revenue in 2003 was from subscription sales.

Competition. The majority of revenue is from advertising. Advertising linage in the newspapers is affected by a variety of factors including competition from print, electronic and other media as well as general economic performance and the level of consumer confidence. Specific advertising segments such as real estate, automotive and help wanted are significantly affected by local factors.

Employees and Labor Relations. As of December 31, 2003, the Canadian Newspaper Group had approximately 1,223 full time equivalent employees of which approximately 18% are unionized. The percentage of unionized employees varies widely from paper to paper. As a large number of the union contracts are renegotiated every year, labor disruptions are always possible, but no single disruption would have a material effect on the Company.

The Company has a significant prepaid pension benefit recorded in respect of certain Canadian defined benefit plans. There are uncertainties regarding the Company's legal right to access any plan surplus and due to the Company having a limited number of active employees in Canada, there are limitations on the ability to utilize the surplus through contribution holidays or increased benefits. In addition, the Canadian Newspaper Group administers and absorbs the costs of the retirement plans for certain retired employees of Southam Inc., predecessor to HCPH Co.

Raw Materials. Newsprint consumption in 2003 was approximately 11,534 tonnes. The newspapers within the Canadian Newspaper Group have access to adequate supplies to meet anticipated production needs. They are not dependent upon any single newsprint supplier. The Canadian Newspaper Group, like other newspaper publishers in North America, has not entered into any long-term fixed price newsprint supply contracts. The Business Information Group contracts out the printing of its publications.

Regulatory Matters. The publication, distribution and sale of newspapers and magazines in Canada is regarded as a "cultural business" under the Investment Canada Act and consequently, any acquisition of control of the Canadian Newspaper Group by a non-Canadian investor would be subject to the prior review and approval by the Minister of Industry of Canada.

Ownership. During 2001, HCPH Co. became the successor to the operations of XSTM Holdings (2000) Inc. The Company indirectly owns a 100% interest in HCPH Co. The Company indirectly owns an 87% interest in Hollinger L.P. There are limits on the deductibility by advertisers of the cost of advertising in newspapers that are not considered Canadian-owned under the ITA. It is possible the CRA may find that, as a consequence of Black's renunciation of his Canadian citizenship in June 2001, certain of the Company's Canadian newspapers are no longer considered Canadian-owned for purposes of the ITA. Although the Company believes that it has a structure in place that meets the ITA Canadian ownership rules for at least a portion of the period since June 2001, that structure may be challenged by the CRA.

### Investment and Corporate Group

The Investment and Corporate Group performs administrative and corporate finance functions for the Company including treasury, accounting, tax planning and compliance and the development and maintenance of the systems of internal controls. At December 31, 2003, the Company's Investment and Corporate Group operated out of offices in New York, New York and Toronto, Ontario. The Company is in the process of relocating functions performed in Toronto to Chicago, Illinois. As of December 31, 2003, the Investment and Corporate Group employed 10 people. Additional services were provided by RMI pursuant to a management services agreement which was terminated effective June 1, 2004.

### Environmental

The Company, similar to other newspaper companies engaged in similar operations, is subject to a wide range of federal, state and local environmental laws and regulations pertaining to air and water quality, storage tanks, and the management and disposal of wastes at the Company's major printing facilities. These requirements are becoming increasingly stringent. The Company believes that the cost of compliance with these laws and regulations will not have a material adverse effect on its business or results of operations.

### Seasonality

The Company's operations are subject to seasonality. Typically, the Company's advertising revenue is highest during the fourth quarter and lowest during the third quarter.

### Intellectual Property

The Company seeks and maintains protection for its intellectual property in all relevant jurisdictions, and has current registrations, pending applications, renewals or reinstatements for all of its material trademarks. No claim adverse to the interests of the Company of a material trademark is pending or, to the best of the Company's knowledge, has been threatened. The Company has not received notice, or is otherwise aware, of any infringement or other violation of any of the Company's material trademarks. Internet domain names also form an important part of the Company's intellectual property portfolio. Currently, there are approximately 230 domain names registered in the name of the Company or its subsidiaries, including numerous variations on each major name. In the Chicago market, the Company participates in aggregation of advertising information with other periodical companies whereby the Company's advertisements are presented in an on-line format along with advertisements of others newspapers.

## Available Information

The Company files annual, quarterly and current reports, proxy statements and other information with the SEC under the Exchange Act.

You may read and copy this information at the Public Reference Room of the SEC, Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. You may obtain information about the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically through the "EDGAR" (Electronic Data Gathering, Analysis and Retrieval) System, available on the SEC's website (http://www.sec.gov).

The Company also maintains a website on the World Wide Web at www.hollingerinternational.com. The Company makes available, free of charge, on its website the annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the SEC. The Company's reports filed with, or furnished to, the SEC are also available at the SEC's website at www.sec.gov.

The Company has implemented a Code of Business Conduct and Ethics, which applies to all employees of the Company including each of its CEO, CFO and principal accounting officer or controller or persons performing similar functions. The text of the Code of Business Conduct and Ethics can be accessed on the Company's website at www.hollingerinternational.com. Any changes to the Code of Business Conduct and Ethics will be posted on the website.

## Item 2.Properties

The Company believes that its properties and equipment are in generally good condition, well-maintained and adequate for current operations.

## Chicago Group

The Chicago Sun-Times owns a 320,000 square foot, state of the art printing facility. This facility handles all of the production for the Chicago Sun-Times. Until October 2004, the Chicago Sun-Times conducted its editorial, pre-press, marketing, sales and administrative activities in a 535,000 square foot, seven-story building



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in downtown Chicago. In October 2004, the Chicago Sun-Times vacated this facility and relocated its editorial, pre-press, marketing, sales and administrative activities to a 127,000 square foot facility, which is also in downtown Chicago. The Chicago Sun-Times has entered into a 15-year operating lease for this new office space. In 2002, the Company entered into a joint venture established to develop a 90-story residential/commercial tower on property formerly occupied by its seven-story building. In June 2004, the Company agreed to sell its share of the joint venture and a related property for net proceeds of $70.7 million. This transaction closed on October 15, 2004. See Note 28 (f) to the Company's Consolidated Financial Statements herein and "Item 1 -- Business -- Recent Developments."

Fox Valley Publications produces its newspapers at a 100,000 square foot plant built in 1992 in Plainfield, Illinois. The facility, owned by the Company, also houses Fox Valley Publication's editorial, pre-print, sales and administrative functions. Fox Valley Publications also owns facilities in the surrounding suburbs where editorial and sales activities take place for each of its daily newspapers. Pioneer utilizes and owns a building in north suburban Chicago for editorial, pre-press, sales and administrative activities. Pioneer leases several outlying satellite offices for its editorial and sales staff in surrounding suburbs. Production currently occurs at a 65,000 square foot leased building in a neighboring suburb. Midwest Suburban Publishing owns one south suburban building which it uses for editorial, pre-press, marketing, sales and administrative activities. Production activities occur at a separate 150,000 square foot owned facility in southwest Chicago. The Post-Tribune editorial, pre-press, marketing, sales and administrative activities are housed in a facility in Merrillville, Indiana, while production activities take place at its facility in Gary, Indiana.

U.K. Newspaper Group

The Telegraph Group was sold on July 30, 2004 and accordingly, the Company no longer holds any real property in the U.K. See "Item 1 -- Recent Developments -- Sale of the Telegraph Group."

At the time of the sale, the Telegraph Group occupied five floors of a tower at Canary Wharf in London's Docklands under a 25-year operating lease expiring in 2017. Printing of the Telegraph Group's newspapers titles was done principally at 50% owned joint venture printing plants in London's Docklands and in Trafford Park, Manchester.

Community Group

The Jerusalem Post is produced and distributed in Israel from a three-story building in Jerusalem owned by The Jerusalem Post. The Jerusalem Post also leases a sales office in Tel Aviv and a sales and distribution office in New York.

On December 15, 2004 the Company announced that it had completed the sale of The Palestine Post Limited, the publisher of The Jerusalem Post and related publications. Accordingly, the Company no longer holds any real property in Israel. See "Item 1 -- Recent Developments -- Sale of The Jerusalem Post."

Canadian Newspaper Group

The Canadian Newspaper Group's newspapers are produced and published at numerous facilities throughout Canada.

Investment and Corporate Group

The Investment and Corporate Group has 3,803 square feet of office space leased at 712 Fifth Avenue in New York, New York. This lease expires in May 2007. The Investment and Corporate Group also leases 4,927 square feet of office space in Toronto, Ontario. This lease expires in April 2005. The Company is currently relocating the functions performed in the Toronto office to Chicago, Illinois.

## Item 3.Legal Proceedings

### Stockholder Derivative Litigation

On December 9, 2003, Cardinal Value Equity Partners, L.P., a stockholder of the Company, initiated a purported derivative action on behalf of the Company against certain current and former executive officers and directors, including Black and certain entities affiliated with them, and against the Company as a "nominal" defendant.

This action, which was filed in the Court of Chancery for the State of Delaware in and for New Castle County and is entitled Cardinal Value Equity Partners, L.P. v. Black, et al., asserts causes of action that include breach of fiduciary duty, misappropriation of corporate assets and self-dealing in connection with certain "non-competition" payments, the payment of allegedly excessive management and services fees, and other alleged misconduct. The plaintiff is seeking unspecified money damages. This action has been stayed since January 2004. It is not yet possible to determine the ultimate outcome of this action.

### Stockholder Class Actions

In February and April 2004, three alleged stockholders of the Company (Teachers' Retirement System of Louisiana, Kenneth Mozingo, and Washington Area Carpenters Pension and Retirement Fund) initiated purported class actions suits in the United States District Court for the Northern District of Illinois against the Company, Black, certain former executive officers and certain current and former directors of the Company, Hollinger Inc., Ravelston and certain affiliated entities and KPMG LLP, the Company's independent registered public accounting firm. On July 9, 2004, the Court consolidated the three actions for pretrial purposes. The consolidated action is entitled In re Hollinger Inc. Securities Litigation, No. 04C-0834. Plaintiffs filed an amended consolidated class action complaint on August 2, 2004, and a second consolidated amended class action complaint on November 19, 2004. The named plaintiffs in the second consolidated amended class action complaint are Teachers' Retirement System of Louisiana, Washington Area Carpenters Pension and Retirement Fund, and E. Dean Carlson. They are purporting to sue on behalf of an alleged class consisting of themselves and all other purchasers of securities of the Company between and including August 13, 1999 and December 11, 2002. The second consolidated amended class action complaint asserts claims under federal and Illinois securities laws and claims of breach of fiduciary duty and aiding and abetting in breaches of fiduciary duty in connection with misleading disclosures and omissions regarding: certain "non-competition" payments, the payment of allegedly excessive management fees, allegedly inflated circulation figures at the Chicago Sun-Times, and other alleged misconduct. The complaint seeks unspecified money damages, rescission, and an injunction against future violations. This consolidated action is in a preliminary stage, and it is not yet possible to determine its ultimate outcome.

On September 7, 2004, a group allegedly comprised of those who purchased stock in one or more of the defendant corporations, initiated purported class actions by issuing Statements of Claim in Saskatchewan and Ontario, Canada. The Saskatchewan claim, issued in that province's Court of Queen's Bench, and the Ontario claim, issued in that province's Superior Court of Justice, are identical in all material respects. The defendants include the Company, certain current and former directors and officers of the Company, Hollinger Inc., Ravelston and certain affiliated entities, Torys LLP, the Company's former legal counsel, and KPMG LLP. The plaintiffs allege, among other things, breach of fiduciary duty, violation of the Ontario Securities Act, 1988, S-42.2, and breaches of obligations under the Canadian Business Corporations Act, R.S.O. 1985, c. C.-44 and seek unspecified money damages. These actions are in preliminary stages and it is not yet possible to determine their ultimate outcome.

### Tweedy Browne Litigation

On December 2, 2003, Tweedy, Browne Global Value Fund and Tweedy Browne (together, the "Tweedy Browne Plaintiffs"), stockholders of the Company, initiated an action against the Company in the Court of Chancery for the State of Delaware in and for Castle County to recover attorneys' fees and costs in connection with informal inquiries and other investigations performed by and on behalf of the Tweedy Browne Plaintiffs concerning conduct that subsequently has been and continues to be investigated by the Special Committee.

The Tweedy Browne Plaintiffs are seeking an award of attorneys' fees "commensurate with the corporate benefits that have been or will be conferred on the Company as a result of the efforts undertaken by plaintiffs and their counsel." This action has been stayed since January 2004. This action is in a preliminary stage, and it is not yet possible to determine its ultimate outcome.

Litigation Involving Controlling Stockholder, Senior Management and Directors

On January 28, 2004, the Company, through the Special Committee, filed a civil complaint in the United States District Court for the Northern District of Illinois asserting breach of fiduciary duty and other claims against Hollinger Inc., Ravelston, RMI, Black, Radler and Boultbee, which complaint was amended on May 7, 2004. The action is entitled Hollinger International Inc. v. Hollinger Inc., et al., Case No. 04C-0698. The amended complaint added certain other defendants, including Amiel Black and Colson, sought approximately $484.5 million in damages, including approximately $103.9 million in pre-judgment interest, and also included claims under RICO, which provides for a trebling of damages and attorney's fees. On October 8, 2004, the court granted the defendants' motion to dismiss the RICO claims and also dismissed the remaining claims without prejudice on jurisdictional grounds. On October 29, 2004, the Company filed a second amended complaint seeking to recover approximately $542.0 million in damages, including prejudgment interest of approximately $117.0 million, and also punitive damages, on breach of fiduciary duty, unjust enrichment, conversion, fraud, and civil conspiracy claims asserted in connection with transactions described in the Report of the Special Committee, including unauthorized "non-competition" payments, excessive management fees, sham broker fees and investments and divestitures of Company assets. The second amended complaint also adds Perle, a Director of the Company, as a defendant and eliminated as defendants certain companies affiliated with Black and Radler. The second amended complaint alleges that Perle breached his fiduciary duties while serving as a member of the executive committee of the Company's Board of Directors by, among other things, signing written consents purporting to authorize various related party transactions, without reading, evaluating or discussing those consents; without negotiating or evaluating the related party transactions he was approving; and without taking steps to ensure that those transactions were presented to and reviewed by the Company's audit committee. The Company is seeking to appeal the dismissal of the RICO claims. On December 13, 2004, defendants Hollinger Inc., Ravelston, RMI, Black, Radler, Boultbee, and Amiel Black moved to dismiss the second amended complaint for failure to join as parties the other companies affiliated with Black and Radler that had previously been named as defendants. Defendants assert that these companies are indispensable to the litigation but that their presence would deprive the court of jurisdiction. Black, Hollinger Inc., Colson and Perle also moved individually to dismiss the complaint on various grounds, including failure to state a claim for relief, lack of personal jurisdiction and res judicata. The motions are pending. This action is in a preliminary stage and it is not yet possible to determine its ultimate outcome.

Hollinger International Inc. v. Conrad M. Black, Hollinger Inc., and 504468 N.B. Inc.

On January 26, 2004, the Company filed a complaint against Black, Hollinger Inc. and an affiliated entity in the Court of Chancery of the State of Delaware in and for New Castle County. In this action, the Company sought relief declaring: (i) that a written consent by defendants purporting to abolish the Corporate Review Committee and to amend the Company's bylaws was invalid; (ii) that the SRP adopted by the Corporate Review Committee on January 25, 2004 was valid; and (iii) that, under the Hollinger Sale, the shares of Class B Common Stock held by Hollinger Inc. would convert to shares of Class A Common Stock. The Company's complaint also asserted claims that defendants breached their fiduciary duties to the Company and breached the terms of the Restructuring Agreement through their activities in connection with the Hollinger Sale and the purported bylaw amendments.

On February 3, 2004, defendants filed a counterclaim against the Company, members of the Company's Corporate Review Committee, and Breeden, advisor and counsel to the Special Committee. In their counterclaim, defendants sought declaratory relief declaring that their bylaw amendments were valid and that the SRP and other actions by the Corporate Review Committee were invalid. Defendants also asserted claims of breach of fiduciary duty, misrepresentation, tortious interference with the Hollinger Sale, breach of the



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Restructuring Agreement, and violation of the just compensation and due process provisions of the Fourteenth Amendment to the U.S. Constitution. In addition to declaratory and injunctive relief, defendants sought unspecified damages.

On March 4, 2004, the Court of Chancery entered an order and judgment declaring that Hollinger Inc.'s purported amendments to the Company's bylaws were invalid, that the Corporate Review Committee was and remained duly constituted, and that the SRP was valid. The Court of Chancery's order also dismissed defendants' breach of fiduciary duty, tortious interference, and Fourteenth Amendment counterclaims and preliminarily enjoined the defendants from taking any action to consummate any transaction in violation of the provisions of the Restructuring Agreement, including the Hollinger Sale and any other breaches of the Restructuring Agreement by defendants.

The Company subsequently moved for summary judgment on the remaining claims and to make the injunctive relief permanent. On June 28, 2004, the Court of Chancery entered an order and final judgment, granting summary judgment to the Company on its breach of fiduciary duty and breach of contract claims and dismissing defendants' remaining counterclaims. The order and final judgment required payments by defendants to the Company totaling $29.8 million in respect of amounts to be reimbursed to the Company pursuant to the Restructuring Agreement, and extended the previously entered injunctive relief through October 31, 2004. On July 16, 2004, defendants made the payments required under the order and final judgment, but have filed notices of appeal of the Court's rulings to the Delaware Supreme Court. The appeals are pending. It is not yet possible to determine the ultimate outcome of the appeals.

On October 29, 2004, the Company, Hollinger Inc. and Black entered into the Extension Agreement to voluntarily extend the injunction until the earlier of January 31, 2005 or the date of the completion of a distribution by the Company to its stockholders of a portion of the proceeds of the Company's sale of the Telegraph Group remaining as of October 26, 2004, net of taxes to be paid on the sale of the Telegraph Group and less amounts used to pay down the Company's indebtedness, through one or more of a dividend, a self-tender offer, or some other mechanism. On October 30, 2004, the court issued an order extending the injunction as provided in, and incorporating the other terms of, the Extension Agreement.

Hollinger Inc. v. Hollinger International Inc.

On July 1, 2004, Hollinger Inc. and 504468 N.B. Inc. filed an action in the Court of Chancery for the State of Delaware alleging that the Company violated 8 Del. Code $ 271 and engaged in inequitable conduct by not seeking stockholder approval of the proposed sale of the Telegraph Group. Plaintiffs sought preliminary injunctive relief to block the sale unless it was approved by the holders of a majority of the voting power of the Company's common stock, and an award of costs and attorneys' fees. The Court of Chancery denied Hollinger Inc.'s motion in an opinion issued on July 29, 2004. That same day, plaintiffs moved before the Chancery Court and Delaware Supreme Court for leave to file an interlocutory appeal and an injunction pending appeal. Both courts denied the motions and the matter is completed.

Black v. Hollinger International Inc., filed on March 18, 2004

On March 18, 2004, Black filed an action against the Company in the Court of Chancery of the State of Delaware seeking advancement of legal fees and expenses he purportedly incurred and continues to incur in connection with the SEC and Special Committee investigations and various litigations that he is involved in. In May 2004, the parties entered a stipulation resolving the matter. The Company agreed to pay half of Black's legal fees in certain actions in which he is a defendant, pursuant to itemized invoices submitted with sworn affidavits and subject to his undertaking that he will repay the amounts advanced to him if and to the extent it is ultimately determined that he is not entitled to indemnification under the terms of the Company's bylaws.

Black v. Hollinger International Inc., filed on April 5, 2004

On April 5, 2004, Black filed an action against the Company in the U.S. District Court for the Northern District of Illinois alleging that the Company breached its obligations to Black under three stock option plans.



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The complaint seeks (i) specific performance or damages for the alleged breaches, (ii) damages for the Company's alleged failure to issue to Black 145,000 and 1,218,750 shares of Class A Common Stock upon alleged exercises by Black of options on February 13, 2004 and April 2, 2004, respectively, and (iii) declaratory judgment that Black's removal as Chairman of the Company and from the Telegraph Group Limited did not constitute termination of employment under the 1997 Stock Option Plan and that his options must be treated equally with those of other executive officers and directors of the Company. The total damages sought are (i) the highest value of 145,000 shares of Class A Common Stock after February 13, 2004, plus prejudgment interest, and (2) the highest value of 1,218,750 shares of Class A Common Stock after April 2, 2004, less the option exercise price, plus prejudgment interest. On November 11, 2004, the Court dismissed the action without prejudice, granting Black leave to refile his claims as counterclaims in Hollinger International Inc. v. Hollinger Inc., et al., Case No. 04C-0698, which is described above under "-- Litigation Involving Controlling Stockholder, Senior Management and Directors."

Hollinger International Inc. v. Ravelston, RMI and Hollinger Inc.

On February 10, 2004, the Company commenced an action in the Ontario Superior Court of Justice (Commercial List) against Ravelston, RMI and Hollinger Inc. This action claimed access to and possession of the Company's books and records maintained at 10 Toronto Street, Toronto, Ontario, Canada. The parties negotiated and executed a Protocol dated March 25, 2004, providing for access and possession by the Company to the claimed records.

On March 5, 2004, a statement of defense and counterclaim was issued by Ravelston and RMI against the Company and two of its subsidiaries, Publishing and HCPH Co. The counterclaim seeks damages in the amount of approximately $174.3 million for alleged breaches of the services agreements between the parties and for alleged unjust enrichment and tortious interference with economic relations by reason of those breaches. On March 10, 2004, Hollinger Inc. filed a statement of defense and counterclaim against the Company seeking Cdn.$300.0 million, claiming that by the Company's refusal to pay its obligations under its services agreement with Ravelston, the Company intended to cause Ravelston to default in its obligations to Hollinger Inc. under a support agreement between Ravelston and Hollinger Inc., and intended to cause Hollinger Inc. to default on its obligations under its outstanding notes, with the resulting loss of its majority control of the Company.

On May 6, 2004, Ravelston served a motion for an anti-suit injunction, seeking to restrain the Company from continuing the Illinois litigation against it and from bringing any claims against Ravelston arising out of the management of the Company other than in Ontario. On May 28, 2004, the Company served a notice of cross-motion seeking a temporary stay of the Ravelston and Hollinger Inc. counterclaims pending final resolution of the proceedings in Illinois and Delaware. Ravelston's motion and the Company's cross-motion were heard on June 29-30, 2004 at the Ontario Superior Court of Justice, Commercial List. On August 11, 2004, the court denied Ravelston's motion and granted the Company's cross-motion. On August 18, 2004, Ravelston and Hollinger Inc. appealed to the Ontario Court of Appeal. The appeals are scheduled to be heard on February 22, 2005. On September 21, 2004, the Company served a motion on Hollinger Inc. and Ravelston, seeking to quash their appeals to the Ontario Court of Appeal for want of jurisdiction. On November 30, 2004, the appeals to the Ontario Court of Appeal were quashed. Ravelston and Hollinger Inc. were required to deliver notices of motion in support of a motion for leave to appeal to the Divisional Court by December 30, 2004. Ravelston delivered such a notice of motion on December 20, 2004, but Hollinger Inc. has not delivered such a notice and is therefore not proceeding with an appeal of the stay of its counterclaim. Ravelston's motion for leave has not yet been scheduled but will likely be heard some time in February of 2005.

Black v. Breeden, et al.

Five defamation actions have been brought by Black in the Ontario Superior Court of Justice against Breeden, Richard C. Breeden & Co., Paris, James Thompson, Richard Burt, Graham Savage and Raymond Seitz. The first case was filed on February 13, 2004; the second and third cases were filed on March 11, 2004; the fourth case was filed on June 15, 2004; and the fifth case was filed on October 6, 2004. The fifth case does not name James Thompson and Richard Burt as defendants but adds Paul B. Healy as a defendant. Damages in the amount of Cdn.$850.0 million are sought in the first and second case; damages in the amount of Cdn.$110.0 million are sought in the third and fourth case; and Cdn$1.0 billion in general damages and Cdn$100.0 million in punitive damages are sought in the fifth case. Black has agreed to a stay of these actions pending the determination of the proceedings and appeals of the cases pending before the Delaware Court of Chancery described above.

The defendants named in the five defamation actions have indemnity claims against the Company for all reasonable costs and expenses they incur in connection with these actions, including judgments, fines and settlement amounts. In addition, the Company is required to advance legal and other fees that the defendants may incur in relation to the defense of those actions.

The Company agreed to indemnify Breeden and Richard C. Breeden & Co. against all losses, damages, claims and liabilities they may become subject to, and reimburse reasonable costs and expenses as they are incurred, in connection with the services Breeden and Richard C. Breeden & Co. are providing in relation to the Special Committee's ongoing investigation.

United States Securities and Exchange Commission v. Hollinger International Inc.

On January 16, 2004, the Company consented to the entry of a partial final judgment and order of permanent injunction against the Company in an action brought by the SEC in the U.S. District Court for the Northern District of Illinois. The Court Order enjoins the Company from violating provisions of the Exchange Act, including the requirements to file accurate annual reports on Form 10-K and quarterly reports on Form 10-Q and keep accurate books and records. The Court Order requires the Company to have the previously appointed Special Committee complete its investigation and to permit the Special Committee to take whatever actions it, in its sole discretion, thinks necessary to fulfill its mandate. The Court Order also provides for the automatic appointment of Breeden as Special Monitor of the Company under certain circumstances, including the adoption of any resolution that discharges the Special Committee before it completes its work, diminishes or limits the powers of the Special Committee or narrows the scope of its investigations or review, or if any directors are removed prior to the end of their term, or there is a failure to nominate or re-elect any incumbent director (unless such director voluntarily decides not to seek nomination or re-election to the Board of Directors), or there is an election of any new person as a director unless such action is approved by 80% of the then incumbent directors. On January 26, 2004, Hollinger Inc. filed a motion to vacate certain parts of the Court Order that limit its rights as stockholder. The Court denied Hollinger Inc.'s motion on May 17, 2004.

The Company has received various subpoenas and requests from the SEC and other agencies seeking the production of documentation in connection with various investigations into the Company's governance, management and operations. The Company is cooperating fully with these investigations and is complying with these requests.

United States Securities and Exchange Commission v. Conrad M. Black, et al.

On November 15, 2004, the SEC filed an action in the United States District Court for the Northern District of Illinois against Black, Radler and Hollinger Inc. seeking injunctive, monetary and other equitable relief. In the action, the SEC alleges that the three defendants violated federal securities laws by engaging in a fraudulent and deceptive scheme to divert cash and assets from the Company and to conceal their self-dealing from the Company's public stockholders from at least 1999 through at least 2003. The SEC also alleges that Black, Radler and Hollinger Inc. were liable for the Company's violations of certain federal securities laws at least during this period.

The SEC alleges that the scheme used by Black, Radler and Hollinger Inc. included the misuse of so-called "non-competition" payments to divert $85.0 million from the Company to defendants and others; the sale of certain publications owned by the Company at below-market prices to a privately-held company controlled by Black and Radler; the investment of $2.5 million of the Company's funds in a venture capital fund with which Black and two other directors of the Company were affiliated; and Black's approval of a press release by the Company in November 2003 in which Black allegedly misled the investing public about his



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intention to devote his time to an effort to sell the Company assets for the benefit of all of the Company's stockholders and not to undermine that process by engaging in transactions for the benefit of himself and Hollinger Inc. The SEC further alleges that Black and Radler misrepresented and omitted to state material facts regarding related party transactions to the Company's Audit Committee and Board of Directors and in the Company's SEC filings and at the Company's stockholder meetings.

The SEC's complaint seeks: (i) disgorgement of ill-gotten gains by Black, Radler and Hollinger Inc. and unspecified civil penalties against each of them; (ii) an order enjoining Black and Radler from serving as an officer or director of any issuer required to file reports with the SEC; (iii) a voting trust upon the shares of the Company held directly or indirectly by Black and Hollinger Inc.; and (iv) an order enjoining Black, Radler and Hollinger Inc. from further violations of the federal securities laws.

The Chicago Sun-Times Circulation Cases

On June 15, 2004, the Company announced that the Audit Committee had initiated an internal review into practices that resulted in the overstatement of circulation figures for the Chicago Sun-Times. Following that announcement, a number of lawsuits were filed against the Company, among others defendants. Several of the suits are brought on behalf of a purported class comprised of all persons who purchased advertising space in the Chicago Sun-Times during the period in which circulation figures were overstated. The complaints allege that the Chicago Sun-Times improperly overstated its circulation and that advertisers overpaid for advertising in the newspaper as a result. The complaints variously allege theories of recovery based on breach of contract, unjust enrichment, civil conspiracy, conversion, negligence, breach of fiduciary duty, common law and statutory fraud, and violations of the federal RICO statute. The complaints seek injunctive and declaratory relief, unspecified actual, treble, and punitive damages, interest, attorneys' fees and costs, and other relief.

A number of the actions were filed in the Circuit Court of Cook County, Illinois, including the following purported class action cases filed in the County Department, Chancery Division: Central Furniture, Inc. v. Hollinger International, Inc. and Chicago Sun-Times, Inc., No. 04 CH 9757; Ronald Freeman d/b/a Professional Weight Clinic Inc. v. Hollinger International, Inc. and Chicago Sun-Times, Inc., No. 04 CH 9763; Card & Party Mart II Ltd. v. Hollinger International Inc. and Chicago Sun-Times, Inc., No. 04 CH 9824; Geier Enterprises, Inc. v. Chicago Sun-Times, Inc. and Hollinger International, Inc. No. 04 CH 10032; California Floor Coverings d/b/a Olympic Carpet v. Chicago Sun-Times, Inc., No. 04 CH 10048; BNB Land Venture, Inc. v. Chicago Sun-Times, Inc., Hollinger International Publishing Inc. and Docs 1-5, No. 04 CH 10284; Gleason & McMaster LLC v. Chicago Sun-Times, Inc. and Hollinger International Inc., No. 04 CH 10581; James Rolshouse & Assoc. PLLC v. Hollinger International Inc., Chicago Sun-Times, Inc. and The Sun-Times Co., No. 04 CH 11019; and Mark Triffler Oldsmobile, Inc. et al. v. Hollinger International Inc. and Chicago Sun-Times, Inc., 04 CH 12714. The above-stated cases were filed between June 15, 2004 and August 31, 2004, and an Amended Consolidated Complaint under the heading In re: Chicago Sun-Times Circulation Litigation was filed on October 12, 2004. The Amended Consolidated Complaint lists defendants Chicago Sun-Times, Inc. and Hollinger International Inc., and adds Midwest Suburban Publishing, Inc. Two additional purported class action cases are pending in the County Department, Chancery Division: International Profit Assocs., Inc., v. Chicago Sun-Times, Inc. and Hollinger International Inc., 04 CH 17964, filed October 29, 2004; and Business Pro Communications, Inc. v. Hollinger Inc., Hollinger International Inc. and The Sun-Times Co., 04 CH 19930, filed December 1, 2004. Additionally, the following individual actions were brought in the Circuit Court of Cook County: First Federal Auto Auction, Inc. v. Chicago Sun-Times, Inc., Hollinger International Inc. and F. David Radler, No. 04 L 7501, filed July 2, 2004; American Mattress, Inc. v. Hollinger International Inc. and Chicago Sun-Times, Inc., No. 04 L 7790, filed July 12, 2004; National Foundation for Abused and Neglected Children, Inc. v. Chicago Sun-Times, Inc., Hollinger International Inc. and F. David Radler, No. 04 L 7948, filed July 15, 2004; Joe Rizza Lincoln Mercury, Inc. et al. v. Chicago Sun-Times, Inc., 04 L 11657, filed October 14, 2004; Chicago Sun-Times, Inc. v. Oral Sekendur, 03 M1 170004, circulation-related claims filed October 12, 2004. One case was filed in the United States District Court for the Northern District of Illinois: AJE's the Salon, Inc. v. The Sun-Times, Co., Hollinger International Inc. and F. David Radler, 04 C 4317, filed June 28, 2004. The AJE's the Salon,



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Inc. case was voluntarily dismissed. The parties in the consolidated class action case have agreed to mediate in an attempt to settle the case and are conducting discovery. Motions to dismiss have been filed with respect to some of the cases and it is anticipated that similar motions will be filed in the balance of the pending cases. Overall, the cases are in preliminary stages and it is not yet possible to determine their ultimate outcome.

On October 5, 2004, the Company announced the results of the Audit Committee's internal review. The review of the Audit Committee determined that weekday and Sunday average circulation of the Chicago Sun-Times, as reported in the audit reports issued by ABC commencing in 1998, had been overstated. The Audit Committee found no overstatement of Saturday circulation data. The inflated circulation figures were submitted to ABC, which then reported these figures in its annual audit reports issued with respect to the Chicago Sun-Times.

The Chicago Sun-Times announced a plan intended to make restitution to its advertisers for losses associated with the overstatements in the ABC circulation figures. To cover the estimated cost of restitution and settlement of the related lawsuits, the Company recorded a pre-tax charge of approximately $24.1 million for 2003 and approximately $2.9 million for the first quarter of 2004. The Company will evaluate the adequacy of the accruals as negotiations with advertisers proceed. The impact of restitution on the ultimate outcome of the pending litigation is not possible to determine at this time.

CanWest Arbitration

On December 19, 2003, CanWest commenced notices of arbitration against the Company and others with respect to disputes arising from CanWest's purchase of certain newspaper assets from the Company. CanWest claims the Company and certain of its direct subsidiaries owe CanWest approximately Cdn.$83.2 million. The Company believes that it has valid defenses to this claim, as well as significant counterclaims against CanWest. The arbitration is in preliminary stages, and it is not yet possible to determine its ultimate outcome.

CanWest and The National Post Company v. Hollinger Inc., Hollinger International Inc., the Ravelston Corporation Limited and Ravelston Management Inc.

On December 17, 2003, CanWest and The National Post Company brought an action in the Ontario Superior Court of Justice against the Company and others for approximately Cdn.$25.7 million plus interest in respect of issues arising from a letter agreement dated August 23, 2001 to transfer the Company's remaining 50% interest in the National Post to CanWest. In August 2004, The National Post Company obtained an order for partial summary judgment ordering the Company to pay The National Post Company Cdn.$22.5 million plus costs and interest. On November 30, 2004 the Company settled the appeal of the partial summary judgment by paying The National Post Company the amount of Cdn.$26.5 million. This amount includes payment of the Cdn.$22.5 million in principal plus interest and related costs. The two remaining matters in this action consist of a claim for Cdn.$2.5 million for capital and operating requirements of The National Post Company and a claim for Cdn.$752,000 for newsprint rebates. Exchange of documents and examinations for discovery in respect of these remaining matters is expected to proceed in early 2005.

Other Actions

The Company and members of the Special Committee have had a suit filed against them before the Ontario Superior Court of Justice by Boultbee, former Executive Vice-President with the Company whose position as an officer was terminated in November of 2003. In November 2003, the Special Committee found that Boultbee received approximately $600,000 of "non-competition" payments that had not been appropriately authorized by the Company. The Company was unable to reach a satisfactory agreement with Boultbee for, among other things, repayment of these amounts and as a result, terminated his position as an officer of the Company. Boultbee is asserting claims for wrongful termination, indemnification for legal fees, breach of contract relating to stock options and loss of reputation, and is seeking approximately Cdn.$16.1 million from the defendants. The action is in its preliminary stages, and it is not yet possible to determine its ultimate outcome. On November 18, 2004, the Company and Boultbee resolved Boultbee's claim for advancement and



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indemnification of legal fees, as part of which Boultbee agreed to discontinue this portion of his claim. The Company is bringing a motion to stay this action until the litigation in Illinois involving the Company, Boultbee and others has been concluded. See "-- Litigation Involving Controlling Stockholder, Senior Management and Directors." Although the Company's motion documents have not yet been served, time has been reserved with the court for the hearing of this motion on April 25, 2005.

On November 3, 2004, Wells Fargo Bank Northwest, N.A. and Key Corporate Capital Inc. filed an action in the Supreme Court of the State of New York, in Albany County, against Sugra (Bermuda) Limited ("Sugra Bermuda"), which is a subsidiary of Publishing, and against Hollinger Inc. The action, alleges that Sugra Bermuda defaulted under the terms of a 1995 aircraft lease agreement, and that Hollinger Inc. is a guarantor of Sugra Bermuda's obligations under the lease. Plaintiffs are seeking $5.1 million in damages, plus interest at the rate of 18 percent per annum and attorneys' fees. On December 20, 2004, Hollinger Inc. removed the action from state court to the United States District Court for the Northern District of New York. This action, which is entitled Wells Fargo Bank Northwest, N.A. v. Sugra (Bermuda) Limited and Hollinger Inc., No. 1:04-cv-01436-GLD-DRH (N.D.N.Y.), is in a preliminary stage, and it is not yet possible to determine its ultimate outcome.

During 2002, the largest customer of The Jerusalem Post, the Golden Pages, effectively terminated its agreement with The Jerusalem Post for publication of the Golden Pages by failing to submit orders as required. An action was commenced in the District Court of Tel Aviv by The Jerusalem Post in early 2003 alleging breach of contract. Although significant to The Jerusalem Post, the loss of revenue has not had a material impact on the Company's business, as a whole. With the completion of the sale of The Palestine Post Limited on December 15, 2004, the Company no longer has pending claims or liabilities relating to this action.

The Company becomes involved from time to time in various claims and lawsuits incidental to the ordinary course of business, including such matters as libel, defamation and privacy actions. In addition, the Company is involved from time to time in various governmental and administrative proceedings with respect to employee terminations and other labor matters, environmental compliance, tax and other matters.

Management believes that the outcome of any pending claims or proceedings described under "Other Actions" will not have a material adverse effect on the Company taken as a whole.

## Item 4.Submission of Matters to a Vote of Security Holders

None.

# PART II

## Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company's Class A Common Stock is listed on the New York Stock Exchange under the trading symbol "HLR." At December 31, 2004 there were 75,687,055 shares of Class A Common Stock outstanding, excluding 12,320,967 shares held by the Company, and these shares were held by approximately 190 holders of record and approximately 4,500 beneficial owners. As of December 31, 2004, 14,990,000 shares of Class B Common Stock were outstanding, all of which were owned by Hollinger Inc.

The following table sets forth for the periods indicated the high and low sales prices for shares of the Class A Common Stock as reported by the New York Stock Exchange Composite Transactions Tape for the period since January 1, 2002, and the cash dividends paid per share on the Class A Common Stock.

| Calendar Period | Price Range High | Price Range Low | Cash Dividends Paid Per Share |
|---|---|---|---|
| 2002 | | | |
| First Quarter | $13.54 | $11.00 | $ 0.1375 |
| Second Quarter | 13.75 | 11.15 | 0.11 |
| Third Quarter | 12.10 | 9.04 | 0.11 |
| Fourth Quarter | 10.81 | 8.65 | 0.05 |
| 2003 | | | |
| First Quarter | $10.73 | $ 7.54 | $ 0.05 |
| Second Quarter | 11.70 | 7.89 | 0.05 |
| Third Quarter | 13.65 | 10.45 | 0.05 |
| Fourth Quarter | 16.12 | 11.90 | 0.05 |
| 2004 | | | |
| First Quarter | $19.81 | $14.25 | $ 0.05 |
| Second Quarter | 20.50 | 15.81 | 0.05 |
| Third Quarter | 17.75 | 15.60 | 0.05 |
| Fourth Quarter | 18.95 | 15.38 | 0.05 |

On December 31, 2004, the closing price of the Company's Class A Common Stock was $15.68 per share.

Each share of Class A Common Stock and Class B Common Stock is entitled to receive dividends if, as and when declared by the Board of Directors of the Company. Dividends must be paid equally, share for share, on both the Class A Common Stock and the Class B Common Stock at any time that dividends are paid.

As a holding company, the Company's ability to declare and pay dividends in the future with respect to its Common Stock will be dependent, among other factors, upon its results of operations, financial condition and cash requirements, the ability of its United States and foreign subsidiaries to pay dividends and make payments to the Company under applicable law and subject to restrictions contained in future loan agreements and other financing obligations to third parties relating to such United States or foreign subsidiaries of the Company, as well as foreign and United States tax liabilities with respect to dividends and payments from those entities. The Company has paid all dividends that have been declared during 2003 and to date in 2004, except for the special and regular dividends declared on December 16, 2004 which are payable on January 18, 2005.

## Equity Compensation Plan Information

| Plan Category | Number of Securities to Be Issued upon Exercise of Outstanding Options, Warrants and Rights | Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights | Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a)) |
|---|---|---|---|
| | (a) | | |
| Equity compensation plans approved by security holders | 9,674,113 | $ 11.62 | 987,967 |
| Equity compensation plans not approved by security holders | -- | -- | -- |
| Total | 9,674,113 | $ 11.62 | 987,967 |

See Note 15 to the Company's Consolidated Financial Statements herein for the summarized information about the Company's equity compensation plans.

### Recent Sales of Unregistered Securities

None.

## Item 6.Selected Financial Data

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2003 | 2002 | 2001 | 2000 | 1999 |
| | (In thousands, except per share amounts) | | | | |
| | | Restated (6) | Restated (6) | Restated (6) | Restated (6) |
| Statement of Operations Data(1): | | | | | |
| Operating revenues: | | | | | |
| Advertising | $ 733,826 | $ 710,849 | $ 804,462 | $1,543,882 | $1,557,033 |
| Circulation | 277,264 | 247,175 | 278,321 | 447,050 | 487,002 |
| Job printing | 16,427 | 16,669 | 25,092 | 59,089 | 48,207 |
| Other | 33,686 | 31,469 | 38,446 | 45,998 | 55,160 |
| Total operating revenues | 1,061,203 | 1,006,162 | 1,146,321 | 2,096,019 | 2,147,402 |
| Operating costs and expenses | 996,333 | 891,903 | 1,108,576 | 1,751,637 | 1,809,192 |
| Depreciation and amortization(2) | 54,853 | 54,152 | 73,728 | 122,634 | 125,408 |
| Operating income (loss) | 10,017 | 60,107 | (35,983) | 221,748 | 212,802 |
| Interest expense | (55,559) | (58,772) | (78,639) | (142,713) | (131,600) |
| Amortization of deferred financing costs | (2,855) | (5,585) | (10,367) | (10,469) | (16,209) |
| Interest and dividend income | 25,411 | 18,782 | 64,893 | 18,536 | 7,716 |
| Other income (expense), net(3) | 75,641 | (172,783) | (303,318) | 522,955 | 331,581 |
| Earnings (loss) before income taxes, minority interest, and cumulative effect of change in accounting principle | 52,655 | (158,251) | (363,414) | 610,057 | 404,290 |
| Income taxes (benefit) | 121,638 | 50,132 | (23,038) | 408,423 | 151,850 |
| Earnings (loss) before minority interest and cumulative effect of change in accounting principle | (68,983) | (208,383) | (340,376) | 201,634 | 252,440 |
| Minority interest | 5,325 | 2,167 | (13,803) | 50,760 | 7,088 |
| Earnings (loss) before cumulative effect of change in accounting principle | (74,308) | (210,550) | (326,573) | 150,874 | 245,352 |
| Cumulative effect of change in accounting principle | -- | (20,079) | -- | -- | -- |
| Net earnings (loss) | $ (74,308) | $ (230,629) | $ (326,573) | $ 150,874 | $ 245,352 |
| Diluted earnings (loss) per share from operations(4) | $ (0.85) | $ (2.40) | $ (3.31) | $ 1.35 | $ 2.09 |
| Cash dividends per share paid on Class A and Class B Common Stock | $ 0.20 | $ 0.41 | $ 0.55 | $ 0.55 | $ 0.55 |

| | As of December 31, 2003 | 2002 Restated (6) | 2001 Restated (6) | 2000 Restated (6) | 1999 Restated (6) |
|---|---|---|---|---|---|
| | (In thousands) | | | | |
| Balance Sheet Data(1): | | | | | |
| Working capital (deficiency) | $ (354,314) | $ (197,450) | $ 144,950 | $ (259,493) | $ (107,433) |
| Total assets(5) | 1,800,179 | 2,185,772 | 2,083,741 | 2,831,889 | 3,503,024 |
| Minority interest | 28,255 | 17,097 | 16,084 | 89,228 | 155,901 |
| Long-term debt, less current installments | 522,547 | 574,658 | 809,652 | 807,495 | 1,613,241 |
| Redeemable preferred stock | -- | 8,650 | 8,582 | 13,088 | 13,591 |
| Total stockholders' equity | 36,776 | 149,783 | 377,506 | 901,145 | 911,869 |

| | Year ended December 31, 2003 | 2002 Restated (6) | 2001 | 2000 | 1999 |
|---|---|---|---|---|---|
| | (In thousands) | | | | |
| Segment Data(1): | | | | | |
| Operating revenues: | | | | | |
| Chicago Group | $ 450,789 | $ 441,778 | $ 442,884 | $ 401,417 | $ 390,473 |
| Community Group | 10,397 | 13,231 | 19,115 | 67,336 | 96,674 |
| U.K. Newspaper Group | 519,475 | 481,527 | 486,374 | 562,068 | 550,474 |
| Canadian Newspaper Group | 80,542 | 69,626 | 197,948 | 1,065,198 | 1,109,781 |
| Total operating revenues | $1,061,203 | $1,006,162 | $1,146,321 | $2,096,019 | $2,147,402 |
| Operating income (loss): | | | | | |
| Chicago Group | $ 24,514 | $ 38,598 | $ 4,962 | $ 29,215 | $ 43,126 |
| Community Group | (6,601) | (5,218) | (4,487) | 3,456 | 9,893 |
| U.K. Newspaper Group | 40,683 | 48,079 | 27,850 | 89,542 | 65,635 |
| Canadian Newspaper Group | (4,983) | (2,137) | (45,954) | 115,619 | 109,416 |
| Investment and Corporate Group | (43,596) | (19,215) | (18,354) | (16,084) | (15,268) |
| Total operating income (loss) | $ 10,017 | $ 60,107 | $ (35,983) | $ 221,748 | $ 212,802 |

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(1) The financial data as of December 31, 2003 and 2002 and for each of the years in the three-year period ended December 31, 2003 are derived from, and should be read in conjunction with, the audited consolidated financial statements of the Company and the notes thereto appearing elsewhere herein. The financial data as of December 31, 2001, 2000 and 1999 and for the years ended December 31, 2000 and 1999 are derived from audited financial statements not presented separately herein, which financial data have been adjusted as necessary for the effects of the restatements described in (6) below. The Company made several significant dispositions during the years 1999 to 2001. In 2001, the Company sold its remaining interest in the National Post to CanWest and several Canadian newspapers to Osprey Media. These dispositions account for the significant decrease in "Total operating revenues", "Operating costs and expenses" and "Depreciation and amortization."

(2) Effective January 1, 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142") As a consequence, the Company no longer amortizes goodwill and intangible assets with indefinite useful lives. See Note 1(i) of Notes to Consolidated Financial Statements.

(3)The principal components of "Other income (expense), net" are presented below:

| | 2003 | 2002 | 2001 | 2000 | 1999 |
|---|---|---|---|---|---|
| | (in thousands) | | | | |
| Foreign currency gains (losses), net | $114,103 | $ (86,858) | $ (1,259) | $(16,048) | $ 13,774 |
| Equity in losses of affiliates | (6,247) | (1,005) | (15,098) | (20,340) | (2,106) |
| Net gains (losses) on sales of publishing interests | (6,251) | -- | (1,236) | 564,702 | 270,017 |
| Net gains (losses) on sale of investments | 3,578 | -- | (147,213) | 32,569 | -- |
| Net gains (losses) on sale of property, plant and equipment | (204) | 5,334 | 1,307 | (697) | 3,561 |
| Write-down of investments | (7,700) | (40,536) | (48,037) | (20,621) | -- |
| Write-down of property, plant and equipment | (6,779) | -- | (1,343) | -- | -- |
| Gain related to dilution of investment in equity accounted company | -- | -- | -- | 17,008 | -- |
| Gain related to dilution of Hollinger L.P. interest | -- | -- | -- | -- | 77,297 |
| Losses on Total Return Equity Swap | -- | (15,237) | (73,863) | (16,334) | -- |
| "Non-competition" payments | -- | -- | (6,100) | -- | -- |
| Restitution under Restructuring Agreement | 31,547 | -- | -- | -- | -- |
| Loss on extinguishment of debt | (38,421) | (35,460) | -- | (10,554) | (8,536) |
| Write-down of FDR Collection | (6,796) | -- | -- | -- | -- |
| Other | (1,189) | 979 | (10,476) | (6,730) | (22,426) |
| | $ 75,641 | $(172,783) | $(303,318) | $522,955 | $331,581 |

(4)The Company's diluted earnings per share is calculated on the following diluted number of shares outstanding (in thousands): 2003 - 87,311, 2002 - 96,066, 2001 - 100,128, 2000 - 111,510 and 1999 - 117,610.

(5)Includes goodwill and intangible assets, net of accumulated amortization, of $684.8 million at December 31, 2003, of $650.9 million at December 31, 2002, of $658.2 million at December 31, 2001, of $938.3 million at December 31, 2000 and $2,031.6 million at December 31, 1999.

(6)The Company has restated its consolidated financial statements as of and for the years ended December 31, 2002, 2001, 2000 and 1999. These restatements have been grouped into the following categories:

(a) Restatements arising from the findings of the Special Committee. See "Item 1 -- Business -- Recent Developments -- Report of the Special Committee" and Note 2 of Notes to Consolidated Financial Statements;

(b) Correction of accounting errors in prior periods;

(c) Reclassifications arising from the required adoption of a new FASB standard; and

(d) Other, principally the effects of foreign currency translation adjustments.

The following table sets forth the net effect of the restatements and reclassifications on specific amounts presented in the Company's Consolidated Statements of Operations:

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2002 | 2001 | 2000 | 1999 |
| | (In thousands) | | | |
| Operating income (loss), as previously reported | $ 57,202 | $ (35,983) | $221,748 | $212,802 |
| Correction of newsprint overaccrual (b(iii)) | 2,905 | -- | -- | -- |
| Restated operating income (loss) | $ 60,107 | $ (35,983) | $221,748 | $212,802 |
| Earnings (loss) before income taxes, minority interest, extraordinary items and cumulative effect of change in accounting principle, as previously reported | $(128,351) | $(357,233) | $612,931 | $412,826 |
| Correction of "non-competition" payments recorded in incorrect year (a(i)) | -- | (6,100) | 6,100 | -- |
| Correction of overaccruals recorded in 2000 (b(ii)) | -- | -- | 1,580 | -- |
| Correction of newsprint overaccrual (b(iii)) | 2,905 | -- | -- | -- |
| Correction of equity accounting of affiliate (b(iv)) | 2,714 | -- | -- | -- |
| Reclassification of extraordinary loss (c) | (35,460) | -- | (10,554) | (8,536) |
| Other (d) | (59) | (81) | -- | -- |
| Restated earnings (loss) before income taxes, minority interest, extraordinary items and cumulative effect of change in accounting principle | $(158,251) | $(363,414) | $610,057 | $404,290 |
| Income taxes (benefit), as previously reported | $ 66,950 | $ (8,319) | $398,452 | $155,203 |
| Tax effect of correction of "non-competition" payments recorded in incorrect year (a(i)) | -- | (2,440) | 2,440 | -- |
| Tax on assumed additional proceeds from sale of newspaper properties (a(ii)) | -- | -- | 20,239 | -- |
| Other tax adjustments (a(iii)) | 4,415 | 3,086 | 764 | -- |
| Tax effect of correction of overaccruals recorded in 2000 (b(ii)) | -- | -- | 632 | -- |
| Tax effect of correction of newsprint overaccrual (b(iii)) | 1,139 | -- | -- | -- |
| Correction of U.S. tax benefit on liquidation of Canadian operations (b(v)) | (20,116) | -- | -- | -- |
| Other corrections of tax accounts (b(vi)) | 11,928 | (15,330) | (9,881) | -- |
| Reclassification of tax benefit on extraordinary loss (c) | (14,184) | -- | (4,222) | (3,353) |
| Other (d) | -- | (35) | (1) | -- |
| Restated income taxes (benefit) | $ 50,132 | $ (23,038) | $408,423 | $151,850 |

The table below sets forth the effect of the restatements and reclassifications on the Consolidated Balance Sheet Data presented above.

| | As of December 31, | | | |
|---|---|---|---|---|
| | 2002 | 2001 | 2000 | 1999 |
| | (in thousands) | | | |
| Working capital (deficiency), as previously reported | $ (191,903) | $ 147,600 | $ (257,506) | $ (113,115) |
| Correction of "non-competition" payments recorded in incorrect year (a(i)) | -- | -- | 6,100 | -- |
| Tax on assumed additional proceeds from sale of newspaper properties (a(ii)) | (19,494) | (19,341) | (20,541) | -- |
| Other tax adjustments (a(iii)) | (1,599) | (221) | -- | -- |
| Correction of overaccruals recorded prior to 1999 (b(i)) | 5,193 | 5,153 | 5,472 | 5,682 |
| Correction of overaccruals recorded in 2000 (b(ii)) | 1,580 | 1,580 | 1,580 | -- |
| Correction of newsprint overaccrual (b(iii)) | 2,848 | -- | -- | -- |
| Tax effect of correction of equity accounting of affiliate (b(iv)) | 1,362 | -- | -- | -- |
| Correction of U.S. tax benefit on liquidation of Canadian operations (b(v)) | 20,116 | -- | -- | -- |
| Other corrections of tax accounts (b(vi)) | (7,080) | 26,709 | 5,402 | -- |
| Reclassifications affecting tax accounts (b(vii)) | (8,473) | (16,530) | -- | -- |
| Restated working capital (deficiency) | $ (197,450) | $ 144,950 | $ (259,493) | $ (107,433) |
| Total assets, as previously reported | $2,188,132 | $2,057,976 | $2,802,030 | $3,503,024 |
| Correction of "non-competition" payments recorded in incorrect year (a(i)) | -- | -- | 5,500 | -- |
| Correction of equity accounting of affiliate (b(iv)) | 1,391 | -- | -- | -- |
| Reclassification to conform with current presentation | (3,751) | 25,765 | 24,359 | -- |
| Restated total assets | $2,185,772 | $2,083,741 | $2,831,889 | $3,503,024 |
| Total stockholders' equity, as previously reported | $ 119,875 | $ 366,627 | $ 898,109 | $ 902,225 |
| Correction of "non-competition" payments recorded in incorrect year, net of tax benefit (a(i)) | -- | -- | 3,660 | -- |
| Tax on assumed additional proceeds from sale of newspaper properties (a(ii)) | (19,494) | (19,341) | (20,541) | -- |
| Other tax adjustments (a(iii)) | (8,247) | (3,849) | (764) | -- |
| Correction of overaccruals recorded prior to 1999, net of tax benefit (b(i)) | 9,155 | 9,115 | 9,434 | 9,644 |
| Correction of overaccruals recorded in 2000, net of tax benefit (b(ii)) | 948 | 948 | 948 | -- |
| Correction of newsprint overaccrual, net of tax benefit (b(iii)) | 1,709 | -- | -- | -- |
| Correction of equity accounting of affiliate, net of tax benefit (b(iv)) | 2,753 | -- | -- | -- |
| Correction of U.S. tax benefit on liquidation of Canadian operations (b(v)) | 20,116 | -- | -- | -- |
| Other corrections of tax accounts (b(vi)) | 22,971 | 23,993 | 10,297 | -- |
| Other (d) | (3) | 13 | 2 | -- |
| Restated total stockholders' equity | $ 149,783 | $ 377,506 | $ 901,145 | $ 911,869 |

Each category of the restatements and reclassifications and their effect on the consolidated financial statements is discussed below:

(a)Restatements Arising from the Findings of the Special Committee

Among other things, the Special Committee identified the following transactions that were, based on its findings, improperly reflected in the Company's consolidated financial statements in prior periods.

(i)
The recording of "non-competition" payments in the incorrect year
-- The Special Committee identified $6.1 million of "non-competition" payments that the Company made in 2001 that were reflected in the consolidated financial statements as having been made or were otherwise accrued in 2000. Of the $6.1 million, $5.5 million related to "non-competition" payments paid by the Company in 2001 to Black, Atkinson, Radler and Boultbee pursuant to "non-competition" agreements with American Publishing Company (which owned virtually no newspaper assets as of February 2001). The payments were issued in 2001 and backdated to 2000. The remaining $600,000 relates to payments that were made in 2001 and recorded as reductions of excessive accruals that were previously established in 2000. According to the Report, the Audit Committee did not approve any of these payments. Accordingly, with respect to the 2000 Consolidated Statement of Operations, the Company has increased "Other income (expense), net" by $6.1 million and increased "Income taxes (benefit)" by $2.4 million, which resulted in an increase in net earnings of $3.7 million and a corresponding increase in stockholders' equity. With respect to the 2001 Consolidated Statement of Operations, the Company has decreased "Other income (expense), net, by $6.1 million and decreased "Income taxes (benefit)" by $2.4 million, which resulted in an increase in net loss of $3.7 million and a corresponding decrease in total stockholders' equity.

(ii)
Tax on assumed additional proceeds from sale of Canadian newspaper properties to CanWest
-- The Special Committee determined that "non-competition" payments that were made in connection with the sale of Canadian newspaper properties to CanWest in 2000 were not properly approved by the Company. According to the findings of the Special Committee, these "non-competition" payments, aggregating Cdn.$80.0 million, made to certain former directors and officers of the Company, effectively reduced the proceeds the Company received from the sale of the newspaper properties.

The Special Committee also determined that the proceeds the Company received from the sale of Canadian properties to CanWest in 2000 were further reduced by Cdn.$60.0 million, as a consequence of an agreement between CanWest and Ravelston for the payment of an annual management fee of Cdn.$6.0 million in consideration for management services. The Special Committee determined that these proceeds should have been received by the Company.

Had the Company received the assumed additional proceeds of Cdn.$140.0 million, the gain on the sale would have been greater by that amount with a consequent increase in income taxes that would have been provided for in 2000. The Company has recorded an additional $20.2 million of income taxes in 2000 to account for these unrecognized purchase proceeds.

(iii)
Other tax adjustments
-- The Company has recorded additional accruals for tax contingencies to cover interest that the Company may be required to pay, net of federal tax benefits of a portion thereof.

(b)Correction of Accounting Errors

During the course of the preparation of its financial statements for the year ended December 31, 2003, the Company determined that previously reported financial information required restatement for certain accounting errors identified. Below is a description of the adjustments made to correct these accounting errors.

(i)
Correction of overaccruals recorded prior to 1999
-- In the review of its accounts, the Company identified that certain amounts had been overaccrued for in periods prior to 1999. Specifically, in 1997, when the Company's parent, Hollinger Inc., transferred certain Canadian properties to the Company, accruals due to related parties were established to provide for expected costs of this transaction. The Company has reversed approximately $5.7 million of these accruals due to related parties that were considered to be excessive. There was no tax effect on the reversal of these accruals. In 1998, the
Chicago

Sun-Times
recorded approximately $6.6 million of pension costs in excess of amounts determined appropriate by the Company's actuaries. This excess accrual has also been reversed, net of a tax benefit of $2.6 million.

(ii)
Correction of overaccruals recorded in 2000
-- The Company also identified accruals that were established with respect to the disposition of Community Group properties in 2000 which were considered to be excessive by approximately $1.6 million. These excessive accruals have also been reversed and have been tax effected at an effective rate of 40% in the Consolidated Statement of Operations.

(iii)
Correction of overaccrual of newsprint costs at the Chicago Sun-Times in 2002
-- In its review of past transactions, the Company identified an overaccrual relating to the Chicago Newspaper Group's newsprint costs of approximately $2.9 million in 2002. This overaccrual has been reversed and is reflected as an adjustment to "Newsprint" and has been tax effected at an effective rate of 40% in the Consolidated Statement of Operations.

(iv)
Correction of equity accounting of affiliate in 2002
-- The Company has identified errors with respect to its equity earnings from a joint venture affiliate in 2002. The Company previously had not recorded interest income from the joint venture on amounts that the Company had funded to the joint venture. The Company also did not record its 50% share of the joint venture affiliate's income tax benefit. The effect of these adjustments is to decrease the Company's equity losses in affiliates by approximately $2.7 million, which has been reflected through "Other income (expense), net" in the Consolidated Statement of Operations.

The Company failed to record the effects of a tax sharing arrangement between the joint venture and the U.K. Newspaper Group. The effect of this arrangement has been reflected as a decrease of $1.4 million of "Income taxes payable and other tax liabilities." in the Consolidated Balance Sheet.

The net effect of the three foregoing adjustments has been reflected as a $1.4 million increase to "Investments" in the Consolidated Balance Sheet.

(v)
Correction of U.S. tax benefit on liquidation of Canadian operations
-- The Company identified an error with respect to the amount of taxes provided upon the substantial liquidation of Canadian operations. The Company had not recognized a tax benefit in the 2002 U.S. tax provision on the foreign exchange impact of this liquidation. Accordingly, the Company has recorded a tax benefit in "Income taxes (benefit)" on the Consolidated Statement of Operations and a decrease in "Income taxes payable and other tax liabilities" on the Consolidated Balance Sheet of $20.1 million.

(vi)
Other corrections of tax accounts
-- The Company has identified certain errors with respect to the amounts of income taxes (benefit) recorded in prior years. The Company's Consolidated Financial Statements have been restated to give effect to corrections regarding: (a) the periods in which certain amounts should have been recognized in income taxes (benefit); (b) the appropriate level of the valuation allowance related to certain deferred tax assets; and (c) other factors that impacted the provision for income taxes (benefit). The Company has also corrected the manner in which it had maintained its accrual for income tax contingencies, which had affected the cumulative foreign currency translation account.

The Consolidated Statements of Operations have been restated to increase the provision for income taxes by $11.9 million in 2002, and to increase the income tax benefit in each of 2001 and 2000 by $15.3 million and $9.9 million, respectively. With respect to the Consolidated Balance Sheets as of December 31, 2002, 2001 and 2000, the restatements resulted in a decrease of $7.1 million and increases of $26.7 million and $5.4 million, respectively, in working capital (deficiency). The effects of the restatements are also reflected in the tables and elsewhere in the note, "Income Taxes." (Note 24 of Notes to Consolidated Financial Statements.)



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(vii)
Reclassifications affecting tax accounts
-- The Company has identified certain errors with respect to the classification of transactions between current and deferred income taxes (benefit) in prior years. These errors did not affect total income taxes (benefit) or net earnings (loss) in any year. The Company has reclassified certain amounts that are reflected in the tables presented in the note, "Income Taxes." (Note 24 of Notes to Consolidated Financial Statements.) With respect to the Company's Consolidated Balance Sheets, the reclassifications resulted in an increase of $8.5 million and $16.5 million to "Income taxes payable and other tax liabilities" and a corresponding decrease to "Deferred income taxes and other tax liabilities" as of December 31, 2002 and 2001, respectively.

(viii)
Correction of in-kind dividends
-- The Company has corrected certain assumptions used in error in the calculation of the fair value of stock options issued to employees of Ravelston. Stock options granted to employees of Ravelston are reflected in the Consolidated Statements of Stockholders' Equity as in-kind dividends.

The Company has corrected its calculation of the compensatory cost of stock options granted to the employees of Ravelston. Specifically, the Company has estimated that the life of options issued to Ravelston employees is expected to be nine years. In addition, the Company is now using volatility based on the average option life instead of using 12 months as was used in prior periods. The Company has restated prior periods to correct the assumptions used in the calculation.

The table below outlines the effects of these corrections on the in-kind dividend:

In-Kind Dividend

| | Restated | As Previously Reported |
|---|---|---|
| | (In thousands) | |
| Year Ended December 31, | | |
| 2003 | $ 3,906 | $ 8,513 |
| 2002 | 4,376 | 6,111 |
| 2001 | 7,301 | 7,800 |

In 2003, the in-kind dividend was previously reported in the Company's quarterly report on Form 10-Q for the three-months ended March 31, 2003.

(c) Reclassifications Arising from the Adoption of New Accounting Principles

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections" ("SFAS No. 145"). SFAS No. 145 addresses, among other things, the income statement treatment of gains and losses related to debt extinguishments requiring that such expenses no longer be treated as extraordinary items unless the items meet the definition of extraordinary under Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations -- Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions". SFAS 145 became effective for fiscal years beginning after May 15, 2002. As a result of the Company's adoption of SFAS No. 145, it was required to reclassify the Company's loss on early extinguishment of debt of $21.3 million (approximately $35.5 million, pretax) in 2002, $6.3 million (approximately $10.6 million, pretax) in 2000 and $5.2 million (approximately $8.5 million, pretax) in 1999. Corresponding reclassification adjustments were made to "Other income (expense), net" and "Income taxes (benefit)" in the Company's Consolidated Statements of Operations.

(d) Other

Amounts described as "Other" reflect the effects of foreign currency translation and related items.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Overview

During the three years ended December 31, 2003, the Company's business was concentrated in the publication of newspapers in the United States, the United Kingdom, Canada and Israel. Operating revenues were derived principally from advertising, paid circulation and, to a lesser extent, job printing. Of the total operating revenues in 2003, approximately 42.5% were attributable to the Chicago Group, 49.0% to the U.K. Newspaper Group, 7.5% to the Canadian Newspaper Group and 1.0% to the Community Group. The Chicago Group consists of the Chicago Sun-Times and other daily and weekly newspapers in the greater Chicago metropolitan area. The U.K. Newspaper Group consists of the operations of The Daily Telegraph, The Sunday Telegraph, The Weekly Telegraph, telegraph.co.uk, and The Spectator and Apollo magazines, and related subsidiaries and joint ventures. The Canadian Newspaper Group consists of several community newspapers, principally in Western Canada, and a trade magazine and business information group located in Toronto. The major portion of the Canadian operations are held by Hollinger L.P. The Community Group consists of The Jerusalem Post and related publications. In July 2004, the Company sold the Telegraph Group. See "Item 1 -- Business -- Recent Development -- Sale of the Telegraph Group." In December 2004, the Company sold The Jerusalem Post and its related publications. See "Item 1 -- Recent Developments -- Sale of The Jerusalem Post." The results of operations and financial condition of the Company reflected herein include the Telegraph Group and The Jerusalem Post and its related publications for all periods presented. The Telegraph Group and The Jerusalem Post and its related publications will be presented as discontinued operations in the Company's 2004 consolidated financial statements.

The Company's operating revenues are primarily derived from the sale of advertising space within the Company's publications. Advertising revenues accounted for approximately 69.2% of the Company's consolidated revenues for the year ended December 31, 2003. Advertising revenue is comprised of three primary sub-groups: retail, national and classified. Changes in advertising revenue are heavily correlated to the changes in the levels of economic activity. Advertising revenue is subject to changes in the economy on both a national and local level. The Company's advertising revenue experiences seasonality with the third quarter revenues typically being the lowest and the fourth quarter revenue being the highest. Advertising revenue is recognized upon publication of the advertisement.

In 2003, approximately 26.1% of the Company's operating revenues were generated by sales of the Company's publications. Circulation revenue includes sales of publications to individual subscribers or to sales outlets, which then re-sell the publications. The Company recognizes circulation revenue from subscriptions on a straight-line basis over the subscription term and on single-copy sales at the time of distribution.

The Company also generates revenues through job printing and other activities. Job printing and other revenues are recognized upon delivery.

Significant expenses for the Company are compensation and newsprint. Compensation expense, which includes benefits, was approximately 32.2% of the Company's total operating costs in 2003. Newsprint costs represented approximately 14.1% of the Company's total operating costs in 2003. Newsprint prices are subject to fluctuation as newsprint is a commodity. The cost of newsprint can vary significantly from year to year. These expenses are recognized as incurred. The Company capitalizes and amortizes costs associated with direct response advertising activities in accordance with Statement of Position 93-7. These costs are amortized over an 11-year period, with approximately 61% amortized in the first year, 17% in the second year and the remaining 22% on a declining basis over the following nine years.

Management fees paid to Ravelston, RMI and other affiliated entities and costs related to corporate aircraft were incurred at the corporate level and allocated to the operating segments in 2003, 2002 and 2001. With the termination of the management services agreements effective June 1, 2004 and the sale of one aircraft and lease cancellation of the other, similar charges will not be incurred in future periods.

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries and other controlled entities. The Company's interest in Hollinger L.P. was 87% at December 31 in each of the years 2003, 2002 and 2001. All significant intercompany balances and transactions have been eliminated on consolidation.

Developments Since December 31, 2003

The following events will impact the Company's consolidated financial statements for periods subsequent to those covered by this report.

Disputes, Investigations and Legal Proceedings with Former Executive Officers and Certain Current and Former Directors -- The Company is involved in a series of disputes, investigations and legal proceedings relating to transactions between the Company and certain former executive officers and certain current and former directors of the Company. See "Item 1 -- Business -- Recent Developments." The potential impact of these disputes, investigations and legal proceedings on the Company's financial condition and results of operations cannot currently be estimated. Costs of $10.1 million incurred as a result of the investigation of the Special Committee and related litigation involving Black, Radler and others were recorded as expenses through December 31, 2003. These costs are included in "Other operating costs" in the Consolidated Statement of Operations. These costs primarily consist of legal and other professional fees. The legal fees include those incurred directly by the Special Committee in its investigation, the costs of litigation initiated by the Special Committee on behalf of the Company, costs to defend the Company from litigation that has arisen as a result of the issues that the Special Committee was asked to investigate and fees advanced by the Company as a result of indemnification of current and former officers and directors paid pursuant to this undertaking.

The Company has incurred substantial legal costs arising out of the actions of its controlling stockholder Hollinger Inc. and Black, the indirect controlling stockholder of the Company, in causing the Company to engage in a series of related party transactions that are the subject of litigation on behalf of the Company brought by the Special Committee to redress what the Special Committee has concluded to be repeated violations of the fiduciary duties of Hollinger Inc., Black and certain of their affiliates or associates. The costs from January 1, 2004 through September 30, 2004, have been approximately $46.3 million, discussed below, in addition to the $10.1 million of costs incurred for the year ended December 31, 2003.

The total costs of $46.3 million have included approximately $17.3 million in costs and expenses arising from the Special Committee's work. This amount includes the fees and costs of the Special Committee's members, counsel, advisors and experts, including but not limited to fees and expenses of (i) conducting the investigation, (ii) preparing the Report, (iii) preparing, filing and pursuing litigation on behalf of the Company seeking more than $500 million in damages arising out of the actions of the Company's controlling stockholders and other current and former officers and directors of the Company; (iv) defending the Court Order in the January 2004 SEC Action against challenges by Hollinger Inc.; (v) defending and defeating the counterclaims of Hollinger Inc. and Black in the Delaware litigation; and (vi) defending and defeating the anti-suit injunction motion brought by Ravelston and its affiliates in Canada to prevent prosecution in the United States of the Company's claims.

In addition to the $17.3 million in costs for the Special Committee's work, the Company has incurred legal costs and other professional fees of $20.3 million. The legal and other professional costs are primarily comprised of costs to defend the Company in litigation that has arisen as a result of the issues the Special Committee has investigated, including costs to defend and defeat the counterclaims of Hollinger Inc. and Black in the Delaware litigation.

The Company has also incurred legal costs of approximately $8.7 million that the Company has been required to advance in fees and costs to indemnified parties, including the indirect controlling stockholders and their affiliates and associates who are defendants in the litigation brought by the Company. The Company would be entitled to repayment of certain funds advanced to Black in the event the Delaware Supreme Court affirms the Chancery Court's finding that he repeatedly breached his fiduciary duties, and from Black and other defendants in the Illinois litigation if a final, nonappealable judgment is obtained in the Company's favor in that action.

During 2003, the Company received from its former executive officers, a total of $1.2 million in restitution in accordance with the terms of the Restructuring Agreement. Through September 30, 2004, the

Company was paid additional amounts totaling $30.3 million, excluding interest, in restitution in accordance with the terms of the Restructuring Agreement. These amounts were reflected in the Company's Consolidated Statement of Operations for the year ended December 31, 2003 as "Other income (expense), net." Of these additional amounts, $23.7 million, excluding interest, paid by Hollinger Inc. and Black is the subject of an appeal by Hollinger Inc. and Black to the Delaware Supreme Court. See "Item 3 -- Legal Proceedings -- Hollinger International Inc. v. Conrad M. Black, Hollinger Inc., and 504468 N.B. Inc." In addition, the Company will receive $2.4 million from Atkinson for "non-competition" payments and payments made under the Digital Incentive Plan Atkinson received plus interest, under the terms of a settlement with Atkinson upon court approval of the settlement with Atkinson. Included in the $2.4 million is approximately $253,000, which represents the balance, before interest, identified as attributable to Atkinson at December 31, 2003 in the Restructuring Agreement.

Sale of the Telegraph Group -- In November 2003, the Company retained Lazard as financial advisor to explore alternative strategic transactions, including the sale of the Company or of its specific businesses. As part of the Strategic Process, on July 30, 2004, the Company completed the sale of the Telegraph Group for a price of lb.729.6 million in cash (or approximately $1,323.9 million at an exchange rate of $1.8145 to lb.1 as of the date of sale). This price is subject to adjustment depending on actual working capital of the businesses sold. The Company does not expect any such adjustment, currently being calculated, to be material.

Repayment of Senior Credit Facility -- On July 30, 2004, the Company used approximately $213.4 million of the proceeds from the sale of the Telegraph Group to repay in full all amounts outstanding under its Senior Credit Facility and terminated all derivatives related to that facility. In addition, the Company paid approximately $2.1 million for premiums and fees related to the early repayment of the facility and $32.3 million in fees to cancel the cross-currency interest rate swaps the Company had in place with respect to amounts outstanding under the Senior Credit Facility. See "-- Liquidity and Capital Resources."

Retirement of 9% Senior Notes -- In June 2004, the Company commenced a tender offer and consent solicitation to retire all 9% Senior Notes. Approximately 97% of the principal amount of the 9% Senior Notes were tendered. The Company used approximately $344.8 million of the proceeds from the sale of the Telegraph Group to purchase and retire the 9% Senior Notes tendered and for related expenses. The cost to cancel the interest rate swaps the Company had in place on the 9% Senior Notes was approximately $10.5 million. See "-- Liquidity and Capital Resources." The tender closed on August 2, 2004. The Company has since purchased and retired an additional $3.4 million in principal amount of the 9% Senior Notes.

Declaration of Special and Regular Dividend -- On December 16, 2004, from the proceeds of the sale of the Telegraph Group, the Board of Directors declared a Special Dividend on the Company's Class A and Class B Common Stock in an aggregate amount of approximately $227.0 million payable on January 18, 2005, this being the first tranche of a total amount of $500.0 million which the Board of Directors determined was in the best interest of the Company and its stockholders to be distributed to stockholders. The Board of Directors intends to distribute an additional amount of approximately $273.0 million of the proceeds from the sale of the Telegraph Group, this being the second tranche of the $500.0 million cash distribution, either by way of a tender offer or a second special dividend. There can be no assurance that the second distribution will be made or, if made, whether it will be in the form of a tender offer or a dividend, and if a tender offer, as to the price or form such offer will take. The Board of Directors believes that following the Special Dividend and the second distribution, the Company will have sufficient liquidity to fund its operations and obligations and to avail itself of strategic opportunities. Following the Special Dividend, it is expected that the outstanding grants under the Company's stock incentive plans will be appropriately adjusted to take into account this return of cash to existing stockholders. On December 16, 2004, the Board of Directors also declared a regular quarterly dividend in the amount of $0.05 per share payable on the Company's Class A and Class B Common Stock on January 18, 2005.

The Chicago Sun-Times Circulation Overstatement -- On October 5, 2004, the Company announced that its Audit Committee, after conducting an internal review, determined that weekday and Sunday average circulation of the Chicago Sun-Times, as reported in the audit reports issued by the ABC commencing in 1998, had been overstated. The Chicago Sun-Times announced a plan intended to make restitution to its



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advertisers. To cover the estimated cost of restitution and settlement of related lawsuits filed against the Company, the Company recorded a pre-tax charge of approximately $24.1 million for 2003 and approximately $2.9 million for the first quarter of 2004. The Company will evaluate the adequacy of the accruals as negotiations with advertisers proceed. See "Item 1 -- Business -- Recent Developments" and "-- Risk Factors."

The Audit Committee also conducted a Company-wide review and found that circulation inflation practices were also employed at two other Chicago area newspapers, the Daily Southtown and The Star, as well as The Jerusalem Post. The overstatement practices have been discontinued at these papers, and the Company does not expect the impact of the practices at these three newspapers will have a material impact on the Company.

Disposition of Interest in Trump Joint Venture -- On June 21, 2004, the Company entered into an agreement to sell its 50% interest in the real estate joint venture for the development of the property on which a portion of the Chicago Sun-Times operations was then situated. Immediately prior to the sale of the interest in the joint venture, the Company contributed to the joint venture, its property in downtown Chicago where the Chicago Sun-Times had conducted its editorial, pre-press, marketing, sales and administrative activities. Under the terms of the agreement the Company received $4.0 million in cash upon signing of the sales agreement and the balance of approximately $66.7 million cash, net of closing costs and adjustments.

As a result of the decision to sell its interest in the joint venture and related buildings, the Chicago Sun-Times entered into an operating lease for new office space. The new lease is for 15 years and will have an average annual expense of approximately $3.4 million. The Chicago Sun-Times relocated to the new office space in the fourth quarter of 2004 resulting in a significant amount of capital expenditure. See "-- Liquidity and Capital Resources."

Hollinger L.P. Tender Offer -- On August 6, 2004, the TSX suspended the listing of the units of Hollinger L.P. since the general partner of Hollinger L.P. does not have at least two independent directors as required by TSX listing requirements. On August 5, 2004, the Company expressed an interest in pursuing a tender for the units of Hollinger L.P. not held by affiliates of the Company. An independent committee of the general partner of Hollinger L.P., consisting of the sole independent director of the general partner, was formed and it retained independent legal counsel and financial advisors. Continuing liquidity for minority unit holders during the tender process has been provided through a listing of the units on a junior board of the TSX Venture Exchange. On December 10, 2004, it was announced that the Company would not pursue the tender until such time as Hollinger L.P. is current in its financial statement filings.

CanWest Debentures -- On October 7, 2004, the Company entered into an agreement with CanWest, pursuant to which the parties agreed to redeem the CanWest Debentures and dissolve the Trust. CanWest exchanged the Trust Notes for new debentures issued by CanWest. See "Item 1 Business -- Recent Developments." The CanWest Exchange Offer was completed on November 18, 2004. The Company received approximately $133.6 million in respect of CanWest Debentures beneficially owned and residual interests in the Participation Trust that was attributable to foreign currency exchange. As a consequence, all exposure the Company previously had to foreign exchange fluctuations under the Participation Trust was eliminated at that date. The Company was also relieved of the requirement to maintain cash on hand to satisfy needs of the Participation Trust, which removed the restrictions on the $16.7 million reflected as "Escrow deposits and restricted cash" on the Company's Consolidated Balance Sheet at December 31, 2003. See "-- Liquidity and Capital Resources -- Off-Balance Sheet Arrangements."

Sale of The Jerusalem Post -- On December 15, 2004, the Company announced that as part of the Strategic Process, it had completed the sale of The Palestine Post Limited. That company is the publisher of The Jerusalem Post, The Jerusalem Report and related publications. The transaction involved the sale by the Company of its debt and equity interests in The Palestine Post Limited for $13.2 million.



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Significant Transactions in 2003

On March 10, 2003, the Company purchased 2,000,000 shares of its Class A Common Stock from Hollinger Inc. at $8.25 per share for $16.5 million. The Company also redeemed the remaining 93,206 shares of its Series E Redeemable Convertible Preferred Stock pursuant to a redemption request by Hollinger Inc. at the fixed price of Cdn. $146.63 per share for a total of $9.3 million. See Note 23(c) to the Company's Consolidated Financial Statements.

On April 10, 2003, CanWest notified the Company of its intention to redeem Cdn. $265.0 million of principal amount of the CanWest Debentures on May 11, 2003. Of the total proceeds received by the Company, $159.8 million related to CanWest Debentures for which participations were sold to the Participation Trust and has been paid to the Participation Trust. The balance of $27.6 million was retained by the Company in respect of its interest in the CanWest Debentures. See "-- Liquidity and Capital Resources -- Off-Balance Sheet Arrangements."

Significant Transactions in 2002

On December 23, 2002, the Company entered into a $310.0 million Senior Credit Facility with a group of financial institutions arranged by Wachovia Securities, Inc. On December 23, 2002, Publishing issued 9% Senior Notes in the aggregate principal amount of $300.0 million.

Net proceeds from the placement of the 9% Senior Notes before expenses associated with the offering and borrowings under the Senior Credit Facility totaled $553.8 million. The proceeds along with available cash were used in January 2003 to retire the 9.25% Senior Subordinated Notes due 2006 and 2007 (the "9.25% Senior Subordinated Notes") aggregating $504.9 million plus applicable premium and accrued interest, and to repay in December 2002 the $50.0 million of 10.5% financing from Trilon International placed in October 2002 and remaining obligations of $40.0 million under the Total Return Equity Swap ("TRES") entered into with various banks pursuant to which Company shares acquired by those banks could be repurchased by the Company or sold in the open market. Earlier in 2002, the Company had retired $60.0 million of obligations under the TRES from the proceeds of the Trilon International loan and from cash on hand. The balance of proceeds was used for general corporate purposes. The Company recognized losses of $15.2 million and $73.9 million related to the TRES in 2002 and 2001, respectively. See Note 17 of Notes to Consolidated Financial Statements. Funds required for the retirement of the 9.25% Senior Subordinated Notes, including related premiums and accrued interest, were held in escrow at December 31, 2002.

Significant Transactions in 2001

Some of the transactions discussed below have been investigated by the Special Committee and are subject to lawsuits related to the Special Committee's investigations. See "Item 1 -- Business -- Recent Developments -- Report of the Special Committee", "Item 3 -- Legal Proceedings" and "Item 13 -- Certain Relationships and Related Transactions."

In January 2001, Hollinger L.P. completed the sale of UniMedia Company to Gesca Limited, a subsidiary of Power Corporation of Canada. The publications sold represented the French language newspapers of Hollinger L.P. including three paid circulation dailies and 15 weeklies published in Quebec and Ontario. A pre-tax gain of approximately $47.5 million was recognized on this sale.

On June 1, 2001, the Company converted all the Series C Preferred Stock at the conversion ratio of 8.503 shares of Class A Common Stock per share of Series C Preferred Stock into 7,052,464 shares of Class A Common Stock. The Series C Preferred Stock was held by Hollinger Inc. On September 5, 2001, the Company purchased for cancellation, from Hollinger Inc., the 7,052,464 shares of Class A Common Stock for a total cost of $92.2 million.

In two separate transactions in July and November 2001, the Company and Hollinger L.P. completed the sale of most of the remaining Canadian newspapers to Osprey Media for total sale proceeds of approximately Cdn. $255.0 million ($166.0 million) plus closing adjustments primarily for working capital. Included in these sales were community newspapers in Ontario such as The Kingston Whig-Standard, The Sault Star, the

Peterborough Examiner, the Chatham Daily News and The Observer (Sarnia). Pre-tax gains of approximately $800,000 were recognized on these sales. The former CEO of Hollinger L.P. is a minority stockholder and CEO of Osprey.

In August 2001, the Company sold to CanWest its 50% interest in the National Post. In accordance with the sale agreement, the Company's representatives resigned from their executive positions at the National Post effective September 1, 2001. The results of operations of the National Post are included in the consolidated results to August 31, 2001. A pre-tax loss of approximately $78.2 million was recognized on the sale.

In August and December 2001, the Company sold participation interests in Cdn. $540.0 million ($350.0 million) and Cdn. $216.8 million ($140.5 million), respectively, principal amounts of CanWest Debentures to the Participation Trust. Trust Notes were issued and sold by the Participation Trust to third parties. These transactions resulted in net proceeds to the Company of $401.2 million and have been accounted for as sales in accordance with SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" ("SFAS No. 140"). The net loss on these transactions, including realized holding losses on the underlying debentures, amounted to $62.1 million and has been recognized in "Other income (expense), net."

The Company had entered into the TRES with four banks whereby the banks had purchased shares of the Company's Class A Common Stock and the Company had the option to buy the shares from the banks at the same cost or have the banks resell those shares in the open market. In August 2001, the Company purchased for cancellation from one of the banks 3,602,305 shares of Class A Common Stock for $50.0 million or $13.88 per share. The market value of these shares on the date of purchase was $47.0 million or $13.05 per share. In November 2001, one of the banks sold in the open market 3,556,513 shares of Class A Common Stock for $34.2 million or an average price of $9.62 per share. This resulted in a loss by the bank of $15.8 million, which, in accordance with the arrangement, was paid in cash by the Company. The losses relating to these transactions have been included in "Other income (expense), net" during the 2001 year.

On September 27, 2001, the Company redeemed 40,920 shares of Series E Preferred Stock at the redemption price of Cdn.$146.63 per share for a total cash payment of $3.8 million. The Series E Preferred Stock shares were held by a subsidiary of Hollinger Inc.

On November 28, 2001, the Company sold 2,700,000 multiple voting preferred shares and 27,000,000 non-voting shares of CanWest, encompassing all the Company's shareholdings in CanWest, for total cash proceeds of approximately Cdn. $271.3 million ($172.4 million). The sale resulted in a realized pre-tax loss of $99.2 million, which is included in "Other income (expense), net."

## Critical Accounting Policies and Estimates

The preparation of the Company's consolidated financial statements requires it to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, including those related to areas that require a significant level of judgment or are otherwise subject to an inherent degree of uncertainty. These areas include bad debts, goodwill, intangible assets, income taxes, pensions and other post-retirement benefits, contingencies and litigation. The Company bases its estimates on historical experience, observance of trends in particular areas, information available from outside sources and various other assumptions that are believed to be reasonable under the circumstances. Information from these sources form the basis for making judgments about the carrying values of assets and liabilities that may not be readily apparent from other sources. Actual amounts may differ from these estimates under different assumptions or conditions.

The Company believes the following critical accounting policies reflect the more significant judgments and estimates used in the preparation of the consolidated financial statements.

Accruals for Contingent Tax Liabilities

At December 31, 2003, the Company's Consolidated Balance Sheet includes $748.8 million of accruals intended to cover contingent liabilities related to additional taxes and interest it may be required to pay in various tax jurisdictions. A substantial portion of the accruals relates to the tax treatment of gains on the sale of a portion of the Company's non-U.S. operations. The accruals to cover contingent tax liabilities also relate to management fees, "non-competition" payments and other items that have been deducted in arriving at taxable income, which deductions may be disallowed by taxing authorities. If those deductions were to be disallowed, the Company would be required to pay additional taxes and interest since the dates such taxes would have been paid had the deductions not been taken, and it may be subject to penalties. The ultimate resolution of these tax contingencies will be dependent upon a number of factors, including discussions with taxing authorities and the nature, extent and timing of any restitution or reimbursement received by the Company.

The Company believes that the accruals that have been recorded are adequate to cover the tax contingencies. If the ultimate resolution of the tax contingencies is more or less favorable than what has been assumed by management in determining the accruals, the accruals may ultimately be excessive or inadequate in amounts that are not presently determinable, but such amounts may be material to the Company's consolidated financial position, results of operations, and cash flows.

Allowance for Doubtful Accounts

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of customers to make required payments. If the financial condition of customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances could be required.

Potential Impairment of Goodwill

The Company has significant goodwill recorded in its accounts. The Company is required to determine at least annually, whether or not there has been any permanent impairment in the value of these assets. Certain indicators of potential impairment that could impact the Company's reporting units include, but are not limited to, the following: (i) a significant long-term adverse change in the business climate that is expected to cause a substantial decline in advertising spending, (ii) a permanent significant decline in a reporting unit's newspaper readership, (iii) a significant adverse long-term negative change in the demographics of a reporting unit's newspaper readership and (iv) a significant technological change that results in a substantially more cost effective method of advertising than newspapers.

Valuation Allowance -- Deferred Tax Assets

The Company records a valuation allowance to reduce the deferred tax assets to the amount which, the Company estimates, is more likely than not to be realized. While the Company has considered future taxable income and ongoing tax planning strategies in assessing the need for the valuation allowance, if the Company were to determine that it would be able to realize deferred tax assets in the future in excess of the net recorded amount, the resulting adjustment to deferred tax assets would increase net earnings in the period such a determination was made. Similarly, should the Company determine that it would not be able to realize all or part of the deferred tax assets in the future, an adjustment to deferred tax assets would decrease net earnings in the period that such a determination was made.

Defined Benefit Pension Plans

The Company sponsors several defined benefit pension and post-retirement benefit plans for domestic and foreign employees. These defined benefit plans include pension and post-retirement benefit obligations, which are calculated based on actuarial valuations. In determining these obligations and related expenses, key assumptions are made concerning expected rates of return on plan assets and discount rates. In making these assumptions, the Company evaluates, among other things, input from actuaries, expected long-term market returns and current high-quality bond rates. The Company will continue to evaluate the expected long-term rates of return on plan assets and discount rates at least annually and make adjustments as necessary, which could change the pension and post-retirement obligations and expenses in the future.

Unrecognized actuarial gains and losses are recognized by the Company over a period of approximately 12 years, which represents the weighted-average remaining service life of the employee group. Unrecognized actuarial gains and losses arise from several factors including experience, changes in assumptions and from differences between expected returns and actual returns on assets. At the end of 2003, the Company had unrecognized net actuarial losses of $101.2 million. These unrecognized amounts could result in an increase to pension expenses in future years depending on several factors, including whether such losses exceed the corridor in accordance with SFAS No. 87, "Employers' Accounting for Pensions" ("SFAS No. 87").

The estimated accumulated benefit obligations for the defined benefit plans exceeded the fair value of the plan assets at December 31, 2003, 2002, and 2001 as a result of the negative impact that declines in global capital markets and interest rates had on the assets and obligations of the Company's pension plans. Accordingly, a non-cash charge of $1.6 million ($1.7 million, net of tax and minority interest) was recorded in other comprehensive loss for the increase in minimum pension liability in 2003, $43.6 million ($27.7 million net of tax) in 2002 and $22.5 million ($14.9 million, net of tax) in 2001. Similar charges may be required in future years as the impact of changes in global capital markets and interest rates on the value of the Company's pension plan assets and obligations is measured.

During 2003, the Company made contributions of $10.2 million ($9.2 million in 2002) to defined benefit plans. Global capital market and interest rate fluctuations could impact future funding requirements for such plans. If the actual operation of the plans differs from the assumptions, additional Company contributions may be required. If the Company is required to make significant contributions to fund the defined benefit plans, reported results could be adversely affected, and the Company's cash flow available for other uses would be reduced.

Restatements and Reclassifications

As described in footnote 6 to "Item 6 -- Selected Financial Data" and in Note 2 of Notes to Consolidated Financial Statements, the Company has restated certain of the financial data for prior periods and has reclassified certain prior period amounts due to the required adoption of a new FASB standard. The following discussion and analysis of results of operations and financial condition are based upon such restated and reclassified financial data.



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Results of Operations for the Years ended December 31, 2003, 2002 and 2001

The following table sets forth, for the Company's operating segments, for the periods indicated, certain items and related percentage relationships derived from the Consolidated Statements of Operations.

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2003 | 2002 | 2001 | 2003 | 2002 | 2001 |
| | (Dollars in thousands) | | | (Percentage) | | |
| Operating revenues: | | | | | | |
| Chicago Group | $ 450,789 | $ 441,778 | $ 442,884 | 42.5% | 43.9% | 38.6% |
| Community Group | 10,397 | 13,231 | 19,115 | 1.0 | 1.3 | 1.7 |
| U.K. Newspaper Group | 519,475 | 481,527 | 486,374 | 49.0 | 47.9 | 42.4 |
| Canadian Newspaper Group | 80,542 | 69,626 | 197,948 | 7.5 | 6.9 | 17.3 |
| Total operating revenues | $1,061,203 | $1,006,162 | $1,146,321 | 100.0% | 100.0% | 100.0% |
| Operating income (loss): | | | | | | |
| Chicago Group | $ 24,514 | $ 38,598 | $ 4,962 | 244.7% | 64.2% | (13.8)% |
| Community Group | (6,601) | (5,218) | (4,487) | (65.9) | (8.7) | 12.5 |
| U.K. Newspaper Group | 40,683 | 48,079 | 27,850 | 406.1 | 80.0 | (77.4) |
| Canadian Newspaper Group | (4,983) | (2,137) | (45,954) | (49.7) | (3.6) | 127.7 |
| Investment and Corporate Group | (43,596) | (19,215) | (18,354) | (435.2) | (31.9) | 51.0 |
| Total operating income (loss) | $ 10,017 | $ 60,107 | $ (35,983) | 100.0% | 100.0% | 100.0% |

| | Year Ended December 31, 2003 | 2002 | 2001 |
|---|---|---|---|
| | (In thousands, except per share amounts) | | |
| Statement of Operations Data: | | | |
| Operating revenues: | | | |
| Advertising | $ 733,826 | $ 710,849 | $ 804,462 |
| Circulation | 277,264 | 247,175 | 278,321 |
| Job printing | 16,427 | 16,669 | 25,092 |
| Other | 33,686 | 31,469 | 38,446 |
| Total operating revenues | 1,061,203 | 1,006,162 | 1,146,321 |
| Operating costs and expenses | 996,333 | 891,903 | 1,108,576 |
| Depreciation and amortization | 54,853 | 54,152 | 73,728 |
| Operating income (loss) | 10,017 | 60,107 | (35,983) |
| Interest expense | (55,559) | (58,772) | (78,639) |
| Amortization of deferred financing costs | (2,855) | (5,585) | (10,367) |
| Interest and dividend income | 25,411 | 18,782 | 64,893 |
| Other income (expense), net | 75,641 | (172,783) | (303,318) |
| Earnings (loss) before income taxes, minority interest, and cumulative effect of change in accounting principle | 52,655 | (158,251) | (363,414) |
| Income taxes (benefit) | 121,638 | 50,132 | (23,038) |
| Loss before minority interest, and cumulative effect of change in accounting principle | (68,983) | (208,383) | (340,376) |
| Minority interest | 5,325 | 2,167 | (13,803) |
| Loss before cumulative effect of change in accounting principle | (74,308) | (210,550) | (326,573) |
| Cumulative effect of change in accounting principle | -- | (20,079) | -- |
| Net loss | $ (74,308) | $ (230,629) | $ (326,573) |
| Diluted loss per share | $ (0.85) | $ (2.40) | $ (3.31) |

## 2003 Compared with 2002

### Net Loss

The net loss for the year ended December 31, 2003 amounted to $74.3 million or $0.85 per diluted share compared to a net loss of $230.6 million for the year ended December 31, 2002 or a net loss of $2.40 per share. The net losses in 2003 and 2002 included a large number of infrequent and unusual items. Infrequent items are included in "Operating costs and expenses" and unusual items are included in "Other income (expense), net."

### Operating Revenues and Operating Income

Operating revenues and operating income in 2003 were $1,061.2 million and $10.0 million, respectively, compared with $1,006.2 million and $60.1 million, respectively, in 2002. The increase in operating revenues of $55.0 million was principally due to an increase in revenue at the U.K. Newspaper Group in U.S. dollar terms, as a consequence of the strengthening of the British pound against the U.S. dollar, and smaller revenue gains at both the Chicago and Canadian Newspaper Groups. The decrease in operating income of $50.1 million was largely due to increased operating costs in the U.K., costs of $24.1 million related to restitution to and settlement of litigation with advertisers at the Chicago Sun-Times for previous overstatements of circulation levels, an increase in expenses related to stock-based compensation of $6.7 million and the costs related to the Special Committee investigation and related litigation involving Black, Radler and others of $10.1 million.

## Operating Costs and Expenses

Operating costs and expenses increased by $104.4 million to $996.3 million in 2003 from $891.9 million in 2002. The increase in total operating cost was principally due to an increase in costs at the U.K. Newspaper Group in U.S. dollar terms, as a consequence of the strengthening of the British pound against the U.S. dollar. In addition to the effects of foreign currency fluctuations, costs increased due to stock-based compensation and several other items that are infrequent in nature. Included as infrequent items are the previously described costs of approximately $10.1 million related to the Special Committee investigation and related litigation involving Black, Radler and others and approximately $24.1 million of costs related to restitution to and settlement of litigation with advertisers in the Chicago Sun-Times for previous overstatements of circulation levels. These costs were partially offset by the reversal of excess accruals for provisions for doubtful accounts at the Chicago Group.

## Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")

EBITDA is a financial measure of operational profitability and is presented to assist in understanding the Company's operating results. However, it is not intended to represent cash flow or results of operations in accordance with U.S. GAAP. The Company monitors EBITDA to isolate the impact of financial structure and major capital expenditures at the business unit level as the impact of those matters is largely a consequence of decisions made by the corporate office. Further, valuation of the Company's separate business units on asset sales has historically been predicated on multiples of EBITDA. The table below presents a reconciliation of EBITDA to operating income (loss) and net loss on a consolidated basis. The Company's definition and calculation of EBITDA may be different from the definitions and calculations presented by other companies, including competitors, and therefore EBITDA results may not be comparable among companies.

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2003 | 2002 | 2001 |
| | (Amounts in thousands) | | |
| EBITDA | $ 64,870 | $ 114,259 | $ 37,745 |
| Less: Depreciation | 38,499 | 37,001 | 37,968 |
| Amortization of intangible assets | 9,738 | 9,797 | 28,630 |
| Amortization of capitalized telemarketing costs | 6,616 | 7,354 | 7,130 |
| Operating income (loss) | 10,017 | 60,107 | (35,983) |
| Other income (expense): | | | |
| Interest expense | (55,559) | (58,772) | (78,639) |
| Amortization of deferred financing costs | (2,855) | (5,585) | (10,367) |
| Interest and dividend income | 25,411 | 18,782 | 64,893 |
| Other income (expense), net | 75,641 | (172,783) | (303,318) |
| Total other income (expense) | 42,638 | (218,358) | (327,431) |
| Earnings (loss) before income taxes, minority interest and cumulative effect of change in accounting principle | 52,655 | (158,251) | (363,414) |
| Income taxes (benefit) | 121,638 | 50,132 | (23,038) |
| Loss before minority interest and cumulative effect of change in accounting principle | (68,983) | (208,383) | (340,376) |
| Minority interest | 5,325 | 2,167 | (13,803) |
| Loss before cumulative effect of change in accounting principle | (74,308) | (210,550) | (326,573) |
| Cumulative effect of change in accounting principle | -- | (20,079) | -- |
| Net loss | $(74,308) | $(230,629) | $(326,573) |

EBITDA for the year ended December 31, 2003 was $64.9 million compared to $114.3 million for the year ended December 31, 2002. The decrease in EBITDA for 2003 compared to 2002 is due primarily to the overall increase in revenue, offset by increases in stock-based compensation, costs incurred with respect to the Special Committee investigation, costs related to restitution to and settlement of litigation with advertisers at The Chicago Sun-Times and by increases in operating costs.

Interest Expense

Interest expense totaled $55.6 million and $58.8 million for the years ended December 31, 2003 and 2002, respectively. Interest expense in 2003 included the mark-to-market losses on the value of the $250.0 million interest rate swaps on the 9% Senior Notes. In 2003, the mark-to-market valuation of these swaps resulted in a net loss of $5.6 million. Excluding the impact of the mark-to-market valuation of these swaps, interest expense reflected lower average interest rates on long-term debt for 2003. The effective rates of interest on long-term debt were reduced through the use of a fixed to floating interest rate swap on $250.0 million of the 9% Senior Notes, partially offset by a cross-currency floating to fixed interest rate swap on the Senior Credit Facility. The mark-to-market effect of the cross-currency floating to fixed interest rate swap is reflected in "-- Other Income (Expense), Net," below. See " -- Liquidity and Capital Resources."

Interest and Dividend Income

Interest and dividend income was $25.4 million in 2003 compared with $18.8 million in 2002. The increase of $6.6 million arose primarily from interest that accrued on amounts receivable identified in the Restructuring Agreement. This increase was partially offset as the Company ceased recognizing interest on amounts due from CanWest, pending resolution of the arbitration (See Note 22 of Notes to Consolidated Financial Statements herein), and reflected lower average cash deposits throughout 2003.

Other Income (Expense), Net

Other income (expense), net in 2003 was income of $75.6 million compared to a net expense of $172.8 million in 2002. Included in the income in 2003 was the write-off of deferred financing costs and premiums paid of $37.3 million on the redemption of the Company's 9.25% Senior Subordinated Notes in January 2003 and the $1.1 million write-off of deferred financing costs recognized on the $45.0 million partial repayment of term loans advanced under the Senior Credit Facility. The Company also recognized a write-down of approximately $6.8 million relating to the FDR Collection. See "Item 1 -- Business -- Recent Developments -- Report of the Special Committee." These costs were partially offset by $31.5 million of restitution received or receivable from certain officers and directors of the Company under the terms of the Restructuring Agreement. Of these amounts, $1.2 million was received in 2003 and the remaining $30.3 million has been collected in 2004. The recovery of $602,500 from Boultbee has not been recognized in the Company's consolidated financial statements and is a component of a lawsuit pending before the courts. For 2002, the other expense, net of $172.8 million primarily consisted of the write down of investments of $40.5 million, the loss of $15.2 million related to the TRES and losses incurred on the early extinguishment of debt of approximately $35.5 million.

Also included in Other income (expense), net is the net effect of foreign currency gains and losses, which, in 2003, amounted to net foreign currency gains of $114.1 million compared with net foreign currency losses of $86.9 million in 2002. Foreign exchange gains on the Participation Trust obligations were $122.3 million and were primarily responsible for the net gain in 2003, while losses of $78.2 million on the substantial liquidation of the Company's investment in the Canadian Newspaper Group accounted for the major portion of the loss in 2002. Gains on the Participation Trust obligation were partially offset by mark-to-market losses of $21.7 million on the cross-currency interest rate swap on the Senior Credit Facility during 2003.

Income Taxes

Income tax expense in 2003 was $121.6 million compared to an expense of $50.1 million in 2002. In each year, income tax expense varies substantially from the amount of income tax expense (benefit) that would be "expected" by applying the U.S. Federal income tax rate to earnings (loss) before income taxes, minority



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interest, and cumulative effect of change in accounting principle; a reconciliation of these amounts is presented in Note 24 of Notes to Consolidated Financial Statements. In both 2003 and 2002, the principal variances from "expected" tax expense (benefit) result from provisions for contingent liabilities to cover additional taxes and interest that the Company may be required to pay in various tax jurisdictions; such provisions aggregated $108.2 million in 2003 and $45.3 million in 2002. Also in 2002, the Company recorded a provision of $38.9 million for the tax impacts of the disposition and liquidation of its Canadian operations. In both years, the Company recorded changes in the valuation allowance related to its deferred tax assets to give effect to its assessment of the prospective realization of certain future tax benefits; the allowance was increased by $17.4 million in 2002 and decreased by $12.3 million in 2003.

### Minority Interest

Minority interest in 2003 was $5.3 million compared to $2.2 million in 2002. Minority interest represents the minority share of net earnings of Hollinger L.P. The increase primarily reflected the minority interest's share of foreign exchange gains in Hollinger L.P. relating to the exchange exposure to the Participation Trust, as a result of the strengthening of the Canadian dollar.

## 2002 Compared with 2001

### Net Loss

The Company had a net loss of $230.6 million in 2002 compared with a net loss of $326.6 million in 2001. The net losses in 2002 and 2001 included a large number of infrequent and unusual items as well as an adjustment to reflect the cumulative effect of a change in accounting principle. Infrequent items are included in "Other operating costs and expenses" and unusual items are included in "Other income (expense), net."

### Operating Revenues and Operating Income (Loss)

Operating revenues and operating income in 2002 were $1,006.2 million and $60.1 million, respectively, compared with operating revenues of $1,146.3 million and an operating loss of $36.0 million in 2001. The decrease in operating revenues was primarily due to the sale of most of the remaining Canadian newspapers to Osprey Media and the sale of the Company's remaining 50% interest in the National Post. These declines were partially offset by increases in revenue in the U.K. Newspaper Group, in U.S. dollar terms, as a consequence of the strengthening of the British pound against the U.S. dollar. The increase in operating income was primarily due to the disposition of the Company's remaining 50% interest in the National Post in August 2001, lower consumption of and prices for newsprint throughout the year, reduced compensation costs, lower operating costs in general, reduced amortization charges largely as a consequence of the adoption of SFAS No. 142 and fewer infrequent items.

### Operating Expenses

Operating costs and expenses were $891.9 million in 2002 compared with $1,108.6 million in 2001, a decrease of $216.7 million. Newsprint expense was $147.5 million in 2002 compared with $204.4 million in 2001, a decrease of $56.9 million or 27.8%. The decrease was primarily due to lower consumption at the U.K. Newspaper Group, the sales of Canadian newspaper properties in 2001 and declining newsprint prices. Average newsprint prices at both the U.K. Newspaper Group and Chicago Group year over year were lower. Compensation costs were $309.0 million in 2002 compared to $361.7 million in 2001, representing a year-over-year decrease of $52.7 million or 14.6%. Other operating costs of $435.3 million in 2002 decreased year-over-year by $107.2 million or 19.8% from $542.5 million in 2001. These reductions were mainly due to both the sales of publishing properties and concerted efforts to reduce costs in the face of a difficult advertising market. Infrequent items in 2002 amounted to $1.0 million compared with $21.7 million in 2001. Infrequent items in 2001 included a one-time expense related to a pension and post-retirement plan liability adjustment of $12.4 million as well as $4.7 million of duplicated costs resulting from operating two printing plants during start-up of the new plant in Chicago.

Interest Expense

Interest expense was $58.8 million in 2002 compared to $78.6 million in 2001, a decrease of $19.8 million. The decrease was largely a consequence of the retirement of a portion of long-term debt in 2001 and a partial repayment of the Company's 8.625% senior notes in March 2002. The source of the cash for repayment was the sale of the participation interests in the CanWest Debentures in 2001.

Interest and Dividend Income

Interest and dividend income in 2002 was $18.8 million compared with $64.9 million in 2001, a decrease of $46.1 million. Interest and dividend income in 2001 included interest on the CanWest Debentures until the sale of participation interests in August and December, interest on the remaining CanWest Debentures, dividends on CanWest shares and bank interest on the significant cash balance primarily accumulated from the proceeds of the sale in 2001 of Canadian newspaper properties and the sales of CanWest shares and participations in CanWest Debentures. Most of the proceeds from the disposal of the CanWest investments were retained as short-term investments at low rates of interest until March 2002 when a portion of the Company's long-term debt was retired.

Other Income (Expense), Net

Other expense of $172.8 million in 2002 included charges in respect of writedowns of investments of $40.5 million and a loss of $15.2 million relating to the TRES. The TRES arrangements were retired in their entirety in December 2002. In addition, the Company incurred a cost of $35.5 million in relation to the early termination of outstanding debt. Other expense in 2001 amounted to $303.3 million and included a net loss on the sale of investments of $147.2 million, being primarily the loss on sale of participations in CanWest Debentures and a loss on sale of CanWest shares, a net loss of $1.2 million on sale of publishing interests, including a $78.2 million loss on the sale of the National Post offset primarily by gains on sales of Canadian properties, a $48.0 million write-down of investments, a $73.9 million loss in respect of the TRES and $15.1 million in losses from equity accounted companies.

Included in other income (expense), net were foreign currency losses in 2002 of $86.9 million compared with $1.3 million in 2001. The 2002 loss principally consisted of a $78.2 million loss incurred as a result of the substantial liquidation of the Company's investment in the Canadian Newspaper Group and the related repatriation of funds to the United States. Prior to 2002, the cumulative foreign exchange losses associated with the Canadian investment were included in the accumulated other comprehensive loss component of stockholders' equity.

Income Taxes

Income tax expense in 2002 was $50.1 million compared to a tax benefit of $23.0 million in 2001. In each year, income tax expense (benefit) varies substantially from the amount of income tax benefit that would be "expected" by applying the U.S. Federal income tax rate to the loss before income taxes, minority interest, and cumulative effect of change in accounting principle; a reconciliation of these amounts is presented in Note 24 of Notes to Consolidated Financial Statements. In both 2002 and 2001, the principal variances from the "expected" tax benefit result from provisions for contingent liabilities to cover additional taxes and interest that the Company may be required to pay in various tax jurisdictions; such provisions aggregated $45.3 million in 2002 and $31.2 million in 2001. The Company increased the valuation allowance with respect to its net deferred tax assets by $17.4 million in 2002 and $27.2 million in 2001. The Company also recorded provisions of $38.9 million in 2002 and $5.1 million in 2001 for the tax impacts of the disposition and liquidation of its Canadian operations. The losses related to the TRES are not deductible for tax purposes; variances attributable to the TRES losses were $5.3 million in 2002 and $28.1 million in 2001.

Minority Interest

Minority interest in 2002 was $2.2 million, compared to a credit of $13.8 million in 2001. The credit in 2001 resulted primarily from the minority stockholders' share of National Post losses to August 31, 2001, offset by the minority interest's share of earnings of Hollinger L.P.

Change in Accounting Principle

The transitional provisions of SFAS No. 142 required the Company to assess whether goodwill was impaired as of January 1, 2002. The fair values of the Company's reporting units are determined primarily using a multiple of maintainable normalized cash earnings. As a result of this transitional impairment test, and based on the methodology adopted, the Company determined that the carrying amount of The Jerusalem Post properties was in excess of its estimated fair value. Accordingly, the value of goodwill attributable to The Jerusalem Post was written down in its entirety. The write-down of $20.1 million (net of tax of nil) was reflected in the Consolidated Statement of Operations as of January 1, 2002 as a cumulative effect of a change in accounting principle. The Company determined that the fair value of each of the other reporting units was in excess of its respective carrying amount, both on adoption and at year end for purposes of the annual impairment test. See Note 1(i) of Notes to Consolidated Financial Statements herein.

Segment Results

The Company divides its business into five principal segments; the Chicago Group, the Community Group, the U.K. Newspaper Group, the Canadian Newspaper Group, and the Investment and Corporate Group.

Below is a discussion of the results of operations of the Company by operating segment.

Chicago Group

The following table sets forth, for the Chicago Group, for the periods indicated, certain results of operations items and related percentage relationships.

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2003 | 2002 | 2001 | 2003 | 2002 | 2001 |
| | (Dollars in thousands) | | | (Percentage) | | |
| Operating revenues: | | | | | | |
| Advertising | $352,029 | $341,262 | $338,521 | 78.1% | 77.2% | 76.4% |
| Circulation | 86,532 | 89,427 | 92,716 | 19.2 | 20.2 | 20.9 |
| Job printing and other | 12,228 | 11,089 | 11,647 | 2.7 | 2.6 | 2.7 |
| Total operating revenues | 450,789 | 441,778 | 442,884 | 100.0 | 100.0 | 100.0 |
| Operating costs: | | | | | | |
| Newsprint | 65,109 | 60,146 | 76,399 | 14.4 | 13.6 | 17.3 |
| Compensation costs | 170,483 | 170,895 | 178,672 | 37.8 | 38.7 | 40.3 |
| Other operating costs | 154,985 | 136,141 | 144,963 | 34.5 | 30.8 | 32.7 |
| Depreciation | 19,344 | 18,847 | 17,955 | 4.3 | 4.3 | 4.1 |
| Amortization | 16,354 | 17,151 | 19,933 | 3.6 | 3.9 | 4.5 |
| Total operating costs | 426,275 | 403,180 | 437,922 | 94.6 | 91.3 | 98.9 |
| Operating income | $ 24,514 | $ 38,598 | $ 4,962 | 5.4% | 8.7% | 1.1% |

2003 Compared with 2002

Operating revenues for the Chicago Group were $450.8 million in 2003 compared to $441.8 million in 2002, which is an increase of $9.0 million or 2.0%.

Advertising revenue was $352.0 million in 2003 compared with $341.3 million in 2002, an increase of $10.7 million or 3.1%. The overall increase was a result of higher advertising revenue in each of retail (3.8%) and national advertising (6.3%).

Circulation revenue was $86.5 million in 2003 compared with $89.4 million in 2002, a decrease of $2.9 million or 3.2%. The decline in circulation revenue was attributable primarily to volume declines in the single copy market. Sunday single copy sales declined, and although the volume of Sunday home delivery increased, the increased volume was achieved at discounted price levels.

Although the Company's investigation of the inflation of circulation figures revealed the source of the declines in circulation revenues, the inflation of circulation figures itself did not result in the misstatement of circulation revenues recognized by the Chicago Group. See discussion of "Other operating costs", below and "Item 1 -- Business -- Recent Developments -- The Chicago Sun-Times Circulation Overstatement."

Printing and other revenue was $12.2 million in 2003 compared with $11.1 million in 2002, an increase of $1.1 million or 9.9%.

Total operating costs in 2003 were $426.3 million compared with $403.2 million in 2002, an increase of $23.1 million or 5.7%.

Newsprint expense was $65.1 million for 2003, compared with $60.1 million in 2002, an increase of $5.0 million or 8.3%. Total newsprint consumption in 2003 increased approximately 4% compared with 2002, and the average cost per tonne of newsprint in 2003 was approximately 7% higher than in 2002. Reflected in newsprint costs for 2003 was a favorable recovery against a previously recorded allowance for unusable newsprint, which reduced newsprint expense by $2.2 million.

Compensation costs in 2003 were $170.5 million compared with $170.9 million in 2002, a decrease of $400,000 or 0.2%. In 2003, labor cost savings were achieved in production and circulation with the implementation of new technology and further consolidation of the distribution network. These declines were partially offset by a 3% increase in employee benefit costs.

Other operating costs in 2003 were $155.0 million compared with $136.1 million in 2002, an increase of $18.9 million or 13.9%. Other operating costs, excluding infrequent items discussed below, decreased in 2003 primarily as a result of a decrease in the provisions for doubtful accounts. During 2003, the Chicago Group updated underlying assumptions used for estimating its allowance for doubtful accounts and determined it could reduce the allowance by approximately $5.0 million. This reduction was partially offset by cost increases due to the launch of a free distribution newspaper during the fourth quarter of 2002 and increases in insurance costs. These increases were partially offset by savings achieved in facilities rental and a reduction in distribution costs.

Also included in other operating costs in 2003 were infrequent items of $24.1 million compared to $0.5 million in 2002. In 2003, the Chicago Group recorded costs of $24.1 million for restitution to and settlement of litigation with advertisers as a result of the overstatement of circulation levels in the current and prior years. Infrequent items in 2002 were remaining pre-operating costs from the start-up of the new printing facility.

Depreciation and amortization in 2003 was $35.7 million compared with $36.0 million in 2002, a reduction of $300,000. The Chicago Sun-Times moved its headquarters in 2004. This resulted in significant capital expenditures in 2004. See "-- Liquidity and Capital Resources".

Operating income in 2003 was $24.5 million compared with $38.6 million in 2002, a decrease of $14.1 million or 36.5%. The change reflected the combined impact of the items noted above.

2002 Compared with 2001

Operating revenues for 2002 were $441.8 million compared with $442.9 million in 2001, a negligible change from the prior year. Advertising revenue of $341.3 million in 2002 increased marginally by $2.8 million over 2001 advertising revenue of $338.5 million. Declines in circulation revenue of $3.3 million or, 3.6% from

$92.7 million in 2001 to $89.4 million in 2002 reflected both price discounting and a decline in circulation copies.

Total operating costs and expenses were $403.2 million in 2002, a decrease of $34.7 million or 7.9% from $437.9 million in 2001. Cost savings were achieved across the board with reductions in compensation costs of $7.8 million to $170.9 million, in newsprint costs of $16.3 million to $60.1 million and in other operating costs of $8.8 million to $136.1 million. Reductions in compensation and other operating costs were the consequence of cost management initiatives undertaken during the course of 2002 and 2001. Newsprint cost reductions were the consequence of commodity price decreases as well as reductions in per copy consumption. Consumption savings were partially offset by increased requirements for bulk sale programs. Average newsprint unit price was approximately 21% lower in 2002 than in 2001. Infrequent items in 2002 were $0.5 million compared to $4.8 million in 2001. These costs, in both years, related primarily to pre-operating costs associated with the new printing facility which became fully operational in 2002.

At $18.8 million in 2002, depreciation was up by $800,000 over 2001. Amortization, largely as a consequence of the implementation of SFAS No. 142, was down by $2.7 million from $19.9 million in 2001 to $17.2 million in 2002.

Operating income for the Chicago Group was $38.6 million in 2002, an increase of $33.6 million over 2001. The improvement reflected the above cost savings, as well as a $4.3 million reduction in infrequent items in 2002, which were partially offset by small revenue declines.

Community Group

The following table sets forth, for the Community Group, for the periods indicated, certain results of operations items and related percentage relationships.

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2003 | 2002 | 2001 | 2003 | 2002 | 2001 |
| | (Dollars in thousands) | | | (Percentage) | | |
| Operating revenues: | | | | | | |
| Advertising | $ 3,585 | $ 3,937 | $ 5,806 | 34.5% | 29.8% | 30.4% |
| Circulation | 5,717 | 6,082 | 7,751 | 55.0 | 46.0 | 40.5 |
| Job printing and other | 1,095 | 3,212 | 5,558 | 10.5 | 24.2 | 29.1 |
| Total operating revenues | 10,397 | 13,231 | 19,115 | 100.0 | 100.0 | 100.0 |
| Operating costs: | | | | | | |
| Newsprint | 949 | 1,501 | 2,031 | 9.1 | 11.3 | 10.6 |
| Compensation costs | 6,735 | 7,161 | 9,817 | 64.8 | 54.1 | 51.4 |
| Other operating costs | 7,969 | 7,417 | 9,613 | 76.7 | 56.1 | 50.3 |
| Depreciation | 1,345 | 2,370 | 1,268 | 12.9 | 17.9 | 6.6 |
| Amortization | -- | -- | 873 | -- | -- | 4.6 |
| Total operating costs | 16,998 | 18,449 | 23,602 | 163.5 | 139.4 | 123.5 |
| Operating loss | $(6,601) | $(5,218) | $(4,487) | (63.5)% | (39.4)% | (23.5)% |

2003 Compared to 2002

Operating revenue and operating costs for the Community Group were $10.4 million and $17.0 million, respectively, in 2003 compared with $13.2 million and $18.4 million, respectively, in 2002. The decline in revenue and increase in operating loss was primarily attributable to the loss of business under a contract for the printing of the Golden Pages, a commercial telephone directory. Subsequent to 2003, the publisher at The Jerusalem Post was replaced.

2002 Compared with 2001

Operating revenues and operating costs were $13.2 million and $18.4 million in 2002, respectively, compared to $19.1 million and $23.6 million in 2001, respectively. During the third quarter of 2001, the sole remaining U.S. Community Group newspaper was sold, affecting comparative revenue by $800,000 with a minimal impact on operating loss. Operating losses in 2002 and 2001 amounted to $5.2 million and $4.5 million, respectively.

U.K. Newspaper Group

The following table sets forth, for the U.K. Newspaper Group, for the periods indicated, certain results of operations items and related percentage relationships.

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2003 | 2002 | 2001 | 2003 | 2002 | 2001 |
| | (Dollars in thousands) | | | (Percentage) | | |
| Operating revenues: | | | | | | |
| Advertising | $319,358 | $316,295 | $329,758 | 61.5% | 65.7% | 67.8% |
| Circulation | 173,327 | 140,802 | 136,093 | 33.4 | 29.2 | 28.0 |
| Job printing and other | 26,790 | 24,430 | 20,523 | 5.1 | 5.1 | 4.2 |
| Total operating revenues | 519,475 | 481,527 | 486,374 | 100.0 | 100.0 | 100.0 |
| Operating costs: | | | | | | |
| Newsprint | 75,402 | 80,667 | 93,225 | 14.5% | 16.8 | 19.2 |
| Compensation costs | 107,488 | 94,092 | 93,409 | 20.7 | 19.5 | 19.2 |
| Other operating costs | 281,469 | 245,926 | 252,056 | 54.2 | 51.1 | 51.8 |
| Depreciation | 14,433 | 12,763 | 10,728 | 2.8 | 2.6 | 2.2 |
| Amortization | -- | -- | 9,106 | -- | -- | 1.9 |
| Total operating costs | 478,792 | 433,448 | 458,524 | 92.2 | 90.0 | 94.3 |
| Operating income | $ 40,683 | $ 48,079 | $ 27,850 | 7.8% | 10.0% | 5.7% |

2003 Compared to 2002

Operating revenues for the U.K. Newspaper Group were $519.5 million in 2003 compared with $481.5 million in 2002, an increase of $38.0 million or 7.9%. In pounds sterling, operating revenues in 2003 were lb.317.8 million compared with lb.320.9 million in 2002, a decrease of lb.3.1 million or 1.0%.

Advertising revenue, in local currency, was lb.195.5 million in 2003 compared with lb.211.0 million in 2002, a decrease of lb.15.5 million or 7.4%. Recruitment advertising revenue decreased by 18.3% and display-advertising revenue decreased 6.7%. Financial advertising was also particularly affected in 2003, decreasing approximately lb.3.5 million or 13.8% from 2002, due to the continuing advertising recession in the U.K., a reflection of the effect of the weak economy on employment, corporate financings and mergers and acquisitions.

Circulation revenue, in local currency, was lb.106.0 million in 2003 compared with lb.93.6 million in 2002, an increase of lb.12.4 million or 13.2%. Circulation revenues increased as a consequence of increases in the price of daily and Sunday newspapers. The increases were in September 2003 for the daily paper ( lb.0.05 on Monday to Friday) and May 2003 for the Sunday paper ( lb.0.20). In October 2003, there was a price increase for the Saturday paper ( lb.0.10). Circulation volume declined during 2003 from that in the prior year period primarily as a result of management's decision to reduce both bulk and foreign print sales and to reinvest the significant associated cost savings in developing the newspapers.

Total operating costs in 2003 were $478.8 million compared with $433.4 million in 2002, an increase of $45.4 million or 10.5%. In local currency, total operating costs in 2003 were lb.292.5 million compared to lb.288.3 million in 2002, an increase of lb.4.2 million or 1.5%. Total operating costs in dollar terms in 2003 increased over 2002 largely due to a strengthening of the British pound.

Newsprint costs for 2003, in local currency, were lb.46.2 million compared with lb.53.8 million in 2002, a decrease of lb.7.6 million or 14.1%. The decrease resulted from a 7.1% reduction in consumption due to lower pagination as a result of lower advertising revenue and the reduction of bulk and foreign production, and a 7.5% reduction in the average price per tonne of newsprint. Newsprint prices negotiated for 2004 are consistent with prices in 2003.

Compensation costs for 2003, in local currency, were lb.65.7 million compared with lb.62.6 million in 2002, an increase of lb.3.1 million or 4.9%. Compensation costs increased due to a combination of salary increases and higher employment related expenses.

Other operating costs, in local currency, were lb.171.9 million in 2003 compared with lb.163.5 million in 2002, an increase of lb.8.4 million or 5.1%. The year-over-year increase in costs related primarily to the cost of commissioning new printing presses at Trafford Park, pension fund adjustments and the impact of the strategy to develop and market newspapers, partly offset by reductions to bulk and foreign supplies.

Also included in other operating costs in 2003 were infrequent items, in local currency, of lb.2.5 million and lb.0.4 million in 2002. In both 2003 and 2002, these costs were comprised primarily of severance for positions that were permanently eliminated.

Depreciation and amortization for 2003 was lb.8.8 million compared with lb.8.5 million in 2002. Depreciation and amortization levels are expected to decrease in 2004 due to a significant number of assets becoming fully depreciated during the year.

Operating income was $40.7 million for the year ended December 31, 2003, down $7.4 million from $48.1 million in 2002. This decrease reflected the changes discussed.

2002 Compared with 2001

Operating revenues for the U.K. Newspaper Group in 2002 were $481.5 million, a $4.9 million or 1.0% decrease from the $486.4 million generated in 2001. In pounds sterling, there was a lb.16.6 million decrease in 2002 to lb.320.9 million from lb.337.5 million in 2001. That decrease was largely mitigated upon translation into U.S. dollars by favorable changes in foreign exchange rates during the year. The decrease largely related to declining advertising revenues, down by lb.17.7 million to lb.211.0 million in 2002 from lb.228.7 million in 2001, a 7.7% decline. Advertising revenues were particularly hard hit by declining linage in the high rate areas of recruitment and financial. With single copy rate increases of 5p in each of September of 2002 and 2001, circulation revenue was relatively stable at lb.93.6 million compared to lb.94.5 million in 2001. Other operating revenues, largely contract printing, increased by 14% or lb.2.0 to lb.16.3 million from lb.14.3 million in 2001.

Total operating costs and expenses in 2002 were $433.4 million, a reduction of $25.1 million or 5.5% from $458.5 million. In local currency, total operating costs were lb.288.4, a decrease of lb.29.9 million or 9.4% from lb.318.3 in 2001. Newsprint costs accounted for the largest portion of the decrease, with costs down by lb.11.0 million to lb.53.8 million in 2002, a decrease of 16.9%. Average newsprint unit costs declined by 9.9% with the balance of savings generated by reduced consumption, in part as a consequence of reduced advertising revenues. Compensation costs were down by lb.2.3 million to lb.62.6 million, a 3.5% reduction.

Operating income showed a substantial improvement of $20.2 million to $48.1 million in 2002 from $27.9 million in 2001 with operating profit margin increasing to 10.0% from 5.7%. Operating income continued to be affected by the decline in advertising revenue, which started in 2001 and continued through 2002. Exchange rates had a favorable impact in 2002, however, with the average exchange rate of pounds sterling into U.S. dollars improving from 1.44 in 2001 to 1.50 in 2002.

Canadian Newspaper Group

The following table sets forth, for the Canadian Newspaper Group, for the periods indicated, certain results of operations items and related percentage relationships.

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2003 | 2002 | 2001 | 2003 | 2002 | 2001 |
| | (Dollars in thousands) | | | (Percentage) | | |
| Operating revenues: | | | | | | |
| Advertising | $58,854 | $49,355 | $130,377 | 73.1% | 70.9% | 65.9% |
| Circulation | 11,688 | 10,864 | 41,761 | 14.5 | 15.6 | 21.1 |
| Job printing and other | 10,000 | 9,407 | 25,810 | 12.4 | 13.5 | 13.0 |
| Total operating revenues | 80,542 | 69,626 | 197,948 | 100.0 | 100.0 | 100.0 |
| Operating costs: | | | | | | |
| Newsprint | 6,810 | 5,210 | 32,769 | 8.5 | 7.5 | 16.6 |
| Compensation costs | 43,511 | 33,713 | 77,005 | 54.0 | 48.4 | 38.9 |
| Other operating costs | 33,648 | 31,539 | 122,300 | 41.8 | 45.3 | 61.7 |
| Depreciation | 1,556 | 1,301 | 6,661 | 1.9 | 1.9 | 3.4 |
| Amortization | -- | -- | 5,167 | -- | -- | 2.6 |
| Total operating costs | 85,525 | 71,763 | 243,902 | 106.2 | 103.1 | 123.2 |
| Operating loss | $(4,983) | $(2,137) | $(45,954) | (6.2)% | (3.1)% | (23.2)% |

2003 Compared with 2002

Operating revenues in the Canadian Newspaper Group in 2003 were $80.5 million compared with $69.6 million in 2002. The increase in revenue was primarily a reflection of the strengthening Canadian dollar against the U.S. dollar, although there were increases in revenue in local currency. During 2003, advertising revenue was higher primarily due to growth of the economy in general. This growth was partly offset by a reduction of advertising during the fourth quarter in the automobile sector. Circulation levels remained relatively constant in 2003 compared to 2002.

The operating loss of the Canadian Newspaper Group was $5.0 million in 2003 compared to $2.1 million in 2002. The 2003 results for the Canadian Newspaper Group included an increase in pension and post-retirement obligation expense of Cdn. $5.8 million primarily relating to employees formerly employed by Southam Inc. and in respect of whom the obligations were not assumed by CanWest, purchaser of the related newspapers. In addition, the cost of newsprint increased slightly, but this was partially offset by management of the amount of newsprint used. The effect of the increase in foreign exchange rates on operating costs was approximately offset by the increase in revenue.

The Canadian Newspaper Group experienced an increase in competition in certain markets where the Company has publications. This did not have a significant effect on results in 2003, but may become a factor in 2004 as competing newspaper groups are aggressively entering markets, both where the Company publishes and where it does not currently publish.

2002 Compared with 2001

Operating revenues were $69.6 million in 2002 and $197.9 million in 2001, a decline of $128.3 million. The primary reason for the decline was the sale of the Company's remaining 50% interest in the National Post to CanWest at the end of August 2001 and the sale of a large number of the Canadian community newspaper properties to Osprey Media in July and November of 2001. Beyond that, advertising revenues at operations owned in both years declined during the year, particularly for the magazine group. Same store revenues were

Cdn.$108.8 million in 2002 compared with Cdn. $114.1 million in 2001. Exchange rates had a small adverse impact on revenues.

Operating loss in 2002 was $2.1 million compared to $46.0 million in 2001. The reduction in operating loss was largely due to the sale of the remaining 50% interest in the National Post. Operating income in 2001 was also adversely affected by overhead costs of Cdn.$3.8 million that were not incurred in 2002 as well as a charge of Cdn.$2.6 million relating to retired employee obligations of the newspaper properties sold to CanWest in 2000, which obligations were retained by the Company. The comparable expense in 2002 was Cdn.$4.4 million.

Investment and Corporate Group

The following table sets forth, for the Investment and Corporate Group, for the periods indicated, certain results of operations items.

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2003 | 2002 | 2001 |
| | (Dollars in thousands) | | |
| Operating costs: | | | |
| Compensation costs | $ 10,686 | $ 3,171 | $ 2,773 |
| Other operating costs | 31,089 | 14,324 | 13,544 |
| Depreciation | 1,821 | 1,720 | 1,356 |
| Amortization | -- | -- | 681 |
| Total operating costs | 43,596 | 19,215 | 18,354 |
| Operating loss | $(43,596) | $(19,215) | $(18,354) |

2003 Compared with 2002

Operating costs of the Investment and Corporate Group were $43.6 million in 2003 compared with $19.2 million in 2002. Included in the costs for the Investment and Corporate Group in 2003 was $10.1 million relating to the investigation and review being conducted by the Special Committee and related litigation. These costs were reflected as other operating costs in the Company's Consolidated Statement of Operations. Included in the $10.1 million are legal fees and other professional fees related to the Special Committee investigation and related litigation and legal fees of approximately $1.6 million advanced by the Company on behalf of current and former directors and officers. The Company also incurred stock-based compensation charges of approximately $6.7 million in 2003. These costs were incurred as a result of modifications made to options granted to individuals that lengthened the period of time that their options would be exercisable after their employment with the Company was terminated and the impact of repriced options. Included in the $6.7 million is a charge of approximately $800,000 related to the extension of the option exercise period granted to Radler as part of the Restructuring Agreement.

As noted in the description of the Special Committee Report ("Item 1 -- Business -- Recent Developments -- Report of the Special Committee"), the Company terminated the management services agreements with RMI, Moffat and Black-Amiel effective June 1, 2004. Under the Restructuring Agreement, the Company proposed to pay fees totalling approximately $500,000 for the five-month period ended June 1, 2004. RMI did not respond to the proposal except to assert that the previously existing level of fees should be maintained. During 2003, the Company incurred costs of approximately $7.5 million related to the maintenance and use of the corporate aircraft. Of this amount, approximately $1.2 million was charged to Hollinger Inc. Both the management fees and aircraft costs were incurred at the corporate group level and allocated, in part, to the operating segments in 2003, 2002 and 2001. With the termination of the management services agreement and the sale of one aircraft and lease cancellation of the other, similar charges will not be incurred in future periods. While the Company is expecting to see savings as a result of the above changes, it has also incurred new costs in relation to relocating part of its corporate office function from Toronto, Ontario to Chicago, Illinois, as well as costs in relation to developing and strengthening the Company's systems of internal controls.

2002 Compared with 2001

Operating costs of the Investment and Corporate Group were $19.2 million, compared with $18.4 million in 2001, an increase of $800,000.

Liquidity and Capital Resources

The Company believes it has sufficient liquidity to meet its financial obligations for the foreseeable future with liquidity available from cash on hand, the sale of assets, operating cash flows and debt financing.

Using proceeds from the sale of the Telegraph Group on July 30, 2004, the Company fully repaid and cancelled its Senior Credit Facility and purchased and retired substantially all of its 9% Senior Notes through a tender offer and consent solicitation. All but $9.4 million of the $300.0 million in principal amount of the 9% Senior Notes were purchased through the tender and all covenants were removed on the untendered 9% Senior Notes. The Company has since purchased in the open market and retired an additional $3.4 million in principal amount of the 9% Senior Notes. After the sale of the Telegraph Group and debt reduction, as of September 30, 2004, the Company had $747.6 million in cash and $14.4 million in long-term debt.

With the sale of the Telegraph Group, the Company is heavily dependent upon the Chicago Group for cash flow. That cash flow in turn is dependent on the Chicago Group's ability to sell advertising in its market. The Company's cash flow is expected to continue to be cyclical, reflecting changes in economic conditions.

The following table summarizes the Company's cash and debt positions as of the dates indicated:

| | September 30, 2004 | December 31, 2003 |
|---|---|---|
| | (In thousands) | |
| Cash and cash equivalents | $ 747,611 | $ 134,494 |
| 8.625% Senior Notes, due 2005 | 5,082 | 5,082 |
| 9% Senior Notes due 2010 | 6,000 | 300,000 |
| Senior Credit Facility (including current portion) | -- | 217,129 |
| Obligations under capital lease | -- | 1,944 |
| Other | 3,314 | 5,117 |
| Total long-term debt | $ 14,396 | $ 529,272 |

Currently, there are activities underway or under consideration that will reduce the Company's cash position as compared to the cash position as of September 30, 2004. The Company is attempting to purchase the remaining $6.0 million in principal amount of the 9% Senior Notes. On December 16, 2004, the Board of Directors declared a Special Dividend on the Company's Class A and Class B Common Stock in an aggregate amount of approximately $227.0 million payable on January 18, 2005. The Board of Directors intends to distribute an additional amount of approximately $273.0 million either by way of a tender offer or a second special dividend. There can be no assurance that the second distribution will be made or, if made, whether it will be in the form of a tender offer or a dividend, and if a tender offer, as to the price or form such offer will take. On December 16, 2004, the Board of Directors also declared a regular quarterly dividend in the amount of $0.05 per share payable on the Company's Class A and Class B Common Stock on January 18, 2005.

On November 30, 2004, the Company paid the National Post Company Cdn.$26.5 million (including interest and costs) in full satisfaction of a judgment obtained against the Company. The judgment was in relation to a dispute arising from CanWest's purchase of the Company's remaining 50% interest in the National Post. On December 15, 2004, the Company completed the sale of The Palestine Post Limited, the publisher of The Jerusalem Post and related publications for $13.2 million. On November 19, 2004, the Company received approximately $133.6 million from the sale to CanWest of its beneficial interest in the CanWest Debentures held by the Company and residual interests in the Participation Trust that was attributable to foreign currency exchange. The Company also recently completed the sale of its 50% real estate joint venture interest in Chicago and related real estate for net proceeds of $70.7 million.

The Company also recognizes that there may be significant cash requirements in the future regarding certain currently unresolved tax issues (both U.S. and foreign). As of December 31, 2003, the Company has recorded accruals to cover contingent liabilities for income taxes, which are presented as other tax liabilities classified as follows in the Company's Consolidated Balance Sheet:

| | December 31, 2003 |
|---|---|
| | (In thousands) |
| Classified as current liabilities | $ 455,599 |
| Classified as non-current liabilities | 293,211 |
| | $ 748,810 |

The accruals are intended to cover contingent liabilities related to additional taxes and interest the Company may be required to pay. See Note 24 of Notes to Consolidated Financial Statements. In periods subsequent to December 31, 2003, the Company will continue to record provisions to cover contingent liabilities for additional interest it may be required to pay in various tax jurisdictions.

A substantial portion of the accruals to cover contingent liabilities for income taxes relate to the tax treatment of gains on the sale of a portion of the Company's non-U.S. operations. Strategies have been and may be implemented that may also defer and/or reduce these taxes, but the effects of these strategies have not been reflected in the accounts. The accruals to cover contingent tax liabilities also relate to management fees, "non-competition" payments and other items that have been deducted in arriving at taxable income, which deductions may be disallowed by taxing authorities. If those deductions were to be disallowed, the Company would be required to pay additional taxes and interest since the dates such taxes would have been paid had the deductions not been taken, and it may be subject to penalties. The timing and amounts of any payments the Company may be required to make is uncertain.

As discussed under "Item 3 -- Legal Proceedings", the Company is currently involved in several legal actions as both plaintiff and defendant. These actions are in preliminary stages and it is not yet possible to determine their ultimate outcome. At this time the Company cannot estimate the impact these actions may have on its future cash requirements.

Cash Flows

Cash flows provided by operating activities were $100.9 million for 2003, compared with $56.4 million in 2002, an increase of $44.5 million or 78.9%. The comparison of operating cash flows between years is affected by several key factors. First, the net loss before the cumulative effect of the change in accounting principle of $20.1 million (a non-cash item) has decreased by $136.3 million from $210.6 million in 2002 to $74.3 million in 2003. The single most important reason for the reduced loss was that the Company had a foreign exchange gain of $114.1 million in 2003 as compared to a foreign exchange loss of $86.9 million in 2002, resulting in a variance of $201.0 million between years; the non-cash portion of the variance in foreign currency exchange items was $189.2 million. Second, the Company increased its accounts payable and accrued expenses in 2003 by $33.3 million ($24.1 million of which was due to the accrual of restitution and settlement costs associated with the circulation matters at the Chicago Sun-Times) as compared to a decrease of $27.0 million in 2002, resulting in a variance of $60.3 million. Other than the restitution and settlement cost accrual, the variance was largely attributable to changes in the timing of cash payments of payables and accruals. Other significant variances in cash flow items between years were related to reduced levels of non-cash write-downs of investments and property, plant and equipment, and to increased levels of non-cash provisions for deferred income taxes and other tax liabilities.

Working capital consists of current assets less current liabilities. At December 31, 2003, working capital, excluding debt obligations and escrow funds and restricted cash was a deficiency of $364.3 million compared to a deficiency of $233.7 million at December 31, 2002, excluding debt obligations, restricted cash and funds held in escrow to repay debt. Current assets, excluding escrow funds and restricted cash, were $427.2 million at December 31, 2003 and $371.5 million at December 31, 2002. Current liabilities, excluding debt obligations, were $791.5 million at December 31, 2003, compared with $605.2 million at December 31, 2002.

Cash flows used in investing activities in 2003 were $0.6 million compared with cash flows used in investing activities of $27.4 million in 2002. The decrease in cash used in investing activities is primarily the result of proceeds the Company received as a result of the early redemption of CanWest Debentures that occurred during 2003. This cash inflow was partially offset by purchases of property, plant and equipment of approximately $14.7 million. The Company has incurred capital expenditures of approximately $10.3 million through September 30, 2004 in relation to the relocation of the offices of the Chicago Sun-Times. See "-- Capital Expenditures."

Cash flows used in financing activities were $113.9 million in 2003 and $404.9 million in 2002. The cash used in financing activities decreased primarily due to the timing of borrowings in late 2002 used for the repayment of debt in early 2003. At year-end 2002, the Company had a significant amount of cash on hand that was restricted to be used for the repayment of debt. This repayment happened during the first quarter of 2003. The other significant cash outflow from financing activities was the payment of the quarterly dividends. The Company's regular dividend payments in 2004 remained at a level similar to 2003.

During 2003, the Company repaid $543.8 million of its 9.25% Senior Subordinated Notes due in 2006 and 2007, including early redemption premiums and accrued interest. These notes were classified as current at December 31, 2002 and repaid with some of the proceeds which were held in escrow at December 31, 2002, from the issuance of 9% Senior Notes and the Senior Credit Facility. Most proceeds from the issuance of the 9% Senior Notes and drawings under the Senior Credit Facility were held in escrow at December 31, 2002 and used in 2003 for the repayments.

Debt

Long-term debt, including the current portion, was $529.3 million at December 31, 2003 compared with $1,084.4 million at December 31, 2002. During 2003, the Company retired $504.9 million principal amount of the 9.25% Senior Subordinated Notes due in 2006 and 2007. The Company also repaid $2.9 million of debt due under its Senior Credit Facility as scheduled, and reduced other debt by $3.1 million. In addition, the Company made an unscheduled repayment of approximately $45.0 million under its Senior Credit Facility on September 30, 2003. Interest rate and foreign currency swaps entered into to manage interest rate and currency risk associated with the borrowings under the Senior Credit Facility and the 9% Senior Notes were adjusted to reflect the unscheduled $45.0 million repayment at a cost of approximately $700,000. This amount was not paid in cash but was factored into the revised swap rates.

As discussed earlier, the Company completed its sale of the Telegraph Group on July 30, 2004 and received proceeds of approximately $1,323.9 million ( lb.729.6 million at US $1.8145 to  lb.1 as of the date of sale). The Company used approximately $213.4 million of these proceeds to fully repay and cancel the Company's Senior Credit Facility. In addition, the Company paid approximately $2.1 million in fees related to this early repayment and $32.3 million in fees to terminate the cross-currency interest rate swaps the Company had in place with respect to the Senior Credit Facility.

In June 2004, the Company commenced a tender offer and consent solicitation to purchase and retire, and eliminate the covenants with respect to, the 9% Senior Notes. Upon the tender offer closing on July 30, 2004, approximately 97% of the 9% Senior Notes were tendered and the covenants were removed from the 9% Senior Notes that remained outstanding. The Company used proceeds from the sale of the Telegraph Group to purchase and retire approximately $294.0 million in principal and interest of the 9% Senior Notes. The Company incurred costs of approximately $61.2 million related to premiums to retire the debt, interest rate swap cancellation costs and other fees. During September 2004, the Company purchased another $3.4 million in principal amount of the 9% Senior Notes on the open market and retired them for a total cost (principal, accrued interest, premium and fees) of approximately $3.9 million.

Leases

The Company is party to several leases for facilities and equipment. These leases are primarily operating leases in nature. In 2004, the Company entered into a new 15-year operating lease related to the relocation of the offices of the Chicago Sun-Times. See "-- Capital Expenditures."

Capital Expenditures

The Chicago Group and the Canadian Newspaper Group have funded their capital expenditures out of cash provided by their respective operating activities and anticipate that they will have sufficient cash flow to continue to do so for the foreseeable future. In 2004, the Chicago Sun-Times entered into a 15-year operating lease for new office space and incurred costs of approximately $10.3 million related to leasehold improvements and other capital expenditures through September 30, 2004. During 2003, the Chicago Group spent approximately $7.9 million on telemarketing costs and expects to spend approximately $7.6 million in 2004 on these costs.

Dividends and Other Commitments

On December 16, 2004, from the proceeds of the sale of the Telegraph Group, the Board of Directors declared a Special Dividend on the Company's Class A and Class B Common Stock in an aggregate amount of approximately $227.0 million payable on January 18, 2005, this being the first tranche of a total amount of $500.0 million which the Board of Directors determined was in the best interest of the Company and its stockholders to be distributed to its stockholders. The Board of Directors intends to distribute approximately $273.0 million of the proceeds from the sale of the Telegraph Group, this being the second tranche of the $500.0 million cash distribution, either by way of a tender offer or a second special dividend. There can be no assurance that the second distribution will be made or, if made, whether it will be in the form of a tender offer or a dividend, and if a tender offer, as to the price or form such offer will take. The Board of Directors believes that following the Special Dividend and the second distribution, the Company will have sufficient liquidity to fund its operations and obligations and to avail itself of strategic opportunities.

On December 16, 2004, the Board of Directors also declared a regular quarterly dividend in the amount of $0.05 per share payable on the Company's Class A and Class B Common Stock on January 18, 2005.

The Company expects its internal cash flow and cash on hand to be adequate to meet its foreseeable dividend requirements.

Off-Balance Sheet Arrangements

Hollinger Participation Trust -- As part of the November 16, 2000 purchase and sale agreement with CanWest, the Company was prohibited from selling the CanWest Debentures received in partial consideration prior to March 15, 2003. In order to monetize this investment, the Company entered into a participation agreement in August 2001 pursuant to which the Company sold participation interests in Cdn.$540.0 million (US $350.0 million) principal amount of CanWest Debentures to the Participation Trust, administered by an independent trustee. The sale of participation interests was supplemented by an additional sale of Cdn. $216.8 million (US $140.5 million) in December 2001. The Company remained the record owner of the participated CanWest Debentures and was required to make payments to the Participation Trust with respect to those debentures if and to the extent the Company received payments in cash or in kind on the debentures from CanWest. Coincident with the Participation Trust's purchase of the participation interests, the Participation Trust issued and sold Trust Notes to third parties in an arm's length transaction to finance the purchase of the participation interests. These transactions resulted in net proceeds to the Company of $401.2 million and for accounting purposes were accounted for as sales in accordance with SFAS No. 140. The net loss on the transactions, including realized holding losses on the debentures, amounted to $62.1 million and were included in "Other income (expense), net" for the year ended December 31, 2001.

On April 10, 2003, CanWest notified the Company of its intention to redeem Cdn.$265.0 million of the CanWest Debentures on May 11, 2003. On May 11, 2003, CanWest redeemed Cdn.$265.0 million principal amount of the CanWest Debentures plus interest accrued to the redemption date of Cdn.$8.8 million for a total of Cdn.$273.8 million ($197.2 million), of which Cdn.$246.6 million was payable to the Participation Trust. This amount, converted at the contractual fixed rate of $0.6482 for each Canadian dollar, totaled $159.8 million and was delivered to the Participation Trust on May 11, 2003. The balance of the proceeds of $37.4 million, less the amounts paid under a cross currency swap of $9.8 million, or $27.6 million, was retained by the Company in respect of its interest in the CanWest Debentures. Of the proceeds retained by the Company, an estimated $16.7 million was restricted cash under the terms of the Participation Trust and unavailable for general corporate purposes as of December 31, 2003.

On October 7, 2004, the Company entered into an agreement with CanWest, pursuant to which the parties agreed to redeem the CanWest Debentures and dissolve the Trust. CanWest exchanged the Trust Notes for new debentures issued by CanWest. The CanWest Exchange Offer was completed on November 18, 2004. The Company received approximately $133.6 million in respect of the CanWest Debentures beneficially owned and the residual interests in the Participation Trust, attributable to foreign currency exchange. The CanWest Exchange Offer resulted in the exchange of all outstanding Trust Notes issued by the Participation Trust with debentures issued by a wholly-owned subsidiary of CanWest and the unwinding of the Participation Trust. As a consequence, all exposure the Company previously had to foreign exchange fluctuations under the Participation Trust was fixed at that date. The Company was also relieved of all its obligations under the Participation Trust Agreement including the requirement to maintain cash on hand to satisfy needs of the Participation Trust, which removed the restrictions on the $16.7 million reflected as "Escrow deposits and restricted cash" on the Company's Consolidated Balance Sheet at December 31, 2003.

Joint Venture Arrangements -- The Company was a venture partner in two joint ventures in the U.K. These ventures were created for the purpose of realizing synergies and cost reductions by combining the production process of the U.K. Newspaper Group and the joint venture partners. The joint ventures were operated to break-even over the long term and provided printing services to the Company and its venture partner, and charged the Company based on the amount of printing done. As reported in "Newsprint incurred through joint ventures," the Company's newsprint costs in relation to publications produced at the joint ventures were $75.4 million in 2003 ($60.6 million in 2002). During 2003, the Company incurred charges of $49.7 million ($46.7 million in 2002). These charges are included in "Other operating costs incurred through joint ventures" in the Consolidated Statements of Operations. The Company's interest in these joint ventures was sold in connection with the sale of the Telegraph Group on July 30, 2004.

At December 31, 2003, pursuant to a joint venture agreement in the U.K., the Company has agreed to guarantee up to lb.500,000, if required, in connection with borrowing by the joint venture. The Company was released from this guarantee upon completion of the sale of the Telegraph Group in 2004.

Derivatives -- The Company used swap agreements to address currency and interest rate risks associated with the 9% Senior Notes and the Senior Credit Facility.

The Company entered into two cross-currency interest rate swap transactions to hedge principal and interest payments on U.S. dollar borrowings under the Senior Credit Facility. The Company marked-to-market the value of the swaps on a quarterly basis, with the gains or losses recorded as a component of "Other income (expense), net" in the Consolidated Statements of Operations.

Publishing entered into interest rate swaps to convert $150.0 million and $100.0 million principal amount of its 9% Senior Notes issued in December 2002 to floating rates. The Company marked-to-market the value of the swaps on a quarterly basis, with the gains or losses recorded as a component of "Interest expense" in the Consolidated Statements of Operations. The fair value of these contracts and swaps as of December 31, 2003 and December 31, 2002 is included in the Consolidated Balance Sheets in "Other liabilities."

As discussed under "-- Liquidity and Capital Resources -- Debt" above, in 2004 the Company terminated the swap agreements related to the Senior Credit Facility and the 9% Senior Notes when these debts were repaid, or substantially retired, using the proceeds from the sale of the Telegraph Group. The Company incurred $32.3 million of fees to cancel the cross-currency interest rate swaps on the Senior Credit Facility, and $10.5 million related to the interest rate swaps on the 9% Senior Notes.



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## Commercial Commitments and Contractual Obligations

In connection with the Company's insurance program, letters of credits are required to support certain projected workers' compensation obligations. At December 31, 2003, letters of credit in the amount of $4.2 million were outstanding.

Set out below is a summary of the amounts due and committed under the Company's contractual cash obligations at December 31, 2003:

| | Total | Due in 1 Year or Less | Due Between 1 and 3 Years | Due Between 3 and 5 Years | Due Over 5 Years |
|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | |
| Existing Senior and Senior Subordinated Notes(1) | $ 5,082 | $ -- | $ 5,082 | $ -- | $ -- |
| 9% Senior Notes(2) | 300,000 | -- | -- | -- | 300,000 |
| Senior Credit Facility(3) | 217,129 | 2,748 | 6,298 | 6,899 | 201,184 |
| Other long-term debt | 5,117 | 2,033 | 2,558 | 524 | 2 |
| Capital lease obligations(4) | 1,944 | 1,944 | -- | -- | -- |
| Operating leases(5) | 13,253 | 4,250 | 4,825 | 2,786 | 1,392 |
| Operating leases(6) | 131,379 | 9,907 | 19,599 | 19,416 | 82,457 |
| Total contractual cash obligations | $673,904 | $ 20,882 | $ 38,362 | $ 29,625 | $585,035 |

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(1) The notes that remain outstanding will mature in 2005.
(2) In August 2004, using proceeds from the sale of the Telegraph Group, the Company retired approximately $294.0 million of principal and interest of the 9% Senior Notes by way of a tender offer. The Company incurred costs of approximately $61.2 million related to premiums to retire the debt, interest rate swap cancellation costs and other fees. During September 2004, the Company purchased another $3.4 million in principal amount of the 9% Senior Notes on the open market and retired such notes for a total cost (principal, accrued interest, premium and fees) of approximately $3.9 million. See "--Liquidity and Capital Resources."
(3) The Company used approximately $213.4 million of the proceeds from the sale of the Telegraph Group to repay all amounts outstanding under the Senior Credit Facility. In addition, the Company paid approximately $2.1 million in fees related to this early repayment and $32.3 million in fees to cancel cross-currency interest rate swaps the Company had in place with respect to amounts outstanding under the Senior Credit Facility.
(4) The capital lease obligation was held at the Telegraph Group. This obligation remained with the Telegraph Group upon its sale.
(5) In 2004, the Chicago Sun-Times sold its interest in the property on which a portion of its operations were situated and moved those operations to new premises. In connection with this move, the Chicago Sun-Times entered into a 15-year operating lease for new office space. The new lease payments, which average amount approximates $3.4 million per year, are not reflected in the above table.
(6) Amounts represent operating leases at the Telegraph Group and The Jerusalem Post, both of which were sold in 2004. See Note 28(c) of Notes to Consolidated Financial Statements.

In addition to amounts committed under its contractual cash obligations, the Company also assumed a number of contingent obligations by way of guarantees and indemnities in relation to the conduct of its business and disposition of its assets. In addition, the Company is involved in various matters in litigation. For more information on the Company's contingent obligations, see "Item 3 -- Legal Proceedings" and Note 22 of Notes to Consolidated Financial Statements.

Recent Accounting Pronouncements

In April 2003, the FASB issued SFAS No. 149, "Amendment of SFAS No. 133 on Derivative Instruments and Hedging Activities" ("SFAS No. 149"). SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"). In particular, it clarifies under what circumstances a contract with an initial net investment meets the characteristics of a derivative as discussed in SFAS No. 133; clarifies when a derivative contains a financing component; amends the meaning of "underlying" to conform it to the language used in the FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others -- an interpretation of FASB Statements No. 5, 57 and 107 and rescission of FASB Interpretation No. 34" ("FIN 45"); and amends certain other existing pronouncements. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The adoption of this pronouncement did not have a material effect on the Company's consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS No. 150"). SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. Some provisions of this Statement are consistent with the FASB's proposal to revise the definition of liabilities in FASB Concepts Statement No. 6, "Elements of Financial Statements", to encompass certain obligations that a reporting entity can or must settle by issuing its own equity shares, depending on the nature of the relationship established between the holder and the issuer. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company adopted the provisions of SFAS No. 150 as of July 1, 2003. The adoption of this pronouncement did not have a material effect on the Company's consolidated financial statements.

In December 2003, the FASB issued SFAS No. 132, (revised), "Employers' Disclosures about Pensions and Other Postretirement Benefits -- an amendment of FASB Statements No. 87, 88, and 106" ("SFAS No. 132R"). This Statement retains the disclosures required by Statement 132, which standardized the disclosure requirements for pensions and other postretirement benefits to the extent practicable, and required additional information on changes in the benefit obligations and fair values of plan assets. Additional disclosures have been added in response to concerns expressed by users of financial statements; those disclosures include information describing the types of plan assets, investment strategy, measurement date(s), plan obligations, cash flows, and components of net periodic benefit cost recognized during interim periods.

In December 2003, the FASB issued a revised version of Financial Interpretation No. 46, "Variable Interest Entities" ("FIN 46R"). FIN 46R requires an entity to evaluate investments that are held to determine firstly, whether or not the entity invested in is a variable interest entity, as defined, and secondly, if the investing entity is the primary beneficiary of the variable interest entity. The results of this analysis will determine if an entity will be required to consolidate the results of the investee, regardless of the actual ownership percentage. The Company does not expect that the adoption of FIN 46R will have a material effect on the Company's consolidated financial statements.

In December 2004, the FASB issued SFAS No. 123 (revised 2004) "Share-Based Payment" ("SFAS 123R"). SFAS 123R addresses the accounting for transactions in which an enterprise exchanges its equity instruments for employee services. It also addresses transactions in which an enterprise incurs liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of those equity instruments in exchange for employee services. For public entities, the cost of employee services received in exchange for equity instruments, including employee stock options, is to be measured on the grant-date fair value of those instruments. That cost is to be recognized as compensation expense over the service period, which would normally be the vesting period. SFAS 123R is effective as of the first interim or annual reporting period that begins after June 15, 2005; the Company will adopt SFAS 123R in the third quarter of fiscal 2005. The Company has not yet determined the impact SFAS 123R will have on its results of operations.

## Item 7A.Quantitative and Qualitative Disclosure About Market Risk

Newsprint. On a consolidated basis, newsprint expense for the years ended December 31, 2003, 2002 and 2001 amounted to $148.3 million, $147.5 million and $204.4 million, respectively. Newsprint prices have varied widely from time to time and management believes they could continue to show significant price variations in the future. During the first half of 2001, newsprint prices in North America were at their highest price per tonne since 1994 and 1995. However, the economic environment in 2001 caused a significant decline in industry consumption and this, coupled with an abundant supply of competitively priced newsprint, resulted in a downward trend in prices during the second half of 2001. This downward trend continued into 2002. Newsprint prices fluctuated during 2003. Management believes that newsprint prices will continue to show significant price variation in the future. Suppliers implemented a newsprint increase of $35.00 per tonne during the second quarter and another $25.00 per tonne in the fourth quarter of 2003, the effects of which were limited to the Chicago Group and Canadian Group operations. In the United Kingdom, the Company negotiated prices for one-year periods. Operating divisions take steps to ensure that they have sufficient supply of newsprint and have mitigated cost increases by adjusting pagination and page sizes and printing and distributing practices. Based on levels of usage, during 2003, a change in the price of newsprint of $50.00 per tonne would have increased or decreased 2003 net loss by approximately $8.9 million.

Interest Rates. At December 31, 2003, the Company had debt totaling $250.0 million which is subject to interest calculated at floating rates as a consequence of fixed to floating swaps arranged by the Company. The current rates of interest are reset every six months in arrears on June 15 and December 15. A 1% change in interest rate would have resulted in a change in interest costs in respect of such debt of approximately $2.5 million.

Foreign Exchange Rates. During 2003, a substantial portion of the Company's income was earned outside of the United States in currencies other than the United States dollar. In addition, in 2001, the Company sold participations in Canadian dollar-denominated CanWest Debentures to the Participation Trust in exchange for U.S. dollars. The Company retained certain foreign exchange exposure in respect of this transaction. As a result, the Company's earnings have been vulnerable to changes in the value of the United States dollar relative to the U.K. pound and the Canadian dollar. Increases in the value of the United States dollar can reduce net earnings and declines can result in increased earnings. Based on earnings and ownership levels for 2003, a 5 percent change in the key foreign currencies would have had the following effect on the Company's reported net loss for 2003:

| | Actual Average 2003 Rate | Increase/Decrease |
|---|---|---|
| | | (In thousands) |
| United Kingdom | $1.6348/ lb. | $ 281 |
| Canada(1) | $0.7157/Cdn$ | $ 26,195 |

(1)Included in the exposure relating to the Canadian dollar noted above is $28.4 million attributable to the CanWest Debentures held by the Participation Trust described below.

In 2001, the Company sold participation interests in Cdn.$756.8 million principal amount of CanWest Debentures to the Participation Trust at an exchange rate of $0.6482 to each Canadian dollar, which translated into $490.5 million. Prior to the unwinding of the Participation Trust in November 2004, under the terms of the Participation Trust documents, the Company was required to deliver to the Participation Trust $490.5 million of the CanWest Debentures at then current exchange rates plus interest received. In addition, until November 5, 2005, CanWest was entitled to elect to pay interest on the debentures in kind or by the issuance of shares.

As the CanWest Debentures were denominated in Canadian dollars, the Company entered into forward foreign exchange contracts in 2001 to mitigate the currency exposure. The foreign currency contracts required the Company to sell Cdn.$666.6 million on May 15, 2003 at a forward rate of $0.6423. In 2002, the Company sold certain of its foreign currency contracts and subsequently entered into additional foreign currency contracts. However, on September 30, 2002, all of the outstanding contracts were unwound resulting in the net cash receipt of $6.3 million by the Company after discounting for early settlement. This amount was included in "Other income (expense), net" for 2002. The Company discontinued the hedging of this foreign exchange exposure, due to constraints under the Company's then outstanding debt facilities.

On April 10, 2003, CanWest notified the Company of its intention to redeem Cdn.$265.0 million of the CanWest Debentures on May 11, 2003. On May 11, 2003, CanWest redeemed Cdn.$265.0 million principal amount of the CanWest Debentures plus interest accrued to the redemption date of Cdn.$8.8 million for a total of Cdn.$273.8 million ($197.2 million), of which Cdn.$246.6 million was payable to the Participation Trust. This amount, converted at the fixed rate of $0.6482 for each Canadian dollar, totaled $159.8 million and was delivered to the Participation Trust on May 11, 2003. The balance of the proceeds of $37.4 million, less the amounts paid under a cross currency swap of $9.8 million, or $27.6 million, was retained by the Company in respect of its interest in Debentures, in which participations were not sold to the Participation Trust. Of the proceeds retained by the Company, an estimated $16.7 million was restricted cash under the terms of the Participation Trust and unavailable for general corporate purposes as of December 31, 2003.

A $0.05 change in the U.S. dollar to Canadian dollar exchange rate applied to the Cdn.$733.3 million principal amount of the CanWest Debentures at December 31, 2003 would result in a $36.7 million loss or gain to the Company.

On October 7, 2004, the Company entered into an agreement with CanWest, pursuant to which the parties agreed to redeem the CanWest Debentures and dissolve the Trust. CanWest exchanged the Trust Notes for new debentures issued by CanWest. The CanWest Exchange Offer was completed on November 18, 2004. The Company received approximately $133.6 million in respect of CanWest Debentures beneficially owned and residual interests in the Participation Trust attributable to foreign currency exchange. As a consequence, all exposure the Company previously had to foreign exchange fluctuations under the Participation Trust was eliminated at that date. The Company was also relieved of all of its obligations under the Participation Trust Agreement including the requirement to maintain cash on hand to satisfy needs of the Participation Trust, which removed the restrictions on the $16.7 million reflected as "Escrow deposits and restricted cash" on the Company's Consolidated Balance Sheet at December 31, 2003. See "-- Liquidity and Capital Resources -- Off-Balance Sheet Arrangements."

Given the sale of the Telegraph Group in July 2004, the Company's exposure to changes in the value of the British pound has been significantly reduced, effective as of the sale date.

## Item 8.Financial Statements and Supplementary Data

The information required by this item appears beginning at page 123 of this Form 10-K.

## Item 9.Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

## Item 9A.Controls and Procedures

Pursuant to Rule 13a-15 under the Exchange Act, the Company's management evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures with the participation of its Chief Executive Officer ("CEO") and its Chief Financial Officer ("CFO"). Based on that evaluation, for the reasons and in respect of the matters noted below, management concluded that the disclosure controls and procedures were ineffective as of December 31, 2003 in providing reasonable assurance that material information requiring disclosure was brought to management's attention on a timely basis and that the Company's financial reporting was reliable. Consequently, substantial additional procedures were undertaken and changes in disclosure controls and procedures effected in order that management could conclude that reasonable assurance exists regarding the reliability of financial reporting and the preparation of financial statements contained in this filing.

On June 17, 2003, the Board of Directors established a Special Committee ultimately comprising three new independent directors to investigate, among other things, certain allegations regarding various related party transactions, all as more fully disclosed under "Item 1 -- Business -- Recent Developments." The Special Committee was further empowered to take any action, including the initiation of litigation, that the Special Committee deemed appropriate in its sole discretion including litigation against any director, officer or employee of the Company. One of the independent director members of the Special Committee, Paris, was subsequently appointed Interim Chairman and Interim CEO and President of the Company. Although he is an executive officer of the Company, his continued participation as a member of the Special Committee is not regarded by the Company as an impediment to the discharge of the Special Committee's responsibilities or a matter that would otherwise affect the design and operation of the Company's disclosure controls and procedures or a material weakness in internal controls.

After the preliminary conclusions of the Special Committee were presented to the Board of Directors in November 2003, three steps in particular were undertaken that partially mitigated the effects of noted weaknesses in controls and procedures:

* The preliminary findings led to an agreement on November 15, 2003 which provided for, among other things: the retirement of Black as CEO of the Company; the resignations of Radler as an officer and director of the Company and Atkinson as a director of the Company; and the termination of Boultbee's position as an officer of the Company.

* A payment approval process was established, under which all payments by the Company to related parties and third party payments in excess of specified dollar amounts were reviewed by an independent third party, Richard C. Breeden & Co., that serves as an advisor to counsel to the Special Committee.

* The Company consented to the entry of a partial final judgment and order of permanent injunction in an action brought by the SEC in the U.S. District Court for the Northern District of Illinois. The Court Order enjoins the Company from violating provisions of the Exchange Act, including the requirements to file accurate annual reports on Form 10-K and quarterly reports on Form 10-Q and to keep accurate books and records. The Court Order requires the Company to have the Special Committee complete its investigation and to permit the Special Committee to take whatever actions it, in its sole discretion, thinks necessary to fulfill its mandate. The Court Order also provides for the automatic appointment of Breeden as Special Monitor of the Company in order to complete the ongoing Special Committee investigation and protect the Company's assets if certain actions are taken by the Board of Directors or stockholders of the Company that would interfere with the Special Committee's investigation.

In early 2004, the Company, through the Special Committee, commenced legal actions based upon the findings of further investigations by the Special Committee. See "Item 3 -- Legal Proceedings" and Note 22 of Notes to Consolidated Financial Statements.

On August 30, 2004, the Special Committee released its Report setting out the scope and results of its investigations . The Report was delivered to the SEC and the U.S. District Court for the Northern District of Illinois. In addition, on August 31, 2004, the Company filed a copy of the full Report with the SEC as an exhibit to a current report on Form 8-K, as amended by a current report on Form 8-K/ A filed with the SEC on December 15, 2004. See "Item 1 -- Business -- Recent Developments."

On November 15, 2004, the SEC filed a complaint with the federal courts in Illinois naming Black, Radler and Hollinger Inc. as defendants alleging that from at least 1999 through at least 2003 Black, Radler and Hollinger Inc. were liable for the Company's failure to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurance that transactions were recorded as necessary to permit preparation of financial statements in conformity with GAAP. The SEC also alleges that Black, Radler and Hollinger Inc., directly and indirectly, falsified or caused to be falsified books, records, and accounts of the Company in order to conceal their self-dealing from the Company's public stockholders.

The Company's management concluded that the following material weaknesses in the Company's internal controls and ineffectiveness in the design and operation of the Company's disclosure controls and procedures, among others, existed during the year ended or as of December 31, 2003:

*The "tone from the top" established by the former executive officers was inappropriate to the establishment of an environment in which strong systems of internal controls and disclosure controls and procedures are encouraged.

*Certain former executive officers of the Company, who were also executive officers at the Company's various controlling stockholders, did not participate in open and timely communication with those responsible for the preparation of corporate reports or with the Board of Directors, in particular its independent members.

*The management and corporate organizational structures facilitated extraction of assets from the Company by way of related party transactions to benefit direct and indirect controlling stockholders.

*Common directorships, among certain former executive officers, at the Company and its direct and indirect parent companies and their affiliates, facilitated inappropriate related party transactions between the Company and those entities.

*The management and reporting structures fostered and maintained the perception of Ravelston and its direct and indirect subsidiaries being one consolidated corporate group, thus blurring the distinction between the interests of individual entities and their respective unaffiliated stockholders.

*The procedures for providing information to the Audit and Compensation Committees were inadequate.

*The Company and its direct and indirect parent companies and controlling stockholders did not retain separate legal counsel when appropriate.

*Clear and appropriate policies for the identification, reporting, approval and disclosure of related party and other significant transactions did not exist.

*Inadequate communication to employees of recourse they might have to report illegal or unethical activity without fear of retribution inhibited the identification and mitigation of inappropriate conduct.

The above pervasive weaknesses directly or indirectly led to other material weaknesses or significant deficiencies in internal controls, such as inadequate documentation of business processes and internal controls.

There have been a number of responses by the Company subsequent to December 31, 2003 to the material weaknesses in internal controls and ineffectiveness in the design and operation of disclosure controls and procedures identified above. Steps taken by the Company to strengthen the design and operation of its disclosure controls and procedures and systems of internal controls include:

*the segregation of the Company's accounting function from that of its controlling stockholders;

*the Company's retention of outside legal counsel independent of that of its controlling stockholders and hiring of a new in-house General Counsel;

*the termination of Black's role as Chairman of the Board of Directors and all other executive roles;

*expansion of the internal audit group and clarification of its role;

*ongoing documentation of internal controls;

*communication to employees of the importance of the control environment, the Company's code of ethics and the existence of "whistleblower" procedures; and

*the addition of an experienced, independent member of the Board of Directors to the Audit Committee.



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In addition to the above, subsequent to December 31, 2003, the Company became aware that circulation figures for the Chicago Sun-Times and certain other publications had been overstated for a number of years starting in 1997. The failures to detect the practices that led to the overstatements can largely be attributed to the material weaknesses noted above insofar as the Company's environment inhibited the establishment and functioning of proper systems of internal control. The Audit Committee completed its review of this matter and presented its findings to the Board of Directors on October 5, 2004. The Audit Committee made several recommendations to strengthen controls over the reporting of circulation, all of which will be implemented by the Company. See "Item 1 -- Business -- Recent Developments -- The Chicago Sun-Times Circulation" and "-- Description of Historical Business -- Chicago Group -- Circulation."

As noted in Item 6 -- Selected Financial Data and Note 2 of Notes to Consolidated Financial Statements herein, the Company has restated its Consolidated Financial Statements with respect to income tax related assets, accruals, expenses and benefits. The Company's management believes that such restatements indicate a material weakness in the procedures followed to calculate the Company's current and deferred income tax provisions. The Company considers historical staffing levels inadequate to address the complexity of the Company's corporate structure and related income tax calculations to be the primary underlying circumstance giving rise to the need for the income tax restatements. Subsequent to the years to which the restatements pertain and prior to the identification of the need for restatements, the Company had taken steps to bolster the size and capabilities of its tax department. The sale of the Telegraph Group and The Palestine Post Limited in 2004 have also served to reduce the complexity referred to. The Company will be undertaking a review of its corporate structure to identify further opportunities to reduce the complexity that exists.

The combined impact of the events since June 2003, including the investigation by the Special Committee, the Strategic Process culminating in the sale of the Telegraph Group and The Palestine Post Limited, the move of the Chicago Sun-Times to new offices, the separation of the Company's accounting function from that of its controlling stockholder, the retention of the Company's books and records by its controlling stockholder, the investigation of circulation overstatements at the Chicago Group and preparation for the implementation of Section 404 of the Sarbanes-Oxley Act regarding internal controls, have strained the resources of the Company's corporate and divisional finance and accounting groups and will continue to do so for a period of time. The Company has hired and continues to hire qualified individuals, either on a permanent or contract basis, to address the various demands on the accounting and finance staff; however, there is no assurance that the Company will not continue to experience disruption in the normal functioning of accounting and finance functions for a further period of time. The Company's disclosure and internal controls are improving. However, the effectiveness of any system of controls and procedures, including the Company's own, is subject to certain limitations, including the exercise of judgment in designing, implementing and evaluating the controls and procedures and the inability to eliminate misconduct completely.

## Item 9B.Other Information

Not applicable.

PART III

Item 10.Directors and Executive Officers of the Registrant

The name, age and position held of each of the directors and executive officers of the Company as of December 31, 2004 are set forth below. All directors are elected on an annual basis.

| Name and Age | Position(s) with the Company |
|---|---|
| Barbara Amiel Black, 64 | Director |
| Conrad M. Black, 60 | Director |
| Richard R. Burt, 57 | Director |
| Daniel W. Colson, 57 | Director |
| John D. Cruickshank, 51 | Chief Operating Officer -- Chicago Group |
| Paul B. Healy, 41 | Vice President, Corporate Development and Investor Relations |
| Henry A. Kissinger, 81 | Director |
| Peter K. Lane, 51 | Vice President and Chief Financial Officer |
| Shmuel Meitar, 61 | Director |
| Gordon A. Paris, 51 | Interim Chairman of the Board of Directors, Interim President and Chief Executive Officer |
| Richard N. Perle, 63 | Director |
| Graham W. Savage, 55 | Director |
| Raymond G.H. Seitz, 64 | Director |
| Robert T. Smith, 61 | Treasurer |
| James R. Thompson, 68 | Director |
| James R. Van Horn, 48 | Vice President, General Counsel and Secretary |

The name, principal occupation, business experience and tenure as a director of the Company and current directorships is set forth below. Unless otherwise indicated, all principal occupations have been held for more than five years.

Barbara Amiel Black, Director. Barbara Amiel Black has served as a director of the Company since 1996. She served as Vice President, Editorial from September 1995 until March 18, 2004. Amiel Black is the wife of Black. After an extensive career in both on and off-camera television production, she was Editor of The Toronto Sun from 1983 to 1985; columnist of The Times and senior political columnist of The Sunday Times of London from 1986 to 1994; a columnist of The Telegraph from 1994 to 2004; and a columnist of Maclean's magazine from 1977 to 2004. Amiel Black also served as a director of Hollinger Inc. until November 2004.

Conrad M. Black, Director. Black has served as a director of the Company since 1990. He is Chief Executive Officer and Director of Argus Corporation Ltd., Toronto. Black has held these or similar positions since 1978. Black served as Chairman of the Board of Directors of the Company from 1978 until January 20, 2004 and as Chief Executive Officer of the Company from 1978 until November 2003. Black is the husband of Amiel Black. He served as a Director of Telegraph Group Limited, London, U.K., where he was Chairman, until March 2004. Black is Chairman of the Advisory Board of The National Interest (Washington) and a member of the International Advisory Board of The Council on Foreign Relations (New York). He sits in the British House of Lords as Lord Black of Crossharbour.

Richard R. Burt, Director. Mr. Burt has served as a director since 1994. Mr. Burt has served as Chairman of Diligence, LLC, an information and security firm since 2001. He was a partner with McKinsey & Company, Inc. from 1991 to 1994. Mr. Burt served as Chief Negotiator in Strategic Arms Reduction Talks from 1989 to 1991 and as the United States Ambassador to the Federal Republic of Germany from 1985 to 1989. Mr. Burt currently serves as a director of IGT, Inc., EADS North America, Inc., and is a trustee of the Deutsche Scudder (New York) and the UBS Brinson mutual fund complexes.

Daniel W. Colson, Director. Colson has served as a director of the Company since 1995 and served as Chief Operating Officer from November 2003 to March 2004. He served as Vice Chairman from May 1998 to March 2004. He served as Deputy Chairman of The Telegraph from 1995 and as Chief Executive Officer of The Telegraph from 1994 to March 2004, and was Vice Chairman of The Telegraph from 1992 to 1995. Colson also served as Vice Chairman and as a director of the Company's parent, Hollinger Inc., until December 2003 and serves as a director of Molson Inc. and Macyro Group (Canada) Inc., all of which are Canadian public reporting companies.

John D. Cruickshank, Chief Operating Officer -- Chicago Group. Mr. Cruickshank has served as the Chief Operating Officer -- Chicago Group and Publisher of the Chicago Sun-Times since November 2003. Mr. Cruickshank served as Vice President Editorial and co-editor of the Chicago Sun-Times from 2000 to November 2003. Prior to joining the Chicago Sun-Times, Mr. Cruickshank served as Editor-in-Chief of The Vancouver Sun from 1995 to 2000. He had previously been Managing Editor of The Globe and Mail in Canada.

Paul B. Healy, Vice President, Corporate Development and Investor Relations. Mr. Healy has served as Vice President, Corporate Development and Investor Relations since 1995. Prior thereto, Mr. Healy was a Vice President of The Chase Manhattan Bank, N.A. for more than five years prior to October 1995, serving as a corporate finance specialist in the media and communications sector.

Henry A. Kissinger, Director. Mr. Kissinger has served as a director since 1996. Mr. Kissinger has served as Chairman of Kissinger Associates Inc., an international consulting firm, since 1982. Mr. Kissinger served as the 56th Secretary of State from 1973 to 1977. He also served as Assistant to the President for National Security Affairs from 1969 to 1975 and as a member of the President's Foreign Intelligence Advisory Board from 1984 to 1990. Mr. Kissinger currently serves on the Advisory Board of American Express Company and the JP Morgan International Advisory Council. He currently serves as Chairman of the International Advisory Board of American International Group, Inc., and Director Emeritus of Freeport-McMoran Copper and Gold Inc., all of which are United States public reporting companies, and as a director of ContiGroup Companies, Inc.

Peter K. Lane, Vice President and Chief Financial Officer. Mr. Lane has served as Vice President and Chief Financial Officer since October 2002. Mr. Lane was Chief Financial Officer of Southam Publications from 2000 to 2002, and prior to that as Chief Financial Officer of Philip Utilities Management Corporation.

Shmuel Meitar, Director. Mr. Meitar has served as a director since 1996. Mr. Meitar also serves as Vice Chairman of Aurec Ltd., a leading provider of communications, media and information services. Mr. Meitar was a director of The Jerusalem Post from 1992 to 2002 and also serves as a director of Golden Pages Publications Ltd., an Israeli company.

Gordon A. Paris, Interim Chairman of the Board of Directors, Interim President and Chief Executive Officer. Paris has served as a director since May 2003. He was appointed Interim Chairman in January 2004 and as Interim President and Chief Executive Officer in November 2003. Paris is also a Managing Director and Head of the Media and Telecommunications and Restructuring Groups at Berenson & Company, a private investment bank. Prior to joining Berenson & Company in February 2002, Paris was Head of Investment Banking at TD Securities (USA) Inc., a subsidiary of The Toronto-Dominion Bank. Paris joined TD Securities (USA) Inc. as Managing Director and Group Head of High Yield Origination and Capital Markets in March 1996 and became a Senior Vice President of The Toronto-Dominion Bank in 2000.

Richard N. Perle, Director. Perle has served as a director since 1994. Perle has been a resident fellow of the American Enterprise Institute for Public Policy Research, since 1987. He was the Assistant Secretary for the United States Department of Defense, International Security Policy from 1981 to 1987. He was co-chairman of Hollinger Digital and a director of The Jerusalem Post, both of which are subsidiaries of the Company. Perle serves as a director of Tapestry Pharmaceuticals and Autonomy Inc., both of which are United States public reporting companies.

Graham W. Savage, Director. Mr. Savage has served as a director since July 2003. Mr. Savage served for 21 years, seven years as the Chief Financial Officer, at Rogers Communications Inc., a major Toronto-based



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media and communications company. Mr. Savage currently serves as Executive Chairman of Callisto Capital LP, a merchant banking firm based in Toronto, as a director and a member of the audit committee of Canadian Tire Corp., as a director and member of the audit committee of Canadian Tire Bank (a subsidiary of Canadian Tire Corp.), as a director of Vitran Corp., where he serves as Chairman of the audit committee and as a director of Leitch Technology Corp. where he also chairs the audit committee. All of the above companies, except Canadian Tire Bank, are Canadian public reporting companies.

Raymond G.H. Seitz, Director. Mr. Seitz has served as a director since July 2003. Mr. Seitz served as Vice Chairman of Lehman Brothers (Europe) until April 2003. He was the American Ambassador to the Court of St. James's from 1991 to 1995, and from 1989 to 1991 Assistant Secretary of State for Europe and Canada. Mr. Seitz currently serves as a director of the Chubb Corporation and PCCW.

Robert T. Smith, Treasurer. Mr. Smith has served as Treasurer since May 1998. Prior thereto, he was Vice President of Chase Securities, Inc. and The Chase Manhattan Bank in the Media and Telecommunications Group.

James R. Thompson, Director. Mr. Thompson has served as a director since 1994. Mr. Thompson has served as the Chairman of Winston & Strawn, attorneys at law, since 1991. Mr. Thompson served as the Governor of the State of Illinois from 1977 to 1991. Mr. Thompson currently serves as a director of FMC Corporation, FMC Technologies, Navigant Consulting Inc. and Maximus, Inc., all of which are United States public reporting companies.

James R. Van Horn, Vice President, General Counsel and Secretary. Mr. Van Horn has served as Vice President, General Counsel and Secretary since June 2004. From March 2004 until June 2004 he served as Corporate Counsel to the Company. Prior thereto, he served as Chief Administrative Officer, General Counsel and Secretary of NUI Corporation.

See "Item 3 -- Legal Proceedings" for a description of certain legal proceedings involving the Company and certain of its officers and directors.

## Audit Committee

The Company's audit committee currently consists of Mr. Thompson, Chairman, Mr. Burt and Mr. Savage. The Board of Directors has determined that Mr. Savage, who became a member of the Audit Committee in November 2003, is an audit committee financial expert with the relevant accounting or related financial management expertise as described in Mr. Savage's biography above and all members meet the independence requirements of the listing standards of the New York Stock Exchange.

## Code of Ethics

The Company has adopted a code of ethics applicable to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of the Company's code of ethics is posted on the Company's website. The Company intends to satisfy the disclosure requirements under Item 5.05 of Form 8-K regarding an amendment to, or a waiver from, a provision of its code of ethics by posting such information on its website at www.hollingerinternational.com. The Company's code of ethics was amended by the Board of Directors on November 29, 2004. The amendments were disclosed in, and the revised code of ethics was furnished as an exhibit to, the current report on Form 8-K filed with the SEC on December 3, 2004.

## Section 16(a) Beneficial Ownership Reporting Compliance

Under the federal securities laws, the directors and executive officers and any persons holding more than 10% of any equity security of the Company are required to report their initial ownership of any equity security and any subsequent changes in that ownership to the Commission. Specific due dates for these reports have been established by the SEC and the Company is required to disclose in this report any failure to file such reports by those dates during 2003. To the Company's knowledge, based upon a review of the copies of the reports furnished to the Company and written representations that no other reports were required, these filing requirements were satisfied during the 2003 fiscal year.



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## Item 11.Executive Compensation

### Summary Compensation Table

The following table sets forth compensation information for the three fiscal years ended December 31, 2003 for certain named executive officers of the Company.

| | | Annual Compensation(4) | | | Long Term Compensation | |
|---|---|---|---|---|---|---|
| Name and Principal Position | Year | Salary | Bonus | Other Annual Compensation | Securities Underlying Options(2) | All Other Compensation(1) |
| GORDON A. PARIS | 2003 | $ 220,625 | $ -- | $ -- | -- | $ 290,750 |
| Interim Chairman, Interim | 2002 | -- | -- | -- | -- | -- |
| President and Chief | 2001 | -- | -- | -- | -- | -- |
| Executive Officer(3) | | | | | | |
| DANIEL W. COLSON(5) | 2003 | $ 301,261 | $ -- | -- | 268,500 | $ 179,183 |
| Chief Operating Officer | 2002 | 256,514 | -- | -- | 280,000 | 184,209 |
| and Chief Executive | 2001 | 260,851 | 1,123,719 | -- | 300,000 | 116,125 |
| Officer of The Telegraph | | | | | | |
| PETER Y. ATKINSON(6) | 2003 | $ -- | $ -- | -- | 110,000 | $ 9,483 |
| Executive Vice President | 2002 | -- | -- | -- | 117,000 | 22,574 |
| | 2001 | -- | 100,000 | -- | 125,000 | 414,553 |
| PAUL B. HEALY | 2003 | $ 345,000 | $ 235,000 | -- | 43,500 | $ 7,175 |
| Vice President, | 2002 | 316,000 | 175,000 | -- | 45,000 | 7,000 |
| Investor Relations | 2001 | 301,000 | 230,000 | -- | 50,000 | 5,100 |
| PETER K. LANE | 2003 | $ 339,956 | $ -- | -- | -- | $ -- |
| Vice President | 2002 | 74,812 | -- | -- | -- | -- |
| Chief Financial Officer | 2001 | -- | -- | -- | -- | -- |
| CONRAD M. BLACK(7) | 2003 | $ 523,345 | $ -- | -- | 360,000 | $ 640,949 |
| | 2002 | 462,460 | -- | -- | 375,000 | 635,023 |
| | 2001 | 443,283 | 250,000 | -- | 400,000 | 5,748,867 |
| F. DAVID RADLER(8) | 2003 | $ -- | $ -- | -- | 360,000 | $ 120,590 |
| | 2002 | -- | -- | -- | 375,000 | 147,372 |
| | 2001 | -- | 150,000 | -- | 400,000 | 5,382,912 |
| J. A. BOULTBEE(9) | 2003 | $ -- | $ -- | -- | 60,000 | $ 9,483 |
| | 2002 | -- | -- | -- | 117,000 | 9,551 |
| | 2001 | -- | 50,000 | -- | 125,000 | 414,553 |

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(1)With respect to Paris, includes director fees paid to him for service on the Board of Directors from May 2003 until his appointment as Interim President and Chief Executive Officer in November 2003.

With respect to Mr. Healy, includes Company contributions under the Company's 401(k) plan.

With respect to Black, includes director fees paid for service on the Boards of Directors of the Company, HCPH Co.,
The Jerusalem Post
, Sun-Times Company, The Telegraph, Hollinger L.P., and American Publishing Company (2001 only); also includes a portion of the cost of maintaining his New York condominium, an allocation of the cost of automobiles and a driver, a portion of the cost of his personal staff in homes where he maintains an office, and the cost of certain medical coverage. Also, for 2001 includes (i) "non-competition" payments from the Osprey Media transaction; (ii) payments pursuant to a "non-competition" agreement with American Publishing Company; and (iii) payments that were made in 2001 and recorded as a reduction of excessive accruals that were recorded in 2000. Does not include any allocation of costs associated with his private use of Company aircraft.

With respect to Radler, includes director fees paid for service on the Boards of Directors of the Company, HCPH Co.,
The Jerusalem Post
, Sun-Times Company, The Telegraph, Hollinger L.P., American Publishing Company (2001 only) and APAC-95 (2001 only); also includes a portion of the cost of maintaining his Chicago condominium and property taxes on the condominium; also includes certain automobile costs and club dues. Also, for 2001 includes (i) "non-competition" payments from the Osprey Media transaction; (ii) payments pursuant to a "non-competition" agreement with

American Publishing Company; and (iii) payments that were made in 2001 and recorded as a reduction of excessive accruals that were recorded in 2000. Does not include any allocation of costs associated with his private use of Company aircraft.

With respect to Colson, includes director fees paid for service on the Boards of Directors of the Company, HCPH Co., The Telegraph, and Hollinger L.P. (2002 and 2003 only).

With respect to Atkinson, includes director fees paid for service on the Boards of Directors of the Company, HCPH Co. and Hollinger L.P. Also for 2001, includes (i) "non-competition" payments from the Osprey Media transaction; (ii) payments pursuant to a "non-competition" agreement with American Publishing Company; and (iii) payments that were made in 2001 and recorded as a reduction of excessive accruals in 2000.

With respect to Boultbee, includes director fees paid for service on the Boards of Directors of HCPH Co. and Hollinger L.P. Also for 2001, includes (i) "non-competition" payments from the Osprey Media transaction; (ii) payments pursuant to a "non-competition" agreement with American Publishing Company; and (iii) payments that were made in 2001 and recorded as a reduction of excessive accruals in 2000.

Director fees paid by HCPH Co. and Hollinger L.P. were in Canadian Dollars and have been converted to U.S. Dollars at the following average rates: 2003 -- 0.7157; 2002 -- 0.6367; and 2001 -- 0.6456. Director fees paid by The Telegraph were in pounds sterling and have been converted to U.S. Dollars at the following average rates: 2003 -- 1.6348; 2002 -- 1.5024; and 2001 -- 1.4401.

(2)Represents number of shares of Class A Common Stock with respect to which options were awarded pursuant to the Company's 1999 Stock Incentive Plan. Option grants vest in twenty-five percent increments over a four-year period from the date of grant. The initial dates of grant and exercise prices for these option grants are as follows: 2003 -- $9.45 per share with an initial grant date of February 6, 2003; 2002 -- $11.13 per share with an initial grant date of February 5, 2002; 2001 -- $14.37 per share with an initial grant date of April 2, 2001. See "1999 Incentive Stock Plan" below.

(3)Paris became a director of the Company in May 2003, became the Interim President and Chief Executive Officer in November 2003 and became the Interim Chairman in January 2004.

(4)With the exception of salaries paid to Black and Colson by the Telegraph Group (which salaries were paid in pounds sterling and Canadian Dollars, respectively, and have been converted into U.S. Dollars at the 2003 average rates of 1.6348 and 0.7157, the 2002 average rates of 1.5024 and 0.6367 and the 2001 average rates of 1.4401 and 0.6456, respectively, for purposes of this disclosure) and except for those findings described by the Special Committee, Black, Radler, Boultbee, Colson and Atkinson did not receive salaries or bonuses directly from the Company. Under the management services agreements with Ravelston, the Company paid management fees relating to, among other matters, management and administrative services provided to the Company by such executives. See "Item 13 -- Certain Relationships and Related Transactions." The Company did not determine the allocation of the management fee paid to Ravelston among its ultimate recipients. That allocation was determined by Ravelston. The Company has requested, and Ravelston provided, the following allocation of the economic interest, directly or indirectly through compensation arrangements, stockholdings or otherwise, in the management fee paid during the years ended December 31, 2002 and 2001, which Ravelston maintains, can reasonably be attributed to Black, Radler, Boultbee, Colson and Atkinson. Although requested, no such information has been provided by Ravelston with respect to 2003. The allocation provided by Ravelston has not been independently verified by the Company.

| | Year Ended December 31, | |
|---|---|---|
| Name | 2002 | 2001 |
| Conrad M. Black | $ 6,485,439 | $6,619,256 |
| F. David Radler | 3,147,922 | 3,102,221 |
| Daniel W. Colson | 1,770,770 | 1,714,308 |
| J. A. Boultbee | 929,395 | 897,250 |
| Peter Y. Atkinson | 876,009 | 846,063 |

The Special Committee's compensation expert, F.W. Cook, determined that the net fee paid from Ravelston's management fees (excluding Hollinger Inc. proxy reported compensation, "non-competition" payments and other benefits) to all of the above individuals was $22,838,000, $21,968,000 and $27,629,000 in 2003, 2002, and 2001, respectively. Without the cooperation of Ravelston, however, none of these amounts can be confirmed or reconciled with the above amounts provided by Ravelston with respect to 2002 and 2001. The Special Committee concluded that Black, Radler, Colson, Boultbee, Atkinson and their affiliated companies transferred to themselves more than $400.0 million from at least 1997 to at least 2003.

During the fourth quarter of 2003, the Company notified RMI that the management services agreement would be terminated in accordance with its terms, effective June 1, 2004, and that the management fee payable under this agreement for the period from January 1, 2004 until June 1, 2004 would be reduced to reflect certain management and personnel changes.

In its second amended complaint filed by the Special Committee on behalf of the Company in federal court in Illinois, the Company seeks, among other things, to recover compensation from Black, Radler, Colson and Boultbee for any period that they are found to have breached their fiduciary duties to the Company. See "Item 3 -- Legal Proceeding -- Litigation Involving Controlling Stockholder, Senior Management and Directors."

(5)Colson retired from his position as Chief Operating Officer of the Company and Chief Executive Officer of the Telegraph Group Limited on March 23, 2004.

(6)Atkinson resigned from his position as a member of the Board of Directors effective November 17, 2003 and as Executive Vice President on April 27, 2004. On April 27, 2004, the Company entered into a consulting agreement with Atkinson. See "Item 13 -- Certain Relationships and Related Transactions -- Consulting Agreement with Atkinson."

(7)Black retired as Chief Executive Officer of the Company on November 19, 2003 and was removed as non-executive Chairman of the Board of Directors on January 17, 2004 and as Executive Chairman of the Telegraph Group Limited on March 5, 2004.

(8)Radler resigned from his position as President and Chief Operating Officer effective November 16, 2003. As a result, the options granted during 2003, together with all unvested options, were cancelled. The period in which Radler could exercise vested options was extended from 30 days to June 1, 2004, which is approximately 6 months from the date of his resignation. The Company recorded a compensation charge of $776,748 in 2003 related to the extension of the exercise period of Radler's options. Radler exercised vested options to acquire 995,000 shares of Class A Common Stock between January 2, 2004 and April 26, 2004.

(9)Boultbee's position was terminated on November 16, 2003. As a result, all options granted during 2003, together with all unvested options, were cancelled. The exercise period on all options that had vested as of the date of Boultbee's termination remains unresolved pending the result of litigation. See "Item 3 -- Legal Proceedings -- Other Actions." The Company has not recorded any compensation charge in 2003 related to the open exercise period.

Stock Option Plans

1994 Stock Option Plan

Prior to the Company's initial public offering in May 1994, Hollinger Inc., the parent company of the Company, adopted and approved a stock option plan for the Company which was subsequently amended on September 9, 1996 (as amended, the "1994 Stock Option Plan"), under which stock option awards have been made to eligible employees and officers. The purpose of the 1994 Stock Option Plan was to promote the interests of the Company and its stockholders by establishing a direct link between the financial interests of eligible employees and officers and the performance of the Company and by enabling the Company to attract and retain highly competent employees and officers. On May 1, 1997, the stockholders adopted a new stock option plan (see "-- 1997 Stock Incentive Plan," described below) which replaced the 1994 Stock Option

Plan. No new grants have or will be made under the 1994 Stock Option Plan. Awards under the 1994 Stock Option Plan made prior to May 1, 1997 are not affected by the adoption of the 1997 Stock Incentive Plan.

1997 Stock Incentive Plan

On May 1, 1997, the Company adopted, and the Company's stockholders approved, a new compensation plan known as the Hollinger International Inc. 1997 Stock Incentive Plan (the "1997 Stock Incentive Plan"). The 1997 Stock Incentive Plan replaced the Company's 1994 Stock Option Plan. Awards previously made under the 1994 Stock Option Plan are not affected. The purpose of the 1997 Stock Incentive Plan was to assist in attracting and retaining highly competent employees and directors and to act as an incentive in motivating selected officers and other key employees and directors to achieve long-term corporate objectives. The 1997 Stock Incentive Plan provided for awards of up to 5,156,915 shares of Class A Common Stock. This total included 189,640 shares that remained available under the 1994 Stock Option Plan, which shares were rolled into the 1997 Stock Incentive Plan, and 4,967,275 additional shares. The number of shares available for issuance under the 1997 Stock Incentive Plan was subject to anti-dilution adjustments upon the occurrence of significant corporate events. The shares offered under the 1997 Stock Incentive Plan were either authorized and unissued shares or issued shares which had been reacquired by the Company. On May 5, 1999, the stockholders adopted a new stock option plan (see "-- 1999 Stock Incentive Plan", described below) which replaced the 1997 Stock Incentive Plan. No new grants have been or will be made under the 1997 Stock Incentive Plan. Awards under the 1997 Stock Incentive Plan made prior to May 5, 1999 are not affected by the adoption of the 1999 Stock Incentive Plan.

1999 Stock Incentive Plan

On May 5, 1999, the Company adopted, and the Company's stockholders approved, a new compensation plan known as the Hollinger International Inc. 1999 Stock Incentive Plan (the "1999 Stock Incentive Plan"). The 1999 Stock Incentive Plan replaces the Company's 1997 Stock Incentive Plan. Awards previously made under the 1997 Stock Incentive Plan are not affected. The purpose of the 1999 Stock Incentive Plan is to assist in attracting and retaining highly competent employees and directors and to act as an incentive in motivating selected officers and other key employees and directors to achieve long-term corporate objectives. The 1999 Stock Incentive Plan provides for awards of up to 8,500,000 shares of Class A Common Stock. The number of shares available for issuance under the 1999 Stock Incentive Plan are subject to anti-dilution adjustments upon the occurrence of significant corporate events. The shares offered under the 1999 Stock Incentive Plan are either authorized and unissued shares or issued shares which have been reacquired by the Company.

Suspension of Option Exercises

Effective May 1, 2004, the Company suspended option exercises under the 1994 Stock Option Plan, the 1997 Stock Incentive Plan and the 1999 Stock Incentive Plan until such time that the Company again becomes current with its reporting obligations under the Exchange Act. The suspension does not affect the vesting schedule with respect to previously granted options. In addition, the terms of the option plans generally provide that participants have 30 days following the date of termination of employment with the Company to exercise options that were exercisable on the date of termination. If the employment of a participant is terminated during the suspension period, the Company will extend the 30-day exercise period to provide participants with 30 days after the conclusion of the suspension period to exercise vested options.

Hollinger L.P. Unit Option Plan

Simultaneously with Hollinger L.P.'s initial public offering in April 1999, Hollinger Canadian Newspapers G.P. Inc., the general partner of Hollinger L.P., adopted and approved a unit option plan for Hollinger L.P. dated April 27, 1999 (the "Unit Option Plan"), under which unit option awards have been made to eligible employees and officers. The purpose of the Unit Option Plan was to promote the interest of Hollinger L.P. and its unit holders by establishing a direct link between the financial interest of eligible employees and officers and the performance of Hollinger L.P. and by enabling Hollinger L.P. to attract and retain highly competent employees and officers. The Unit Option Plan provides for awards of up to 5,000,000 units. The number of units available for issuance under the Unit Option Plan is subject to anti-dilution adjustments upon the occurrence of significant partnership events.

Option Grants in Last Fiscal Year

The following table sets forth information concerning the issuance of options to purchase Class A Common Stock in 2003 to the named executive officers pursuant to the 1999 Stock Incentive Plan.

2003 Individual Grants

| Name | Number of Securities Underlying Options Granted(1)(2) | % of Total Options Granted to Employees in Fiscal Year | Exercise Price ($/Sh) | Expiration Date | Grant Date Present Value(3) |
|---|---|---|---|---|---|
| Gordon A. Paris | -- | -- | -- | N/A | N/A |
| Daniel W. Colson | 268,500 | 13.1% | $ 9.45 | 2/5/2013 | $ 819,462 |
| Peter Y. Atkinson | 110,000 | 5.4% | $ 9.45 | 2/5/2013 | $ 335,720 |
| Paul B. Healy | 43,500 | 2.1% | $ 9.45 | 2/5/2013 | $ 104,661 |
| Peter K. Lane | -- | -- | -- | N/A | N/A |
| Conrad M. Black | 360,000 | 17.5% | $ 9.45 | 2/5/2013 | $1,098,720 |
| F. David Radler(4) | 360,000 | 17.5% | $ 9.45 | 2/5/2013 | $1,098,720 |
| J.A. Boultbee(4) | 60,000 | 2.9% | $ 9.45 | 2/5/2013 | $ 183,120 |

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(1) The options vest in 25% annual increments on each of the first, second, third and fourth anniversaries of their respective grant dates, beginning February 6, 2004.

(2) There were no options granted under the Hollinger L.P. Unit Option Plan in 2003.

(3) These values are determined using the Black-Scholes Option Pricing Model. The Black-Scholes Option Pricing Model is one of the methods permitted by the SEC for estimating the present value of options. The actual value of the stock options that an executive officer may realize, if any, will depend on the excess of the market price on the date of exercise over the exercise price. The Black-Scholes Option Pricing Model is based on assumptions as to certain variables described in the following sentence, so there is no assurance that an individual will actually realize the option values presented in this table. In valuing the options, different assumptions as to variables are used depending on whether the optionee is an employee of the Company or of Ravelston. For employees of the Company (Paris, Healy and Lane), the values listed above were based on the following assumptions: volatility (estimated) -36.18%; risk-free rate of return - 2.69%; dividend yield - 3.39%; and estimated life of options -- 5 years. For employees of Ravelston (Colson, Atkinson, Black, Radler and Boultbee), the values listed above were based on the following assumptions: volatility (estimated) -38.04%; risk-free rate of return - 3.71%; dividend yield - 3.39%; and estimated life of options -- 9 years.

(4) Options granted to Radler and Boultbee during 2003 were subsequently cancelled as a result of Radler's resignation and termination of Boultbee's position with the Company.

Aggregated Option Exercises During Fiscal 2003 and Fiscal Year-End Option Values

The following table sets forth information concerning aggregate option exercises and year-end option values of the named executive officers.

Aggregated Option Exercises During Fiscal 2003
and
Option Values at December 31, 2003
for the Company and Hollinger L.P.

| Name | Number of Shares Acquired on Exercise | Value Realized ($) | Number of Securities Underlying Unexercised Options At Fiscal Year-End | | Value of Unexercised in-the-Money Options at Fiscal Year-End ($)(1)(2) | |
|---|---|---|---|---|---|---|
| | | | Exercisable | Unexercisable | Exercisable | Unexercisable |
| Gordon A. Paris | | | | | | |
| Company | -- | -- | -- | -- | -- | -- |
| Hollinger L.P. | -- | -- | -- | -- | -- | -- |
| Daniel W. Colson | | | | | | |
| Company | -- | -- | 742,500 | 691,000 | 2,714,825 | 3,036,070 |
| Hollinger L.P. | -- | -- | 112,500 | 17,500 | 10,156 | 3,385 |
| Peter Y. Atkinson | | | | | | |
| Company | -- | -- | 374,250 | 287,750 | 1,446,108 | 1,262,023 |
| Hollinger L.P. | -- | -- | 68,750 | 11,250 | 6,529 | 2,176 |
| Paul B. Healy | | | | | | |
| Company | -- | -- | 207,650 | 114,750 | 740,577 | 503,333 |
| Hollinger L.P. | -- | -- | -- | -- | -- | -- |
| Peter K. Lane | | | | | | |
| Company | -- | -- | -- | -- | -- | -- |
| Hollinger L.P. | -- | -- | -- | -- | -- | -- |
| Conrad M. Black | | | | | | |
| Company | -- | -- | 1,180,000 | 925,000 | 4,460,800 | 4,067,800 |
| Hollinger L.P. | -- | -- | 177,500 | 27,500 | 15,960 | 5,320 |
| F. David Radler(3) | | | | | | |
| Company | 185,000 | 849,825 | 995,000 | -- | 3,439,700 | -- |
| Hollinger L.P. | -- | -- | 177,500 | -- | 15,960 | -- |
| J. A. Boultbee(4) | | | | | | |
| Company | -- | -- | -- | -- | -- | -- |
| Hollinger L.P. | -- | -- | -- | -- | -- | -- |

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(1) In accordance with the rules of the SEC, Company option values are calculated by subtracting the exercise price from the fair market value of the underlying common stock. For purposes of this table, fair market value is deemed to be $15.52, the average of the high and low common stock price reported for New York Stock Exchange transactions on December 31, 2003, the last business day of the Company's fiscal year.
(2) In accordance with the rules of the SEC, Hollinger L.P. option values are calculated by subtracting the exercise price from the fair market value of the underlying partnership unit. For purposes of this table, fair market value is deemed to be $0.46, which is the U.S. dollar equivalent based on a daily noon U.S. conversion rate of 0.7738 on December 31, 2003 of the average of the high and low Hollinger L.P. unit price reported for Toronto Stock Exchange transactions on December 30, 2003, the last business day of Hollinger L.P.'s fiscal year on which the units traded.
(3) The period in which Radler could exercise his vested options was extended from 30 days from November 16, 2003, the date of his resignation, to June 1, 2004.

(4) Excludes 365,250 shares of Class A Common Stock that Boultbee alleges he owns in connection with stock options that he attempted to exercise in 2003, which are the subject of pending litigation between Boultbee and the Company.

Directors' Compensation

On October 5, 2004, the Board of Directors approved changes to the Company's Board of Directors Compensation Program, effective from July 1, 2004, in accordance with the recommendations of the Board of Director's Compensation Committee. The Board of Directors Compensation Program applies only to non-management directors in their capacities as members of the Board of Directors and various committees of the Board of Directors. As reflected in the Summary Compensation Table, the Company had maintained a practice of compensating both executive and non-management directors for service on the Board of Directors. The practice of compensating executive directors was terminated in November 2003. Accordingly, in November 2003, Paris ceased receiving all Board and Committee fees and retainers following his appointment as Interim President and Chief Executive Officer.

Under the terms of the new program, effective July 1, 2004, each non-management director is entitled to receive an annual director's fee of $50,000 per annum and a fee of $3,000 for each board meeting attended. Committee chairs and committee members are entitled to receive retainers and meeting attendance fees which vary among committees. The chair of the Audit Committee is entitled to receive a $20,000 annual retainer, while Audit Committee members are entitled to receive a $10,000 annual retainer and all Audit Committee members are entitled to receive a fee of $3,000 per meeting attended. With respect to the Executive Committee, the chair is entitled to receive a $10,000 annual retainer, while Executive Committee members are entitled to receive a $5,000 annual retainer, and all Executive Committee members are entitled to receive a fee of $3,000 per meeting attended. The Chair of the Compensation Committee is entitled to receive an annual retainer of $5,000, and all Compensation Committee members are entitled to receive a fee of $3,000 per meeting attended. The chair of the Nominating and Governance Committee is entitled to receive an annual retainer of $5,000, and all Nominating and Governance Committee members are entitled to receive a fee of $3,000 per meeting attended. The chair of the Stock Option Committee is entitled to receive an annual retainer of $5,000, and all Stock Option Committee members are entitled to receive a fee of $3,000 per meeting attended. The chair of the Special Committee was entitled to receive a meeting attendance fee of $7,500, and all Special Committee members are entitled to receive a fee of $5,000 per meeting attended. The chair of the Corporate Review Committee is entitled to receive a meeting attendance fee of $5,000, and all Corporate Review Committee members are entitled to receive a fee of $3,000 per meeting attended.

Prior to July 1, 2004, each non-management director was entitled to receive an annual director's fee of $50,000 per annum and a fee of $3,000 for each board meeting attended. Committee chairs and committee members were entitled to receive retainers and meeting attendance fees which varied among committees. The chair of the Audit Committee was entitled to receive a fee of $10,000 per meeting attended, while all other Audit Committee members were entitled to receive a fee of $7,500 per meeting attended. With respect to the Executive Committee, the chair was entitled to receive a fee of $7,500 per meeting attended, while all other Executive Committee members were entitled to receive a fee of $5,000 per meeting attended. The Chair of the Compensation Committee was entitled to receive a fee of $5,000 per meeting attended, and all other Compensation Committee members were entitled to receive a fee of $3,000 per meeting attended. The chair of the Nominating and Governance Committee was entitled to receive a fee of $5,000 per meeting attended, and all other Nominating and Governance Committee members were entitled to receive a fee of $3,000 per meeting attended. The chair of the Stock Option Committee was entitled to receive a fee of $5,000 per meeting attended, and all other Stock Option Committee members were entitled to receive a fee of $3,000 per meeting attended. All Special Committee members were entitled to receive a fee of $5,000 per meeting attended. All other Corporate Review Committee members were entitled to receive a fee of $3,000 per meeting attended. All members of the Telegraph Group Board of Directors were entitled to receive a fee of $3,000 per meeting attended during 2003.

Directors are reimbursed for expenses incurred in attending the meetings.

During 2003, Amiel Black received gross compensation of $157,500 for her role as Vice President, Editorial and approximately $43,000 for articles contributed to The Daily Telegraph and The Sunday Telegraph. During 2003, Perle received a salary of approximately $119,000 from Hollinger Digital.

Employment And Change Of Control Agreements

On November 15, 2003, the Board of Directors of the Company elected Paris as the Interim President and Chief Executive Officer of the Company. Subsequently, Paris was also elected as Interim Chairman of the Board of the Company. Paris is paid a base salary of $2.0 million and is provided with an annual grant of restricted stock units for 68,494 shares of Class A Common Stock. On December 22, 2003, (the date on which Paris's compensation package was approved by the Compensation Committee) the Deferred Stock Units had a value of $1.0 million. The Deferred Stock Units are earned on the first day of each anniversary of Paris's employment. The Units convert into Company shares upon the termination of Paris' employment with the Company by either Paris or the Company for any reason or upon a change of control event. The cash compensation payable to Paris by the Company is subject to offset in the amount of any cash salary received by Paris from Berenson & Co. during the term of his employment by the Company. Paris is also eligible for participation in the Company's other incentive programs. The Company has not entered into any employment, retention or severance agreement with Paris.

The Company does not have employment contracts with any named executive officers currently employed by the Company but has entered into retention and severance arrangements with them, as well as with certain of its senior executives and senior executives of its affiliates. These arrangements provide for payment of an incentive to the executives equal to 25% of the executive's annual base salary in effect on April 1, 2004. These payments were or will be made on June 30, 2004 (25% of the incentive), December 31, 2004 (25% of the incentive), and March 31, 2005 (the remaining 50% of the incentive). To be eligible to receive these payments, the executive must be employed by the Company or its affiliate on the payment dates. Payment of the total incentive is also accelerated in the event of the executive's termination following a change of control. A "change of control" is deemed to occur if (i) the independent directors constituting a majority of the Board of Directors of the Company on April 1, 2004 at any time do not continue to constitute the majority of the Board of Directors; (ii) a change in control of the Company that constitutes a "change in control" for purposes of U.S. securities laws occurs; (iii) there is a change in the ownership control of the primary Company affiliate or operating division by which the executive is employed (e.g. the Chicago Group); or (iv) a definitive agreement is entered into which, when consummated, would result in a change in control as defined above. In addition, the arrangements with certain senior executives include a severance program. Under the severance program, if the executive is terminated for a reason other than cause following a sale of the Company or its affiliate (i.e. the executive's employer), then the executive will receive a continuation of his or her salary and benefits for one (1) year following such termination, and a lump sum payment based upon the executive's most recent annual bonus, but in no event less than one-eighth ( 1/8th) of his or her then-current annual salary.

Compensation Committee Report on Executive Compensation

The Compensation Committee of the Board of Directors of the Company is comprised of two independent, non-employee directors. The Compensation Committee has the responsibility of making recommendations to the Board concerning the Company's executive compensation policies, practices and objectives. The authority, responsibility and duties of the Compensation Committee are described in a Compensation Committee Charter, which has been approved by the Board of Directors. The responsibilities and duties of the Committee include, among other things:

* reviewing from time to time and approving the overall compensation policies of the Company applicable to the Company's executive officers.

* reviewing and approving corporate goals and objectives relevant to the compensation of the Chief Executive Officer of the Company; evaluating the performance of the Chief Executive Officer in light of these

goals and objectives; and setting the compensation of the Chief Executive Officer based on the Committee's evaluation and competitive compensation market data.

* reviewing and approving the compensation levels for the executive officers of the Company other than the Chief Executive Officer.

* reviewing, approving, administering and annually evaluating the Company's compensation plans, equity-based plans and benefit plans or programs for executive officers and such other officers as the Compensation Committee deems appropriate, as well as establishing individual targets and ranges under such plans or programs.

* reviewing and approving equity-based grants to the Company's executive officers and others.

* reviewing, approving and at least annually evaluating the compensation and benefits for the Company's non-employee directors.

The Compensation Committee recognizes the importance of a strong executive compensation program in attracting and retaining qualified executives. The Committee believes that the executive compensation program should be designed to align the interests of management closely with the interests of stockholders and to tie compensation levels to the performance of the Company and the achievement of long-term and short-term goals and objectives.

As detailed in the Report, the Special Committee concluded that for a period of at least seven years, ending in 2003, certain former senior executives of the Company obtained excessive and inappropriate levels of compensation at the expense of the Company. These former executives include Black, Radler, Boultbee, Colson and Atkinson. Certain elements of the compensation paid to some of these former executives (including Black) such as a certain level of base salary and Company stock options, were paid directly by the Company and were reviewed and approved by the Compensation Committee. The Special Committee concluded, however, a primary source of the excessive levels of compensation was the management fees paid by the Company to Ravelston and RMI pursuant to the management services agreement. Ravelston separately determined the specific levels of cash compensation to be paid to these former executives from the management fee payments received from the Company, and the Compensation Committee did not participate in any compensation decisions made by Ravelston with respect to these executive officers, including compensation decisions with respect to Black. See "Item 13 -- Certain Relationships and Related Transactions -- Management Services Agreement", as well as the Summary Compensation Table located earlier in this Section. The Management Services Agreement with Ravelston terminated on June 1, 2004. Moreover, the Compensation Committee did not participate in any decisions regarding significant other compensation paid to the former executives, as described in the Special Committee's Report.

The Compensation Committee intends for the Company's compensation program to provide executives with competitive base salaries and benefits and a significant incentive to achieve specific short- and long-term business performance objectives. The components of the executive compensation program are:

* competitive base salaries that reflect the competitive marketplace for the talents that the Committee desires to attract and retain;

* retention and long-term incentives through the provision of stock options or other equity-based awards that vest over a period of time;

* short-term incentives through the payment of annual cash bonuses;

* competitive executive benefits and perquisites.

In making determinations for base salaries, award opportunities to be provided to officers under the compensation program and in establishing short-and long-term performance targets, the Compensation Committee will consider data provided by independent compensation experts for the purpose of determining competitive levels of total compensation for each executive. The Compensation Committee's objective is to develop a total compensation program that is competitive in the marketplace and provides significant incentive to increase stockholder value. While the Compensation Committee believes it is important to ensure that total compensation levels for each executive are competitive, it also believes that the mix of compensation should be weighted toward variable components that provide a significant incentive for the achievement of the financial performance objectives.

In establishing the compensation level for Gordon A. Paris, who became the Company's Interim President and Chief Executive Officer in November 2003 and its Interim Chairman in January 2004, the Committee considered several factors, including the unusual circumstances under which Paris was asked to assume these roles at the request of the Board of Directors, the level of compensation which Paris had experienced in his current and most recent professional positions, and competitive compensation data provided by an independent compensation expert. Paris' compensation consists of a base salary of $2.0 million, reduced by base compensation earned from his other employer, Berenson & Company. In addition, Paris is awarded an annual grant of restricted stock units representing 68,494 shares of Class A Common Stock, and is eligible to be considered for other short- and long-term compensation programs.

Compensation Committee

/s/ JAMES R. THOMPSON
James R. Thompson

/s/ RICHARD R. BURT
Richard R. Burt

Stockholder Return Performance Graph

The following graph compares the percentage change in the Company's cumulative total stockholder return on its Class A Common Stock (assuming all dividends were reinvested at the market price on the date of payment) against the cumulative total stockholder return of the NYSE Market Index and the Media General Industry Group Index -- Newspapers for the period commencing with December 31, 1998 through December 31, 2003. The Class A Common Stock is listed on the NYSE under the symbol "HLR".

Comparison of Cumulative Total Return of the
Company, Peer Groups, Industry Indexes and/or Broad Markets

| | 1999 | 2000 | 2001 | 2002 | 2003 |
|---|---|---|---|---|---|
| Hollinger International Inc. | 97.05 | 123.79 | 95.37 | 85.11 | 133.22 |
| Media General Group Index | 128.24 | 113.50 | 98.49 | 103.14 | 124.77 |
| NYSE Market Index | 109.50 | 112.11 | 102.12 | 83.42 | 108.07 |

Source: Media General Financial Services
P.O. Box 85333
Richmond, VA 23293
Phone: 1-(800) 446-7922
Fax: 1-(804) 649-6826

The information in the graph was prepared by Media General Financial Services. The graph assumes an initial investment of $100.00 and reinvestment of dividends during the period presented.

## Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth, as of December 31, 2004, unless otherwise indicated, certain information regarding those persons or entities known to hold more than 5% of the outstanding shares of Class A Common Stock and Class B Common Stock and ownership of Class A Common Stock and Class B Common Stock by the named executive officers, the incumbent directors and all directors and executive officers as a group.

| Name and Address | Class and Number of Shares Beneficially Owned(1) | | Percent of Class(3) |
|---|---|---|---|
| Tweedy, Browne Company LLC<br>350 Park Avenue<br>New York, New York 10022 | 12,893,450 | Class A Common | 17.0% |
| Hollinger Inc. and affiliates<br>10 Toronto Street<br>Toronto, Ontario(4) | 15,772,923 | Class A Common | 17.4% |
| M5C 2B7 Canada | 14,990,000 | Class B Common | 100.0% |
| Barbara Amiel Black(4),(5) | 16,052,673 | Class A Common | 17.7% |
| Conrad M. Black(4),(5) | 16,052,673 | Class A Common | 17.7% |
| Paulson & Co, Inc.<br>590 Madison Ave<br>New York, NY 10022 | 6,586,555 | Class A Common | 8.7% |
| Sterling Capital Management LLC<br>4064 Colony Road, Suite 300<br>Charlotte, North Carolina 28211 | 4,364,135 | Class A Common | 5.8% |
| Peter Y. Atkinson | 56,750 | Class A Common | * |
| J.A. Boultbee(6) | -- | Class A Common | * |
| Richard R. Burt | 22,500 | Class A Common | * |
| Daniel W. Colson | 1,017,125 | Class A Common | 1.3% |
| Paul B. Healy | 276,900 | Class A Common | * |
| Henry A. Kissinger | 22,500 | Class A Common | * |
| Peter K. Lane | -- | Class A Common | * |
| Shmuel Meitar | 22,500 | Class A Common | * |
| Gordon A. Paris | 136,988 | Class A Common | * |
| Richard N. Perle(7) | 14,145 | Class A Common | * |
| F. David Radler(8) | -- | Class A Common | * |
| Graham W. Savage | -- | Class A Common | * |
| Raymond G.H. Seitz | -- | Class A Common | * |
| James R. Thompson | 23,000 | Class A Common | * |
| All Directors and Executive Officers as a group (16 persons)(2) | 17,712,706 | Class A Common | 18.4% |

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(1) Includes shares subject to presently exercisable options or options exercisable within 60 days of December 31, 2004, held by executive officers and directors under the Company's 1994 Stock Option Plan, 1997 Stock Incentive Plan and 1999 Stock Incentive Plan as follows: Atkinson 56,750 shares; Burt 22,000 shares; Colson 1,017,125 shares; Healy 276,900 shares; Kissinger 22,000 shares; Meitar 22,000 shares; Perle 7,625 shares; and Thompson 22,000 shares. With respect to Paris, includes 136,988 shares issuable pursuant to Restricted Stock Units.

(2) The directors and executive officers as a group (16 persons) were the beneficial owners of 17,712,706 shares of Class A Common Stock (which includes: presently exercisable options to purchase 1,514,025 shares of Class A Common Stock, 14,990,000 shares of Class B Common Stock which are

convertible into an equal number of shares of Class A Common Stock and 136,988 shares issuable pursuant to Restricted Stock Units). The directors and executive officers as a group were also the beneficial owners of 14,990,000 shares of Class B Common Stock or 100% of the outstanding Class B Common Stock, as of December 31, 2004. Certain current and former directors and officers may still hold Hollinger Inc. Retractable Shares ("Retractable Shares") which are exchangeable at the option of Hollinger Inc. for shares of the Company's Class A Common Stock. The Company is currently unable to determine how many Retractable Shares are currently held by current and former directors and officers.

(3)An asterisk (*) indicates less than one percent of a class of stock.

(4)As of December 15, 2004, includes: (i) 2,000,000 shares of Class A Common Stock issuable upon conversion of 2,000,000 shares of Class B Common Stock held by Hollinger Inc.; (ii) 12,990,000 shares of Class A Common Stock issuable upon conversion of 12,990,000 shares of Class B Common Stock held by 504468 N.B. Inc. ("NBCo"), an indirect wholly owned subsidiary of Hollinger Inc.; and (iii) 782,923 shares of Class A Common Stock held by NBCo.

(5)As of December 15, 2004, includes: (i) 15,772,923 shares of Class A Common Stock beneficially owned by Hollinger Inc. (See Note 4 above) (Black controls The Ravelston Corporation Limited, which controls Hollinger Inc.); (ii) 600 shares of Class A Common Stock held by Black; (iii) 9,600 shares of Class A Common Stock held by Conrad Black Capital Corporation, which Black controls; (iv) 50 shares of Class A Common Stock held by Black's son; and (v) 269,500 shares of Class A Common Stock held by Amiel Black, Black's spouse. Black disclaims beneficial ownership of his son's and spouse's securities. Amiel Black disclaims beneficial ownership of all securities held directly or indirectly by her spouse and spouse's son. This excludes the 1,363,750 shares of Class A Common Stock that Black alleges he owns in connection with stock options that he attempted to exercise in February and April 2004, which are the subject of pending litigation between Black and the Company.

(6)Excludes 365,250 shares of Class A Common Stock that Boultbee alleges he owns in connection with stock options that he attempted to exercise in 2003, which are the subject of pending litigation between Boultbee and the Company.

(7)Includes 2,120 shares of Class A Common Stock held by Perle's wife, 800 shares of Class A Common Stock held by the Perle Defined Pension Plan as to which Perle may be deemed to have indirect beneficial ownership and 3,600 shares owned by Perle.

(8)The Company has been unable to determine Radler's holdings.

Changes in Control; Pledges of Securities

Hollinger Inc. has publicly stated that as of December 15, 2004, Hollinger Inc. owned, directly or indirectly, 782,923 shares of the Company's Class A Common Stock and 14,990,000 shares of the Company's Class B Common Stock (which represent all of the issued and outstanding shares of Class B Common Stock). All of the direct and indirect interest of Hollinger Inc. in the shares of the Company's Class A Common Stock is being held in escrow with a licensed trust company in support of future retractions of Hollinger Inc.'s Series II Preference Shares and all of the direct and indirect interest of Hollinger Inc. in the shares of the Company's Class B Common Stock is pledged as security in connection with Hollinger Inc.'s outstanding 11 7/8% Senior Secured Notes due 2011 and 11 7/8% Second Priority Secured Notes due 2011. Hollinger Inc. reported that, as of the close of business on December 10, 2004, $78 million principal amount of the Senior Secured Notes and $15 million principal amount of the Second Priority Secured Notes were outstanding.

Under the terms of the Series II Preference Shares of Hollinger Inc., each Preference Share may be retracted by its holder for 0.46 of a share of the Company's Class A Common Stock. Until the Series II Preference Shares are retracted in accordance with their terms, Hollinger Inc. may exercise the economic and voting rights attached to the underlying shares of the Company's Class A Common Stock.



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Equity Compensation Plan Information

See "Item 5 -- Market for the Registrant's Common Equity, Related Stockholder Matter and Issuer Purchases of Equity Securities" for information about the Company's stock option plan as of December 31, 2003.

## Item 13.Certain Relationships and Related Transactions

The following is a description of certain relationships and related party transactions since January 1, 2001. In August 2004, the Special Committee filed in court its Report that sets out the scope and results of its investigation into certain relationships and related party transactions involving certain former executive officers and certain current and former directors of the Company. The following discussion does not purport to cover all relationships and related party transactions that the Special Committee investigated and reported upon. In addition, the following does not purport to include all findings of the Special Committee with respect to the relationships and related party transactions reported under this item. Certain amounts may differ from amounts used in the Report due to differences in exchange rates. See "Item 1 -- Business -- Recent Developments -- Report of the Special Committee."

As noted under "Item 3 -- Legal Proceedings," most of the findings of the Special Committee set forth in the Report are the subject of ongoing litigation and are being disputed by the former executive officers and certain of the current and former directors of the Company who are the subject of the Report.

### Restructuring Agreement

On November 15, 2003, the Special Committee and Audit Committee disclosed to the Board of Directors the preliminary results of their investigations into a total of $32.2 million in payments characterized as "non-competition" payments made by the Company to Black, Hollinger Inc., Radler, Boultbee and Atkinson. The two committees determined that these payments were made without appropriate authorization by either the Audit Committee or the full Board of Directors and had no economic basis. According to the Report, of the total unauthorized payments, approximately $16.6 million was paid to Hollinger Inc. in 1999 and 2000, approximately $7.2 million was paid to each of Black and Radler in 2000 and 2001, and $602,500 was paid to each of Boultbee and Atkinson in 2000 and 2001.

As a consequence of the findings of the Special Committee and the Audit Committee, the Company and Black signed the Restructuring Agreement on November 15, 2003. The Restructuring Agreement provides for, among other things, restitution by Hollinger Inc., Black, Radler, Boultbee and Atkinson to the Company of the full amount of the unauthorized payments, plus interest; the hiring by the Board of Directors of Lazard to advise on the Strategic Process; and certain management changes, including the retirement of Black as CEO, the resignations of Radler and Atkinson and Boultbee. The Company terminated Boultbee as an officer after failing to reach an agreement with him. In addition, Black agreed, as the majority stockholder of Hollinger Inc., that during the pendency of the Strategic Process he would not support a transaction involving ownership interests in Hollinger Inc. if such transaction would negatively affect the Company's ability to consummate a transaction resulting from the Strategic Process unless the transaction were necessary to enable Hollinger Inc. to avoid a material default or insolvency.

### Management Services Agreements

Prior to their termination effective June 1, 2004, the Company had management services agreements with RMI pursuant to which RMI provided advisory, consultative, procurement and administrative services to the Company. These services agreements were assigned to RMI by Ravelston on July 5, 2002. Ravelston is an affiliate of the Company controlled by Black and co-owned by other former executive officers of the Company, including Radler, Atkinson, Boultbee and Colson. RMI is a wholly-owned subsidiary of Ravelston. Ravelston and RMI billed the Company $23.9 million in 2003, $23.7 million in 2002 and $29.0 million in 2001 for fees and allocated expenses pursuant to these agreements.

In addition, the Company had separate management services agreements with Moffat, a Barbados corporation owned by Black, Radler, Atkinson and Boultbee, and Black-Amiel, a Barbados corporation owned by Black, Boultbee and Amiel Black. The Company paid $2.1 million in 2003, $1.9 million in 2002 and $1.7 million in 2001 in fees under these agreements. These payments were made pursuant to separate management services agreements between the Company and each of Moffat and Black-Amiel, and the Special Committee does not believe that these agreements had any economic substance. Neither Moffat nor Black-Amiel has any employees of which the Special Committee is aware, or provided any services to the Company.

The Restructuring Agreement provides for the termination of these agreements in accordance with their terms, effective June 1, 2004, and the negotiation of the management fee payable thereunder for the period from January 1, 2004 until June 1, 2004. In November 2003, in accordance with the terms of the Restructuring Agreement, the Company notified RMI of the termination of the services agreements effective June 1, 2004 and subsequently proposed a reduced management fee of $100,000 per month for the period from January 1, 2004 through June 1, 2004, which RMI did not accept. RMI demanded a management fee of $2.0 million per month, which the Company did not accept. The Company has not paid any management fees during the notice period and has hired personnel to provide accounting and other services previously provided by Ravelston personnel. RMI seeks damages from the Company for alleged breaches of the services agreements in legal actions pending before the courts. See "Item 3 -- Legal Proceedings -- Hollinger International Inc. v. Ravelston, RMI and Hollinger Inc."

In the Report, the Special Committee determined that through the services agreements, Ravelston and RMI collected excessive and unjustifiable management fees from the Company for the benefit of Black, Radler and other former executive officers of the Company. The Company, through the Special Committee, is seeking to recover the excessive management fees in legal actions pending before the courts. See "Item 1 -- Business -- Recent Developments -- Report of the Special Committee" and "Item 3 -- Legal Proceedings -- Litigation Involving Controlling Stockholder, Senior Management and Directors."

Loan to Subsidiary of Hollinger Inc.

The Company extended a loan to a subsidiary of Hollinger Inc. on July 11, 2000 in the amount of $36.8 million. The loan was originally payable on demand but on March 10, 2003, the due date for repayment was extended to no earlier than March 1, 2011. The loan was made to fund Hollinger Inc.'s purchase of special shares of HCPH Co., with interest payable at a rate of 13% per annum. Effective January 1, 2002, the Executive Committee caused the Company to reduce the interest rate to 90-day LIBOR plus 3% per annum, without the knowledge or approval of the Company's independent directors, as determined by the Special Committee.

On March 10, 2003, the Company calculated the principal amount and interest outstanding under this loan as $46.2 million. In conjunction with the closing of the offering of 11 7/8% Senior Secured Notes by Hollinger Inc., Hollinger Inc. and the Company agreed to amend this loan as follows:

* $25.8 million of the loan was repaid by the Hollinger Inc. subsidiary by application of amounts due to it with respect to the repurchase of shares of Class A Common Stock and redemption of shares of Series E Preferred Stock by the Company as discussed below; and

* The remaining indebtedness of $20.4 million under this loan, according to the Company's incorrect calculation, was subordinated in right of payment to the Hollinger Inc. 11 7/8% Senior Secured Notes due 2011 and now bears interest at a rate of 14.25% if paid in cash and 16.5% if paid in kind. The subordination agreement permits the subsidiary of Hollinger Inc. to pay amounts due on this subordinated loan to the extent not prohibited under the indenture governing the 11 7/8% Senior Secured Notes. The reimbursement obligations of the Hollinger Inc. subsidiary under this loan are secured by a cash collateral account that Ravelston was required to fund. Ravelston has funded approximately $147,000 to this account. The loan is guaranteed by Ravelston and secured by its receivables under Ravelston's management services agreement with CanWest.

In connection with these amendments, 2,000,000 shares of Class A Common Stock were repurchased from one of Hollinger Inc.'s wholly-owned subsidiaries at a purchase price of $8.25 per share, for total proceeds of $16.5 million. In addition, the Company redeemed for cancellation 93,206 shares of Series E Preferred Stock held by the same subsidiary of Hollinger Inc. at the subsidiary's request pursuant to the Company's Certificate of Designation for the Series E Preferred Stock at a redemption price of Cdn.$146.63 per share, for a total cash payment of $9.3 million.

This loan is payable in full on demand any time after March 1, 2011, and bears interest at a rate of 14.25% if paid in cash and 16.5% if paid in kind, which the Hollinger Inc. subsidiary is permitted to do under the terms of the promissory note if interest payments to the Company are prohibited under the indenture governing the 11 7/8% Senior Secured Notes. The Hollinger Inc. subsidiary made only partial interest payments on the note until August 2003, when it discontinued payments altogether. At this time, the Company cannot ascertain which interest rate is the appropriate one to apply to the debt. Although, as set forth in the Report, the Special Committee believes interest should be accrued at the higher rate, to be conservative, the Company has accrued interest at the lower rate. Based on the principal amount of the promissory note signed by the Hollinger Inc. subsidiary on March 10, 2003 and using the lower interest rate, approximately $22.1 million was outstanding under that loan as of December 31, 2003. This amount includes both principal and $1.8 million in accrued but unpaid interest.

In the Report, the Special Committee concluded that through Black, Radler, and Boultbee, Hollinger Inc. and its subsidiary made material misrepresentations to the Audit Committee in order to obtain its approval for the loan in July 2000. The Special Committee also determined that the January 2002 interest rate reduction was unauthorized because it was undertaken without review or approval by the Company's independent directors. The Company, through the Special Committee, seeks to rescind the loan in pending legal actions or, in the alternative, to obtain damages for the January 2002 unauthorized interest rate reduction. See "Item 1 -- Business -- Recent Developments -- Report of the Special Committee" and "Item 3 -- Legal Proceedings -- Litigation Involving Controlling Stockholder, Senior Management and Directors."

NP Holdings Sale

On July 3, 2002, N.P. Holdings, a subsidiary of the Company, was sold to RMI for $3.8 million (Cdn.$5.8 million). The Company, through the Special Committee, has commenced legal action against RMI and others for breach of fiduciary duty and fraud in connection with the transaction. See "Item 1 -- Business -- Recent Developments -- Report of the Special Committee and Item 3 -- Legal Proceedings -- Litigation Involving Controlling Stockholder, Senior Management and Directors." Before the sale, NP Holdings had no significant assets or liabilities other than accrued tax losses. Prior management asserted that NP Holdings potentially had an obligation from a letter agreement executed by Hollinger Inc. purporting to obligate the Company to pay The National Post Company Cdn.$22.5 million in connection with the sale to CanWest of The National Post Company, which owned the Company's remaining 50% interest in the National Post newspaper. Immediately prior to the sale, prior management caused the Company to contribute Cdn.$22.5 million as equity to NP Holdings and then borrow that amount from NP Holdings by way of a demand promissory note bearing interest at the three month bankers acceptance rate plus 4%. The note is payable by the Company's subsidiary, HCPH Co., and was originally in favor of NP Holdings but was later assigned to RMI. Notwithstanding these transactions and absent consent from CanWest or The National Post Company to the assumption of the obligation by any party other than the Company, the Company was required to pay Cdn.$22.5 million plus interest on November 30, 2004 to satisfy a judgment obtained against the Company by The National Post Company for that amount. The Company has refused to honor the promissory note to RMI and will be seeking a declaration from RMI that it is not liable on the note. In addition, since the sale, the Company has learned that NP Holdings had greater loss carryforwards than the parties believed at the time of the sale. Therefore, the Company has requested that RMI pay a higher price in recognition of the greater value of NP Holdings, but the Company does not have a contractual right to receive any such additional amount. Although the sale was approved by the Audit Committee, the Special Committee concluded that the approval was based on false and misleading information provided to the Audit Committee



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by prior management. Moreover, according to the Report, neither the equity infusion nor the demand promissory note was ever disclosed to or approved by the Audit Committee.

Berenson & Company

The Company's current Interim Chairman of the Board of Directors, Interim President and CEO, Gordon Paris, is a managing director of Berenson & Company. Berenson & Company acted as financial advisor to the Company in December 2002 and received a fee of approximately $1.0 million in connection with the placement of the Company's 9% Senior Notes.

Special Committee Costs; Advancement of Legal Fees

During 2003, the Company incurred expenses of $10.1 million in connection with the Company's Special Committee investigation and related litigation. The Special Committee costs are included in "Other operating costs" in the Consolidated Statement of Operations for the year ended December 31, 2003. Included in the $10.1 million are legal fees and other professional fees related to the Special Committee investigation and related litigation and legal fees of approximately $1.6 million advanced by the Company on behalf of current and former directors and officers. The majority of the $1.6 million relates to payments of fees for legal counsel representing current and former executive officers and directors of the Company in their dealings with the Special Committee, while conducting its investigations. In addition, from January 1 through September 30, 2004, the Company advanced an additional $8.7 million of legal fees on behalf of current and former directors and officers.

The following legal fees have been advanced on behalf of current and former directors and officers in 2003 and from January 1, 2004 through September 30, 2004.

| | 2003 | 2004 |
|---|---|---|
| | ($'s in thousands) | |
| P. Atkinson | $ 368 | $ 255 |
| C. Black | 388 | 3,715 |
| B. Amiel Black | -- | 310 |
| J. Boultbee | -- | 51 |
| R. Burt | -- | 469 |
| D. Colson | 23 | 33 |
| P. Healy | 139 | 8 |
| M. Kipnis | 163 | 1,022 |
| H. Kissinger | -- | 206 |
| R. Perle | -- | 52 |
| F.D. Radler | 316 | 1,904 |
| T. Vogt | 8 | 228 |
| Others(1) | 224 | 485 |
| | $ 1,629 | $ 8,738 |

(1) Includes amounts advanced or reimbursed by the Company to current or former directors or officers, not otherwise noted, if the total amount was $60,000 or less individually during periods presented.

Corporate Aircraft

Hollinger Inc. and its affiliates billed the Company for allocable airplane expenses amounting to nil, $2.3 million and $4.4 million in 2003, 2002, and 2001, respectively.

During the year ended December 31, 2003, the Company billed Hollinger Inc. $1.2 million (2002 -- $800,000, 2001 -- nil) for use of its aircraft and applied the income against operating expenses. The Company grounded the corporate aircraft in November 2003. One aircraft was leased. That lease has been terminated and the plane was returned to the lessor. The other plane was owned and has been classified as held for sale in the Consolidated Balance Sheet at December 31, 2003. The Company sold the aircraft in April 2004.

Joint Venture Printing

The majority of printing of The Daily Telegraph and The Sunday Telegraph is contracted to two 50% owned joint ventures. The joint ventures are accounted for as equity investments. (See Note 5 of Notes to Consolidated Financial Statements.) Expenses for printing conducted by these joint ventures are included in operating costs and expenses in the Consolidated Statements of Operations.

The Telegraph Group owns a 50% interest in a joint venture established to undertake the sourcing of newsprint for the joint venturers. This joint venture arrangement replaces a similar arrangement terminated in 2001.

Purchases from the joint ventures for printing services and newsprint purchases are disclosed separately in the Consolidated Statements of Operations.

Osprey Media Sales

In two separate transactions in July and November, 2001, the Company and Hollinger L.P. completed the sale of most of the Company's remaining Canadian newspapers to Osprey Media for aggregate consideration of approximately $166.0 million (Cdn. $255.0 million) plus closing adjustments primarily for working capital. The former CEO of Hollinger L.P. is a minority stockholder and CEO of Osprey Media.

In connection with the above two sales, the Company, Hollinger Inc., and Black, Radler, Atkinson and Boultbee, each a former executive officer of the Company, entered into "non-competition" agreements with Osprey Media pursuant to which each agreed not to compete directly or indirectly in Canada with the Canadian businesses sold to Osprey Media for a five-year period, subject to certain limited exceptions, for aggregate consideration of Cdn.$7.9 million. All of such consideration was paid to Black and the three other executive officers. The Special Committee concluded that the allocation of the payment was determined by Black and the other three executive officers and the "non-competition" allocation of the purchase price was funded entirely by the Company with none of the allocation borne by Hollinger L.P. The Company, through the Special Committee, is seeking recovery of these payments, plus interest. See "Item 1 -- Business -- Recent Developments -- Report of the Special Committee" and "Item 3 -- Legal Proceedings -- Litigation Involving Controlling Stockholder, Senior Management and Directors."

CanWest Transactions

In November 2000, the Company completed the sale of most of its Canadian newspapers and related assets to CanWest. The Company received, net of the "non-competition" payments which it paid to Black, Radler, Atkinson, Boultbee and Ravelston, approximately $1.8 billion (Cdn.$2.8 billion), plus closing adjustments for working capital at August 31, 2000 and cash flow and interest for the period September 1 to November 16, 2000.

In connection with the sale to CanWest, Ravelston entered into a management services agreement with CanWest and the National Post pursuant to which it agreed to continue to provide management services to the Canadian businesses sold to CanWest in consideration for an annual fee of Cdn.$6.0 million payable by CanWest. CanWest is obligated to pay Ravelston a termination fee of Cdn.$45.0 million in the event that CanWest chooses to terminate the management services agreement or Cdn.$22.5 million in the event that Ravelston chooses to terminate the agreement. Further, the Company, Ravelston, Hollinger Inc., Black, Radler, Atkinson and Boultbee entered into "non-competition" agreements with CanWest. The Company, through the Special Committee, is seeking recovery of $52.9 million in "non-competition" and interest payments in connection with this transaction and $39.0 million in management fees Ravelston receives from CanWest, plus interest. See "Item 1 -- Business -- Recent Developments -- Report of the Special Committee" and "Item 3 -- Legal Proceedings -- Litigation Involving Controlling Stockholder, Senior Management and Directors."

Community Newspaper Sales

In the December 31, 2000 consolidated financial statements, the Company disclosed that it had concluded three separate transactions to sell certain publishing assets. The underlying purchase and sale agreements for the Paxton, Forum and the second CNHI transactions provided for the payment of "non-competition" fees to Hollinger Inc. totaling $1.4 million, which occurred in September and November of 2000. According to the Report, the Audit Committee was not informed of these payments nor was its approval sought for them. The Company, through the Special Committee, is seeking recovery of these payments plus interest. See "Item 1 -- Business -- Recent Developments -- Report of the Special Committee" and "Item 3 -- Legal Proceedings -- Litigation Involving Controlling Stockholder, Senior Management and Directors."

In addition to the above noted "non-competition" payments provided for in the sale documents, the Special Committee determined that an additional $9.5 million of sale proceeds from one of these three transactions was improperly paid to four former executive officers with the intent to defraud the Company of these funds and without the authorization of the Audit Committee. The Special Committee also determined that further amounts totaling $5.5 million were paid to these same former executives in February 2001, which payments were purportedly supported by sham "non-competition" agreements backdated to December 31, 2000. The Report also stated that, in April 2001, payments totaling $600,000 were made to the four former executive officers without approval of the Audit Committee and without any underlying "non-competition" agreements. The Company, through the Special Committee, is seeking recovery of these payments plus interest. See "Item 1 -- Business -- Recent Developments -- Report of the Special Committee" and "Item 3 -- Legal Proceedings -- Litigation Involving Controlling Stockholder, Senior Management and Directors."

Included in the U.S. Community newspaper transactions was the sale of four U.S. community newspapers for an aggregate consideration of $38.0 million to Bradford, a company formed by a former U.S. Community Group executive officer and in which Black and Radler, each a former executive officer of the Company, are each 25% stockholders. In connection with the sale, the Company entered into "non-competition" agreements with Bradford for an aggregate consideration of $6.0 million, payable in the form of a non-interest bearing 10-year note. The note is unsecured, due over the period to 2010 and subordinated to the rights of Bradford's lenders. This note is non-interest bearing, and accordingly, the Company established the amount receivable at the net present value at the time of the agreement. The December 31, 2003 balance of $3.4 million represents the net present value less any payments received. The Company, through the Special Committee, has brought suit to recover damages arising from the Bradford transaction. See "Item 1 -- Business -- Recent Developments -- Report of the Special Committee" and "Item 3 -- Legal Proceedings -- Litigation Involving Controlling Stockholder, Senior Management and Directors."

Horizon Operations (Canada) Ltd. and Horizon Publications Inc. Sales

On January 1, 2003, Canadian Classified Network ("CCN") was disposed of to Horizon Operations (Canada) Ltd. ("HOCL"), for cash consideration of approximately Cdn.$198,000. HOCL is controlled by Black and Radler. CCN places classified advertising in newspapers participating in a joint advertising group managed by CCN. Until disposed of, CCN was a division of HCPH Co. During the year ended December 31, 2003, the Company earned management fees of approximately Cdn.$117,000 from CCN under a profit sharing arrangement whereby Hollinger L.P. is entitled to 50% of the profits of CCN. In addition, the Company received approximately Cdn.$117,000 with respect to advertising related activities with CCN. This transaction was not approved by the Company's independent directors.

In August 2001, the Company transferred certain publications, including the Mammoth Times Publication, to Horizon in exchange for $1.00. Horizon is managed by former Community Group executive officers and is controlled by Black and Radler. The Company, through the Special Committee, has brought suit to recover damages arising from these transactions. See "Item 1 -- Business -- Recent Developments -- Report of the Special Committee" and "Item 3 -- Legal Proceedings -- Litigation Involving Controlling Stockholder, Senior Management and Directors."

In April 2001, the Company sold the Kelowna Capital and the Vernon Sun-Review to West Partners, a partnership of which the stepfather of Horizon's then-president Todd Vogt was a one-third owner. The transaction was structured such that a subsidiary of the Company sold the Kelowna Capital for $7.3 million. The Special Committee discovered that the Company capitalized the Vernon Sun-Review with $2.3 million that was then transferred to West Partners. The Special Committee concluded that, in essence, the Company paid West Partners $2.3 million to buy the Vernon Sun-Review, thereby reducing the actual purchase price of these properties to approximately $5.0 million. According to the Report, the Special Committee has been unable to find any evidence that this transaction was disclosed to the Board of Directors or the public. The Company, through the Special Committee, has brought suit to recover damages arising from these transactions. See "Item 1 -- Business -- Recent Developments -- Report of the Special Committee" and "Item 3 -- Legal Proceedings -- Litigation Involving Controlling Stockholder, Senior Management and Directors."

The Company sold certain community newspaper properties to Horizon in 1999 for approximately $43.7 million of which $1.2 million was paid to Hollinger Inc. as purported consideration for a "non-competition" agreement. In connection with the sale, the Company loaned approximately $8.0 million to Horizon to finance the purchase of those assets. $4.9 million (excluding interest) was outstanding under that loan as of December 31, 2003. The loan, which matures in 2007, is unsecured and bears interest at the lower of 8% per annum and LIBOR plus 2%. According to the Report, neither the payment to Hollinger Inc. nor the Company's loan to Horizon were disclosed to or approved by the Company's independent directors. The Company, through the Special Committee, has brought suit to recover damages arising from these transactions. See "Item 1 -- Business -- Recent Developments -- Report of the Special Committee" and "Item 3 -- Legal Proceedings -- Litigation Involving Controlling Stockholder, Senior Management and Directors."

### Hollinger Digital

Perle, a member of the Company's Board of Directors, received a salary of approximately $119,000 in 2003, approximately $300,000 in 2002 and approximately $294,000 in 2001 from Hollinger Digital, a subsidiary of the Company, in his capacity as co-Chairman of Hollinger Digital Inc. In 2001, Perle also received a bonus of approximately $225,000 under the Digital Incentive Plan.

During 2001, the Company made payments under the Digital Incentive Plan of approximately $250,000 to Black, $150,000 to Radler, $100,000 to Atkinson and $50,000 to each of Colson and Boultbee. No further payments were made in either 2002 or 2003. The Special Committee determined that these payments were unfair to the Company and the Company, through the Special Committee, is seeking recovery of the payments to Black, Radler, Colson and Boultbee, plus interest. See "Item 1 -- Business -- Recent Developments -- Report of the Special Committee" and "Item 3 -- Legal Proceedings -- Litigation Involving Controlling Stockholder, Senior Management and Directors." Atkinson's settlement agreement with the Company includes repayment of all amounts that Atkinson received under the Digital Incentive Plan. See "-- Release and Settlement Agreement with Atkinson," below.

### Payment to Colson

The Company made a payment of approximately $1.1 million to Colson in 2001. The Special Committee determined that there was no economic substance to or valid business purpose for this payment and the Company, through the Special Committee, is seeking recovery of the payment plus interest. See "Item 1 -- Business -- Recent Developments -- Report of the Special Committee" and "Item 3 -- Legal Proceedings -- Litigation Involving Controlling Stockholder, Senior Management and Directors."

### Payments to Amiel Black

As disclosed under "Item 11 -- Directors Compensation," Amiel Black received a salary of $157,500 for her role as Vice-President-Editorial in 2003 and approximately $43,000 for articles contributed to The Daily Telegraph and The Sunday Telegraph in 2003. Amiel Black received a salary of $156,000 and $150,000 in

2002 and 2001, respectively, and bonuses of $120,000 in each of 2002 and 2001 for her role as Vice-President-Editorial-Times and approximately $28,000 and approximately $16,000 in 2002 and 2001, respectively, for articles contributed to The Daily Telegraph and The Sunday Telegraph.

The Special Committee determined that there was no economic substance for the salary and bonus payments made to Amiel Black for serving as the Company's Vice President, Editorial and the Company, through the Special Committee, is seeking recovery of the payments plus interest. See "Item 1 -- Business -- Recent Developments -- Report of the Special Committee" and "Item 3 -- Legal Proceedings -- Litigation Involving Controlling Stockholder, Senior Management and Directors."

Amounts Paid to Rona Radler and Melissa Radler

From January 1, 2001, to August 27, 2003, the Company employed Melissa Radler, a daughter of Radler, as a reporter. Melissa Radler was paid $62,000, $56,000 and $54,000 in 2003, 2002 and 2001, respectively, as salary and bonus.

During the years 2001 to 2003, Rona Radler, Radler's spouse, served as Chairman of the Chicago Sun-Times Charitable Trust, a charitable trust under the auspices of the Chicago Sun-Times. As Chairman, she received director's fees of $18,000, $24,000 and $24,000 in 2003, 2002 and 2001, respectively, which amounts were paid by the Company.

Management Fees Paid to Horizon

The Company recorded management fees payable to Horizon of approximately $100,000 and $200,000 in 2003 and 2002, respectively, in connection with administrative services provided by Horizon.

Trireme Associates LLC

In 2003, the Company made an investment of $2.5 million in Trireme Associates LLC ("Trireme LLC") which is the general partner of Trireme Partners LP ("Trireme LP"), a venture capital fund. Trireme LLC, as general partner of Trireme LP, receives 20% of the profits of Trireme LP ("the Distribution") after repayment of invested capital. The remaining 80% of the profits of Trireme LP will be distributed to Trireme LLC and the limited partners of Trireme LP based upon their invested capital. Perle, a director of the Company, has an equity interest in Trireme LLC. In addition, Trireme Management LLC is the designated manager of Trireme LP. As Manager, Trireme Management LLC receives a management fee from Trireme LP. Perle is a member of management of Trireme Management LLC. Black and Dr. Henry A. Kissinger, directors of the Company, are former members of the Strategic Advisory Board of Trireme LP.

Charitable Contributions

In June 2001, the Company, through a non-profit organization of which it was a member, purchased the publication The National Interest, for $75,000. Black and members of the Company's Board of Directors, Henry A. Kissinger and Perle, are advisors to the publication. In each of 2003 and 2002, the Company contributed $100,000 to the non-profit organization which owned The National Interest. The Company also contributed $300,000 in 2001 to the non-profit organization which owned The National Interest. In 2003, the Company entered into discussions to withdraw as a member of this non-profit organization. In October 2004, the Company, with a final contribution of $75,000, withdrew as a member of the non-profit organization which owns The National Interest. See "Item 1 -- Business -- Recent Developments -- Report of the Special Committee."

Hollinger Inc. Information Technology Equipment

The Company had an informal agreement with Hollinger Inc. whereby Hollinger Inc. would pay the costs of computer equipment and related products and services at Hollinger Inc.'s and Ravelston's corporate offices in Toronto in 2002 and the Company would pay the costs in 2003. The Company and Hollinger Inc. were to reconcile the spending and share the combined costs equally. Based upon the evaluation of the combined costs under this arrangement, the Company is owed approximately Cdn. $173,000 by Hollinger Inc. Hollinger Inc. has not yet paid its share of the costs incurred and continues to retain possession of the computer and related equipment acquired by the Company.

Release and Settlement Agreement with Atkinson

On April 27, 2004, the Company and Atkinson entered into a Release and Settlement Agreement. The terms of the agreement are subject to approval by the Delaware Chancery Court in the stockholder derivative litigation brought by Cardinal Value Equity Partners, L.P. because Atkinson is a defendant in that action. As a result of the agreement, Atkinson is not named as a defendant in the civil complaint brought by the Special Committee on behalf of the Company in federal court in Illinois. See "Item 3 -- Legal Proceedings -- Stockholder Derivative Litigation" and "-- Litigation Involving Controlling Stockholder, Senior Management and Directors."

Under the terms of the Release and Settlement Agreement, as amended, in order to finally resolve all actual and potential claims against him by the Company and its subsidiaries in connection with transactions being investigated by the Special Committee and related legal actions, Atkinson has agreed to pay the Company a total of approximately $2.8 million. Prior to December 31, 2003, Atkinson paid the Company $350,000.

Under the terms of the agreement, Atkinson has resigned as an officer of the Company as of April 27, 2004. The Company has agreed to allow Atkinson to exercise his vested options immediately upon such resignation, all proceeds from any sale of shares of Class A Common Stock underlying such options to be deposited into an escrow account, with a portion of such amount to be transferred to the Company in satisfaction of the settlement upon court approval. Accordingly, on April 27, 2004, Atkinson exercised his vested options and the proceeds from the sale of shares of Class A Common Stock underlying such options of approximately $4.0 million were deposited into an escrow account, of which approximately $2.4 million is to be paid to the Company upon court approval of the settlement. The Company and Atkinson have entered into an Option Exercise and Escrow Agreement to set forth the detailed terms of the option exercise and escrow arrangements.

As part of the settlement, Atkinson has agreed to fully and actively cooperate with the Company and in particular with the investigation of the Special Committee. The parties have also agreed that Atkinson will continue as a consultant to the Company under the terms of a separate consulting agreement. See "-- Consulting Agreement with Atkinson" below.

The Company has also agreed to advance monies in accordance with the Company's bylaws for reasonable legal costs and expenses incurred by Atkinson in connection with the investigation of the Special Committee and related legal actions. See "-- Special Committee Costs; Advancement of Legal Fees" above.

Each of the Company and Atkinson has the right to withdraw from and terminate the settlement agreement if (1) the court orders approving the terms of the settlement are not entered substantially in the customary form for derivative settlements in Delaware, (2) the settlement is not approved or is materially modified by the court or upon appeal, (3) any of the conditions of the agreement are not fulfilled, or (4) application to the court for approval of the settlement shall not have been made on or before March 31, 2005. Each party must provide the other with twelve day prior written notice of withdrawal and termination and the grounds therefor. Upon withdrawal and termination, each party is restored to his or its respective position as it existed prior to entering into the settlement agreement, except that Atkinson will not become an employee or officer of the Company and the amounts due to the Company (approximately $2.4 million) will remain in escrow.

Consulting Agreement with Atkinson

On April 27, 2004, the Company entered into a consulting agreement with Atkinson under the terms of which Atkinson was engaged to assist the Chief Executive Officer of the Company with respect to the Company's ongoing relationship with CanWest and to perform such other functions and tasks as assigned by the Chief Executive Officer of the Company from time to time. The consulting agreement expires on February 28, 2005 unless earlier terminated by either party. During the term of the agreement, the Company has agreed to pay Atkinson $30,000 per month for services rendered and permit continued vesting during the term of the agreement of any unvested stock options previously granted to Atkinson by the Company that would have vested during such term but for Atkinson's resignation from the Company on April 27, 2004. The Company also agreed to provide Atkinson with suitable office space and appropriate secretarial and administrative assistance at the Company's expense and to reimburse him for reasonable travel and other expenses approved in advance by the Company during the term of the agreement. The agreement may be terminated by either party without cause upon 10 days' prior written notice or immediately by the Company for cause. If the agreement is terminated for any reason, Atkinson is entitled to any earned but unpaid compensation up to the date of termination but is not entitled to any further compensation after such date. If the Company terminates the agreement without cause or upon a change of control event, all of Atkinson's options will vest. If the agreement is terminated by the Company for cause or by Atkinson for any reason, Atkinson will lose his options that vested during the term of the agreement and any unvested options.

Compromise Agreement with Colson

On March 23, 2004, the Company, Telegraph Group Limited and Colson entered into a Compromise Agreement under the terms of which Colson has retired from his positions with the Company with immediate effect, except that he remained a member of the Board of Directors. Under the terms of the agreement, the Company has agreed to make a severance payment to Colson in the amount of approximately lb.120,000 (approximately $221,000 at an exchange rate of US$1.8400 to lb.1), less deductions for income tax and social security, and permit Colson to continue to participate in the Telegraph's private health insurance, permanent health insurance and life assurance arrangement on the then current basis until the relevant renewal date.

The agreement provides that Colson may exercise his vested options within 30 days of April 3, 2004, the effective date of termination of his employment with Telegraph Group Limited, excluding any period during which Colson is prohibited from exercising such options. Colson's unvested options were forfeited on April 3, 2004.

The Company has agreed to pay Colson lb.100,000 (approximately $184,000) in consideration for Colson's agreement not to engage in any business anywhere which is in competition with the Company and in which Black has a material business interest for a period of six months after April 3, 2004. The terms of the Compromise Agreement do not prevent Colson from keeping his interest in Ravelston and Hollinger Inc. or from holding less than 5 percent of any class of publicly traded stock.

Telegraph has agreed to pay Colson's reasonable legal fees in connection with entering into the Compromise Agreement up to a maximum of lb.10,000 plus value added tax. In addition, Colson remains eligible for advancement of legal fees pursuant to the terms of the Company's bylaws. See "-- Special Committee Costs; Advancement of Legal Fees" above. The Company and Telegraph have also agreed to maintain Colson's coverage under their respective directors' and officers' liability insurance policies for six years.

Business Opportunities Agreement

In February 1996, the Company entered into an amended and restated business opportunities agreement (the "Business Opportunities Agreement") with Hollinger Inc. The Business Opportunities Agreement sets forth the terms which the Company and Hollinger Inc. will resolve conflicts over business opportunities. The Company and Hollinger Inc. agreed to allocate to the Company opportunities relating to the start-up, acquisition, development and operations of newspaper businesses and related media businesses in the United States, Israel, and the Telegraph Territory (collectively, the "Hollinger International Territory") subject to the limitations in the Co-Operation Agreement (as defined below), and to Hollinger Inc. opportunities relating to the start-up, acquisition, development and operation of newspaper businesses and related media businesses in Canada. In addition, subject to the terms of the Co-Operation Agreement, Hollinger Inc. reserved opportunities in the media business other than in a related media business to itself or such of its



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subsidiaries or affiliates or the Company's subsidiaries or affiliates as Hollinger Inc. in its reasonable and good faith judgment believed would be best able to develop such opportunity. The Telegraph Territory is defined in a co-operation agreement between Hollinger Inc. and the Telegraph PLC dated June 23, 1992 (the "Co-Operation Agreement") as the United Kingdom and other member states, from time to time, of the European Union, Australia and New Zealand.

For purposes of the Business Combination Agreement, "newspaper business" means the business of publishing and distributing newspapers, magazines and other paid or free publications having national, local or targeted markets, "media business" means the business of broadcast of radio, television, cable and satellite programs, and "related media business" means any media business that is an affiliate of, or is owned or operated in conjunction with, a newspaper business.

The terms of the Business Opportunities Agreement will be in effect for so long as Hollinger Inc. holds at least 50% of the Company's voting power. The terms of the Co-Operation Agreement expired upon the completion of the sale of the Telegraph Group on July 30, 2004.

## Item 14.Principal Accountant Fees and Services

The Audit Committee has responsibility for appointing, setting fees, and overseeing the work of the registered public accounting firm. In recognition of this responsibility, the Audit Committee has established a policy to pre-approve all audit and permissible non-audit services provided by the registered public accounting firm, subject to de minimis exceptions for non-audit services that are approved by the Audit Committee prior to the completion of the audit.

On an ongoing basis, management defines and communicates specific projects for which the advance approval of the Audit Committee is requested. The Audit Committee reviews these requests and advises management if it approves the engagement of KPMG LLP. The categories of service that the Audit Committee pre-approves are as follows:

Audit Services. Audit services include work performed in connection with the audit of the consolidated financial statements, as well as work that is normally provided by the registered public accounting firm in connection with statutory and regulatory filings or engagements.

Audit Related Services. These services are for assurance and related services that are traditionally performed by the registered public accounting firm and that are reasonably related to the work performed in connection with the audit including due diligence related to mergers and acquisitions, employee benefit plan audits and audits of subsidiaries and affiliates.

Tax Services. These services are related to tax compliance, tax advice and tax planning. These services may be provided in relation to Company strategies as a whole or be transaction specific.

Other Services. These services include all other permissible non-audit services provided by the registered public accounting firm and are pre-approved on an engagement-by-engagement basis.

The Audit Committee has delegated pre-approval authority to the chairman of the committee. The chairman must report any pre-approval decisions to the Audit Committee at its next scheduled meeting for approval by the Audit Committee as a whole. The following table presents fees for professional audit services



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rendered by KPMG LLP for the audit of the Company's annual financial statements for 2003 and 2002 and fees billed for other services rendered by KPMG LLP.

| | 2003 | 2002 |
|---|---|---|
| Audit fees(1) | $6,730,047 | $2,251,373 |
| Audit related fees(2) | 161,000 | 133,004 |
| Total audit and audit related fees | 6,891,047 | 2,384,377 |
| Tax fees(3) | 2,696,905 | 3,832,018 |
| All other fees(4) | 56,737 | 463,282 |
| Total fees | $9,644,689 | $6,679,677 |

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(1) Audit fees for 2003 and 2002 include fees for the annual audit, quarterly reviews, statutory audits, consents and comfort letters (including those related to the 2002 Publishing debt offering). Audit fees for 2002 differ from amounts reported in the Company's 2003 proxy statement; the increase of $723,337 relates to amounts billed after March 2003 that relate to audit services performed relating to the year ended December 31, 2002. The amount for 2003 represents a current estimate of overall fees, which have not yet been fully billed.
(2) Audit related fees consist of fees for employee benefit plan audits, assistance with the CanWest arbitration and due diligence procedures performed.
(3) Tax fees consist of fees for tax compliance, federal, state and international tax planning and transaction assistance.
(4) All other fees consist principally of assistance with arbitration with joint venture parties and circulation audits in 2002.

No portion of the services described above were approved by the Audit Committee pursuant to the de minimis exception to the pre-approval requirement provided by paragraph (c)(7)(ii)(C) of Rule 2-01 of Regulation S-X.

## PART IV

### Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) Documents filed as part of this report.

(1)
Consolidated Financial Statements and Supplemental Schedules.

The Consolidated Financial Statements filed as part of this report appear beginning at page 123.

| Exhibit No. | Description of Exhibit | Prior Filing or Sequential Page Number |
|---|---|---|
| 3.1 | Restated Certificate of Incorporation | |
| 3.2 | Bylaws of Hollinger International Inc., as amended | |
| 4.1 | Rights Agreement between the Company and Mellon Investor Services LLC as Rights Agent, dated as of January 25, 2004 | Incorporated by reference to Exhibit 4.1 to Item 5 of the Current Report on Form 8-K dated January 26, 2004. |
| 4.2 | First Supplemental Indenture among Hollinger International Publishing Inc., the Company and Wachovia Trust Company, dated as of July 13, 2004 | Incorporated by reference to Exhibit 99.1 to Item 5 of the Current Report on Form 8-K dated August 2, 2004. |
| 4.3 | Indenture dated as of December 23, 2002 among Hollinger International Publishing Inc., the Company and Wachovia Trust Company, National Association | Incorporated by reference to Exhibit 10.21 to Annual Report on Form 10-K for the year ended December 31, 2002. |

| Exhibit No. | Description of Exhibit | Prior Filing or Sequential Page Number |
|---|---|---|
| 4.4 | Registration Rights Agreement dated as of December 16, 2002 among Hollinger International Publishing Inc., the Company, and Wachovia Securities, Inc. | Incorporated by reference to Exhibit 10.21 to Annual Report on Form 10-K for the year ended December 31, 2002. |
| 4.5 | Exchange Indenture, dated July 17, 1997, among Hollinger Canadian Publishing Holdings Inc., Hollinger International Inc. and Montreal Trust Company of Canada | Incorporated by reference to Exhibit 4.01 to Registration Statement on Form S-3 (No. 333-35619). |
| 10.1 | Stock Purchase Agreement by and among Mirkaei Tikshoret Ltd., American Publishing Holdings, Inc. and Hollinger International Inc. dated as of November 16, 2004 | |
| 10.2 | Facilitation Agreement by and between Hollinger International Inc., Hollinger Canadian Newspapers, Limited Partnership, 3815668 Canada Inc., Hollinger Canadian Publishing Holdings Co., HCN Publications Company and Canwest Global Communications Corp. dated as of October 7, 2004 | |
| 10.3 | Agreement for Sale and Purchase of Shares in the Telegraph Group Limited, by and between DT Holdings Limited, First DT Holdings Limited, Second DT Holdings Limited, the Company, Press Acquisitions Limited dated June 22, 2004 | Incorporated by reference to Exhibit 2.1 to Item 2 of the Current Report on Form 8-K dated June 23, 2004. |
| 10.4 | Agreed Form of Tax Deed relating to Sale and Purchase of Shares in Telegraph Group Limited, by and between DT Holdings Limited, First DT Holdings Limited, Second DT Acquisitions Limited | Incorporated by reference to Exhibit 2.2 to Item 2 of the Current Report on Form 8-K dated June 23, 2004. |
| 10.5 | Agreement dated November 15, 2003 between Conrad M. Black and Hollinger International Inc. | Incorporated by reference to Exhibit 99.1 to Item 5 of the Current Report on Form 8-K dated January 6, 2004. |
| 10.6 | Purchase Agreement dated December 16, 2002 among Hollinger International Publishing Inc., the Company and Wachovia Securities, Inc. | Incorporated by reference to Exhibit 10.19 to Annual Report on Form 10-K for the year ended December 31, 2002. |
| 10.7 | Fifth Amended and Restated Credit Agreement dated as of December 23, 2002 among Hollinger International Publishing Inc., Telegraph Group Limited, First DT Holdings Limited, Wachovia Bank, N.A., Toronto Dominion (Texas) Inc., General Electric Capital Corporation, and Various Financial Institutions and Other Persons Party Thereto, as Lenders (as defined therein) | Incorporated by reference to Exhibit 10.22 to Annual Report on Form 10-K for the year ended December 31, 2002. |
| 10.8 | Fourth Amended and Restated Company Pledge Agreement dated as of December 23, 2002 among Hollinger International Publishing Inc. and its Subsidiaries (as defined therein) and Wachovia Bank, N.A. | Incorporated by reference to Exhibit 10.23 to Annual Report on Form 10-K for the year ended December 31, 2002. |

| Exhibit No. | Description of Exhibit | Prior Filing or Sequential Page Number |
|---|---|---|
| 10.9 | Fourth Amended and Restated Hollinger International Guaranty dated as of December 23, 2002 by the Company in favor of Wachovia Bank, N.A., Toronto-Dominion Bank, and the Lenders (as defined therein) | Incorporated by reference to Exhibit 10.24 to Annual Report on Form 10-K for the year ended December 31, 2002. |
| 10.10 | Hollinger International Amended and Restated Pledge Agreement dated as of December 23, 2002 among the Company and Wachovia Bank, N.A. | Incorporated by reference to Exhibit 10.25 to Annual Report on Form 10-K for the year ended December 31, 2002. |
| 10.11 | Intellectual Property Security Agreement dated as of December 23, 2002 among the Company, Digital Chicago Inc., Chicago Sun-Times, Inc., Midwest Suburban Publishing, Inc., Pioneer Newspapers Inc., Chicago Sun-Times Features, Inc. and Toronto Dominion (Texas) Inc. | Incorporated by reference to Exhibit 10.26 to Annual Report on Form 10-K for the year ended December 31, 2002 |
| 10.12 | Third Amended and Restated Guaranty dated as of December 23, 2002 by Guarantors, as listed in the Guaranty, Wachovia Bank, N.A., and the Lenders (as defined therein) | Incorporated by reference to Exhibit 10.27 to Annual Report on Form 10-K for the year ended December 31, 2002. |
| 10.13 | Third Amended and Restated Security Agreement dated as of December 23, 2002 among Hollinger International Publishing Inc. and its Subsidiaries (as defined therein) and Wachovia Bank, N.A. | Incorporated by reference to Exhibit 10.28 to Annual Report on Form 10-K for the year ended December 31, 2002. |
| 10.14 | U.K. Subsidiary Guarantee dated as of December 23, 2002 by Creditscheme Limited, Deedtask Limited, DT Holdings Limited, Second DT Holdings Limited, Hollinger UK Holdings Limited in favor of Wachovia Bank, N.A., the Lenders and the Issuing Bank (as defined therein) | Incorporated by reference to Exhibit 10.29 to Annual Report on Form 10-K for the year ended December 31, 2002. |
| 10.15 | U.S. Pledge Agreement dated as of December 23, 2002 among Deedtask Limited, Creditscheme Limited and Wachovia Bank, N.A. | Incorporated by reference to Exhibit 10.30 to Annual Report on Form 10-K for the year ended December 31, 2002. |
| 10.16 | Supplemental Trust Agreement dated as of December 7, 2001 among First Union Trust Company, National Association, the Company and Hollinger Canadian Newspapers, Limited Partnership | Incorporated by reference to Exhibit 10.17 to Annual Report on Form 10-K for the year ended December 31, 2002. |
| 10.17 | Amended and Restated Trust Agreement dated as of August 24, 2001 between First Union Trust Company, National Association and the Company | Incorporated by reference to Exhibit 10.16 to Annual Report on Form 10-K for the year ended December 31, 2002. |
| 10.18 | Amended and Restated Participation Agreement dated as of November 30, 2001 among the Company, Hollinger Canadian Newspapers, Limited Partnership and the Hollinger Participation Trust | Incorporated by reference to Exhibit 10.18 to Annual Report on Form 10-K for the year ended December 31, 2002. |
| 10.19 | Business Opportunities Agreement between Hollinger Inc. and Hollinger International Inc., as amended and restated as of February 7, 1996 | |

| Exhibit No. | Description of Exhibit | Prior Filing or Sequential Page Number |
| --- | --- | --- |
| 10.20 | Release and Settlement Agreement between Peter Y. Atkinson and Hollinger International Inc. dated April 27, 2004* | |
| 10.21 | Option Exercise and Escrow Agreement between Peter Y. Atkinson and Hollinger International Inc. dated as of April 27, 2004 | |
| 10.22 | Consulting Agreement between Peter Y. Atkinson and Hollinger International Inc. dated as of April 27, 2004 | |
| 10.23 | Compromise Agreement among Hollinger International Inc., Telegraph Group Limited and Daniel William Colson dated March 23, 2004 | |
| 10.24 | Deferred Stock Unit Agreement between Gordon A. Paris and Hollinger International Inc. dated as of November 16, 2003 | |
| 10.25 | Summaries of Principal Terms of 2004 Key Employee Retention Plan and Key Employee Severance Program | |
| 10.26 | Notice dated April 13, 2004 to Option Plan Participants under Hollinger International Inc. 1994 Stock Option Plan, 1997 Stock Incentive Plan, and 1999 Stock Incentive Plan | |
| 10.27 | Hollinger International Inc. 1999 Stock Incentive Plan | Incorporated by reference to Annex A to Report on Form DEF 14A dated March 24, 1999. |
| 10.28 | Hollinger International Inc. 1997 Stock Incentive Plan | Incorporated by reference to Annex A to Report on Form DEF 14A dated March 28, 1997. |
| 10.29 | American Publishing Company 1994 Stock Option Plan | Incorporated by reference to Exhibit 10.10 to Registration Statement on Form S-1 (No. 33-74980). |
| 14.1 | Code of Business Conduct and Ethics | Incorporated by reference to Exhibit 99.1 to Item 5.5 of the Current Report on Form 8-K dated December 3, 2004. |
| 21.1 | Significant Subsidiaries of Hollinger International Inc. | |
| 23.1 | Consent of KPMG LLP | |
| 31.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14 | |
| 31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14 | |
| 32.1 | Certificate of Chief Executive Officer pursuant to Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code | |
| 32.2 | Certificate of Chief Financial Officer pursuant to Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code | |

*Portions of this exhibit have been filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment. Such portions are designated [REDACTED].

(b) Reports on Form 8-K.

(i) During the fiscal quarter ended December 31, 2003, the Company filed the following information under Current Report on Form 8-K:

On November 17, 2003, the Company filed information under Item 5 "Other Events" of Form 8-K regarding the Company's announcement of its retention of Lazard to review and evaluate the Company's strategic alternatives, certain changes in senior management and the composition of the Board of Directors and certain preliminary findings of the Special Committee of the Board of Directors concerning related party transactions in the years 1999, 2000 and 2001.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

HOLLINGER INTERNATIONAL INC.
(Registrant)

By:/s/ GORDON A. PARIS

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Gordon A. Paris
Interim Chairman and Interim President and Chief Executive Officer

Date: January 18, 2005

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities on the dates indicated.

| Signature | Title | Date |
| --- | --- | --- |
| /s/ GORDON A. PARIS<br>Gordon A. Paris | Interim Chairman and Interim President and Chief Executive Officer Director (Principal Executive Officer) | January 18, 2005 |
| /s/ PETER K. LANE<br>Peter K. Lane | Vice President Chief Financial Officer (Principal Financial Officer) | January 18, 2005 |
| Barbara Amiel Black | Director | January 18, 2005 |
| Conrad M. Black | Director | January 18, 2005 |
| /s/ RICHARD R. BURT<br>Richard R. Burt | Director | January 18, 2005 |
| Daniel W. Colson | Director | January 18, 2005 |
| /s/ HENRY A. KISSINGER<br>Henry A. Kissinger | Director | January 18, 2005 |
| /s/ SHMUEL MEITAR<br>Shmuel Meitar | Director | January 18, 2005 |
| Richard N. Perle | Director | January 18, 2005 |
| /s/ GRAHAM W. SAVAGE<br>Graham W. Savage | Director | January 18, 2005 |

| Signature | Title | Date |
| --- | --- | --- |
| /s/ RAYMOND G.H. SEITZ<br>Raymond G.H. Seitz | Director | January 18, 2005 |
| /s/ JAMES R. THOMPSON<br>James R. Thompson | Director | January 18, 2005 |

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Hollinger International Inc.:

We have audited the accompanying consolidated balance sheets of Hollinger International Inc. and subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hollinger International Inc. and subsidiaries as of December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2003, in conformity with U.S. generally accepted accounting principles.

As disclosed in Note 1 to the consolidated financial statements, the Company, as of January 1, 2002, changed its method of accounting for goodwill and other intangible assets. As disclosed in Note 2 to the consolidated financial statements, the Company has, for years prior to 2003, reclassified losses and related income tax benefits that resulted from the early extinguishment of debt.

As disclosed in Note 2 to the consolidated financial statements, the Company's consolidated balance sheet as of December 31, 2002 and the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for the years ended December 31, 2002 and 2001 have been restated.

/s/ KPMG LLP

January 13, 2005
Chicago, Illinois



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# HOLLINGER INTERNATIONAL INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS
December 31, 2003 and 2002
(In thousands, except share data)

| | 2003 | 2002 Restated Note 2 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 134,494 | $ 137,141 |
| Accounts receivable, net of allowance for doubtful accounts of $20,454 in 2003 and $20,676 in 2002 | 238,734 | 205,843 |
| Inventories | 10,821 | 10,194 |
| Amounts due from related parties, net (Note 23) | 11,888 | -- |
| Escrow deposits and restricted cash (Notes 5 and 10) | 16,718 | 545,952 |
| Other current assets (Note 4) | 31,278 | 18,358 |
| Total current assets | 443,933 | 917,488 |
| Loan to affiliate (Note 23(e)) | 22,131 | 45,848 |
| Investments (Note 5) | 111,972 | 97,943 |
| Advances under printing contracts and notes receivable -- joint ventures (Note 23(k)) | 47,393 | 50,591 |
| Property, plant and equipment, net of accumulated depreciation (Note 6) | 265,359 | 299,686 |
| Intangible assets, net of accumulated amortization of $44,664 in 2003 and $36,368 in 2002 (Note 7) | 107,490 | 117,179 |
| Goodwill (Note 7) | 577,300 | 533,677 |
| Prepaid pension benefit (Note 25) | 88,705 | 63,146 |
| Deferred financing costs and other assets (Note 8) | 135,896 | 60,214 |
| | $1,800,179 | $2,185,772 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Current installments of long-term debt (Note 10) | $ 6,725 | $ 4,814 |
| Senior subordinated notes (Note 10) | -- | 504,906 |
| Accounts payable and accrued expenses (Note 9) | 257,812 | 213,668 |
| Accounts payable -- joint ventures (Note 23(k)) | 16,375 | 12,454 |
| Amounts due to related parties, net (Note 23) | -- | 25,165 |
| Income taxes payable and other tax liabilities (Note 24) | 466,484 | 311,139 |
| Deferred revenue | 50,851 | 42,792 |
| Total current liabilities | 798,247 | 1,114,938 |
| Long-term debt, less current installments (Note 10) | 522,547 | 574,658 |
| Deferred income taxes and other tax liabilities (Note 24) | 274,992 | 222,269 |
| Other liabilities | 139,362 | 98,377 |
| Total liabilities | 1,735,148 | 2,010,242 |
| Minority interest (Note 12) | 28,255 | 17,097 |
| Redeemable preferred stock (Note 13) | -- | 8,650 |
| Stockholders' equity (Note 14): | | |
| Class A common stock, $0.01 par value. Authorized 250,000,000 shares; 84,899,751 and 72,578,784 shares issued and outstanding in 2003; and 85,819,295 and 74,667,344 shares issued and outstanding in 2002 | 849 | 858 |
| Class B common stock, $0.01 par value. Authorized 50,000,000 shares; issued and outstanding 14,990,000 shares in 2003 and 2002 | 150 | 150 |
| Additional paid-in capital | 444,826 | 439,242 |
| Accumulated other comprehensive loss: | | |
| Cumulative foreign currency translation adjustment | (53,246) | (28,971) |
| Unrealized gain (loss) on marketable securities (Note 5) | 11,175 | (694) |
| Minimum pension liability adjustment (Note 25) | (46,419) | (44,709) |
| Accumulated deficit | (171,750) | (76,133) |
| | 185,585 | 289,743 |
| Class A common stock in treasury, at cost -- 12,320,967 shares in 2003 and 11,151,951 shares in 2002 | (148,809) | (139,960) |
| Total stockholders' equity | 36,776 | 149,783 |
| Total liabilities and stockholders' equity | $1,800,179 | $2,185,772 |
| Commitments and contingencies (Notes 11 and 22) | | |

See accompanying notes to these consolidated financial statements.

HOLLINGER INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2003, 2002 and 2001

| | 2003 | 2002 | 2001 |
|---|---|---|---|
| | (In thousands, except per share data) | Restated Note 2 | Restated Note 2 |
| Operating revenues: | | | |
| Advertising | $ 733,826 | $ 710,849 | $ 804,462 |
| Circulation | 277,264 | 247,175 | 278,321 |
| Job printing | 16,427 | 16,669 | 25,092 |
| Other | 33,686 | 31,469 | 38,446 |
| Total operating revenues | 1,061,203 | 1,006,162 | 1,146,321 |
| Operating costs and expenses: | | | |
| Newsprint | 72,868 | 86,935 | 127,025 |
| Newsprint incurred through joint ventures (Note 23(k)) | 75,402 | 60,589 | 77,399 |
| Compensation (Notes 1(p), 15 and 25) | 338,903 | 309,032 | 361,676 |
| Other operating costs (Notes 18 and 23) | 459,493 | 388,670 | 494,003 |
| Other operating costs incurred through joint ventures (Note 23(k)) | 49,667 | 46,677 | 48,473 |
| Depreciation | 38,499 | 37,001 | 37,968 |
| Amortization | 16,354 | 17,151 | 35,760 |
| Total operating costs and expenses | 1,051,186 | 946,055 | 1,182,304 |
| Operating income (loss) | 10,017 | 60,107 | (35,983) |
| Other income (expense): | | | |
| Interest expense | (55,559) | (58,772) | (78,639) |
| Amortization of deferred financing costs | (2,855) | (5,585) | (10,367) |
| Interest and dividend income | 25,411 | 18,782 | 64,893 |
| Other income (expense), net (Note 19) | 75,641 | (172,783) | (303,318) |
| Total other income (expense) | 42,638 | (218,358) | (327,431) |
| Earnings (loss) before income taxes, minority interest and cumulative effect of change in accounting principle | 52,655 | (158,251) | (363,414) |
| Income taxes (benefit) (Note 24) | 121,638 | 50,132 | (23,038) |
| Loss before minority interest and cumulative effect of change in accounting principle | (68,983) | (208,383) | (340,376) |
| Minority interest | 5,325 | 2,167 | (13,803) |
| Loss before cumulative effect of change in accounting principle | (74,308) | (210,550) | (326,573) |
| Cumulative effect of change in accounting principle (Note 1(i)) | -- | (20,079) | -- |
| Net loss | $ (74,308) | $ (230,629) | $ (326,573) |
| Loss per share before cumulative effect of change in accounting principle (Note 16): | | | |
| Basic | $ (0.85) | $ (2.19) | $ (3.31) |
| Diluted | $ (0.85) | $ (2.19) | $ (3.31) |
| Loss per share (Note 16): | | | |
| Basic | $ (0.85) | $ (2.40) | $ (3.31) |
| Diluted | $ (0.85) | $ (2.40) | $ (3.31) |

See accompanying notes to these consolidated financial statements.

HOLLINGER INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the Years Ended December 31, 2003, 2002 and 2001
(In thousands)

| | 2003 | 2002 | 2001 |
|---|---|---|---|
| | | Restated Note 2 | Restated Note 2 |
| Net loss | $(74,308) | $(230,629) | $(326,573) |
| Other comprehensive income (loss): | | | |
| Unrealized gain (loss) on marketable securities arising during the year, net of a related tax provision of $3,952 and minority interest of $2,053 (2002 -- net of a related tax provision of $1,510 and minority interest of $615; 2001 -- net of a related tax benefit of $18,730 and a recovery of minority interest of $4,411) | 13,872 | 4,451 | (80,586) |
| Reclassification adjustment for realized (gains) losses reclassified out of accumulated other comprehensive loss, net of a related tax benefit of $842 and recovery of minority interest of $193 (2002 -- net of a related tax provision of $530; 2001 -- net of a related tax provision of $30,420 and minority interest of $6,122) | (2,003) | 1,301 | 123,720 |
| | 11,869 | 5,752 | 43,134 |
| Foreign currency translation adjustments, net of a related tax provision of $1,526 (2002 -$2,374; 2001-nil) | (24,275) | 43,481 | (39,138) |
| Reclassification adjustment for realized foreign exchange losses upon the substantial reduction of net investment in Canadian operations | -- | 78,217 | -- |
| | (24,275) | 121,698 | (39,138) |
| Minimum pension liability adjustment, net of a related tax provision of $101 and minority interest of $11 (2002 -- net of a related tax benefit of $15,852; 2001 -- net of a related tax benefit of $7,573) | (1,710) | (27,737) | (14,878) |
| | (14,116) | 99,713 | (10,882) |
| Comprehensive loss | $(88,424) | $(130,916) | $(337,455) |

See accompanying notes to these consolidated financial statements.

HOLLINGER INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2003, 2002, and 2001

| | Common Stock Class A & B | Additional Paid-In Capital | Accumulated Other Comprehensive Loss | Retained Earnings (Accumulated Deficit) | Treasury Stock | Issued Shares in Escrow | Total |
|---|---|---|---|---|---|---|---|
| | | | (In thousands) | | | | |
| | | Restated Note 2 | Restated Note 2 | Restated Note 2 | | | Restated Note 2 |
| Balance at January 1, 2001 | $ 1,210 | $ 748,503 | $ (163,205) | $ 574,665 | $(258,604) | $ (1,424) | $ 901,145 |
| Stock options exercised | 6 | 6,857 | -- | -- | -- | -- | 6,863 |
| Preferred stock conversion to Class A Common Stock | 65 | (7,410) | -- | -- | 7,345 | -- | -- |
| Class A Common Stock purchased for cancellation | (107) | (139,148) | -- | -- | -- | -- | (139,255) |
| Stock-based compensation (Note 15) | -- | (1,369) | -- | -- | -- | -- | (1,369) |
| Cash dividends -- Class A and Class B, $0.55 per share | -- | -- | -- | (48,440) | -- | -- | (48,440) |
| Dividends on redeemable preferred stock | -- | -- | -- | (442) | -- | -- | (442) |
| Dividends on convertible preferred stock | -- | -- | -- | (4,275) | -- | -- | (4,275) |
| Minimum pension liability adjustment | -- | -- | (14,878) | -- | -- | -- | (14,878) |
| In-kind dividends (Note 15) | -- | 7,301 | -- | (7,301) | -- | -- | -- |
| Translation adjustments | -- | 713 | (39,138) | -- | -- | -- | (38,425) |
| Change in unrealized gain on securities, net | -- | -- | 43,134 | -- | -- | -- | 43,134 |
| Net loss | -- | -- | -- | (326,573) | -- | -- | (326,573) |
| Escrow shares on Total Return Equity Swap | 49 | 57,203 | -- | -- | -- | (57,231) | 21 |
| Treasury shares cancelled | (105) | (118,258) | -- | -- | 118,363 | -- | -- |
| Balance at December 31, 2001 | 1,118 | 554,392 | (174,087) | 187,634 | (132,896) | (58,655) | 377,506 |
| Stock options exercised | 1 | 814 | -- | -- | -- | -- | 815 |
| Class A Common Stock issued | 3 | 3,429 | -- | -- | -- | -- | 3,432 |
| Cash dividends -- Class A and Class B, $0.41 per share | -- | -- | -- | (28,566) | -- | -- | (28,566) |
| Dividends on redeemable preferred stock | -- | -- | -- | (196) | -- | -- | (196) |
| Minimum pension liability adjustment | -- | -- | (27,737) | -- | -- | -- | (27,737) |
| In-kind dividends (Note 15) | -- | 4,376 | -- | (4,376) | -- | -- | -- |
| Translation adjustments | -- | (71) | 121,698 | -- | -- | -- | 121,627 |
| Change in unrealized gain on securities, net | -- | -- | 5,752 | -- | | -- | 5,752 |
| Net loss | -- | -- | -- | (230,629) | -- | -- | (230,629) |
| Escrow shares on Total Return Equity Swap | 31 | 30,032 | -- | -- | -- | (26,050) | 4,013 |
| Payout of total return equity swap (Note 17) | (69) | (72,152) | -- | -- | -- | 78,079 | 5,858 |
| Escrow shares cancelled | (76) | (82,016) | -- | -- | (6,626) | 6,626 | (82,092) |
| Transfer to treasury | -- | 438 | -- | -- | (438) | -- | -- |
| Balance at December 31, 2002 | 1,008 | 439,242 | (74,374) | (76,133) | (139,960) | -- | 149,783 |
| Stock options exercised | 11 | 12,104 | -- | -- | -- | -- | 12,115 |
| Purchase of Class A Common Stock | -- | -- | -- | -- | (8,849) | -- | (8,849) |
| Stock-based compensation (Note 15) | -- | 6,722 | -- | -- | -- | -- | 6,722 |
| Cash dividends -- Class A and Class B, $0.20 per share | -- | -- | -- | (17,403) | -- | -- | (17,403) |
| Minimum pension liability adjustment | -- | -- | (1,710) | -- | -- | -- | (1,710) |
| Translation adjustments | -- | (668) | (24,275) | -- | -- | -- | (24,943) |
| Change in unrealized gain on securities, net | -- | -- | 11,869 | -- | -- | -- | 11,869 |
| Net loss | -- | -- | -- | (74,308) | -- | -- | (74,308) |
| In-kind dividends (Note 15) | -- | 3,906 | -- | (3,906) | -- | -- | -- |
| Redemption of Class A Common Stock (Note 23(c)) | (20) | (16,480) | -- | -- | -- | -- | (16,500) |
| Balance at December 31, 2003 | $ 999 | $ 444,826 | $ (88,490) | $ (171,750) | $(148,809) | $ -- | $ 36,776 |

See accompanying notes to these consolidated financial statements.

## HOLLINGER INTERNATIONAL INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2003, 2002 and 2001

| | 2003 | 2002 | 2001 |
|---|---|---|---|
| | (In thousands) | | |
| | | Restated Note 2 | Restated Note 2 |
| Cash flows from operating activities: | | | |
| Net loss | $ (74,308) | $(230,629) | $(326,573) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | | |
| Depreciation and amortization | 54,853 | 54,152 | 73,728 |
| Deferred income taxes | 41,964 | 54,983 | (55,836) |
| Amortization of deferred financing costs | 2,855 | 5,585 | 10,367 |
| Minority interest | 5,325 | 2,167 | (13,803) |
| Premium on debt extinguishments | 19,657 | 27,126 | -- |
| Equity in losses of affiliates, net of dividends received | 6,247 | 1,005 | 15,098 |
| Loss (gain) on sales of investments | (3,578) | -- | 147,213 |
| Loss (gain) on sales of property, plant and equipment and publishing interests | 6,455 | (5,334) | (71) |
| Amortization of deferred gain | (294) | (366) | (1,348) |
| Write-down of investments | 14,496 | 40,536 | 48,037 |
| Write-down of property, plant and equipment | 6,779 | -- | 1,343 |
| Non-cash portion of losses on Total Return Equity Swap | -- | 9,106 | 42,845 |
| Non-cash portion of foreign currency (gain) loss, net | (107,460) | 81,729 | (27,171) |
| Cumulative effect of change in accounting principle | -- | 20,079 | -- |
| Non-cash interest income | (8,110) | (5,888) | (43,821) |
| Other | 29,359 | (12,327) | 39,024 |
| Changes in assets and liabilities, net of dispositions: | | | |
| Accounts receivable | (3,863) | 2,402 | 7,755 |
| Inventories | (423) | 11,107 | (4,516) |
| Prepaid expenses and other current assets | (2,785) | (2,602) | (3,876) |
| Accounts payable and accrued expenses | 33,275 | (27,040) | 21,321 |
| Income taxes payable and other tax liabilities | 81,307 | 23,989 | (55,041) |
| Deferred revenue and other | (898) | 6,663 | (12,960) |
| Cash provided by (used in) operating activities | 100,853 | 56,443 | (138,285) |
| Cash flows from investing activities: | | | |
| Purchase of property, plant and equipment | (14,700) | (28,902) | (44,451) |
| Proceeds from sale of property, plant and equipment | 338 | 10,092 | 84 |
| Purchase of investments and other non-current assets | (26,197) | (11,401) | (45,194) |
| Proceeds on disposal of investments and other assets | 32,023 | 915 | 840,315 |
| Other | 7,954 | 1,869 | 5,982 |
| Cash provided by (used in) investing activities | (582) | (27,427) | 756,736 |
| Cash flows from financing activities: | | | |
| Repayment of debt and premium on debt extinguishment | (575,574) | (370,781) | (93,469) |
| Proceeds from bank and other debt | -- | 315,000 | 91,574 |
| Proceeds from issuance of notes | -- | 300,000 | -- |
| Payment of debt issue costs | -- | (15,704) | (3,013) |
| Cash settlement of Total Return Equity Swap | -- | (100,000) | -- |
| Change in borrowings with related parties | (49,053) | 26,298 | (9,489) |
| Escrow deposits and restricted cash | 529,234 | (533,404) | (12,548) |
| Net proceeds from issuance of equity | 12,115 | 4,247 | 6,863 |
| Repurchase of common shares | (8,849) | -- | (139,255) |
| Redemption of preference shares | -- | -- | (3,800) |
| Dividends paid | (17,403) | (28,762) | (53,157) |
| Dividends and distributions paid by subsidiaries to minority stockholders | -- | (917) | (53,673) |
| Other | (4,328) | (850) | (1,297) |
| Cash used in financing activities | (113,858) | (404,873) | (271,264) |
| Effect of exchange rate changes on cash and cash equivalents | 10,940 | 7,719 | (9,438) |
| Net increase (decrease) in cash and cash equivalents | (2,647) | (368,138) | 337,749 |
| Cash and cash equivalents at beginning of year | 137,141 | 505,279 | 167,530 |
| Cash and cash equivalents at end of year | $ 134,494 | $ 137,141 | $ 505,279 |

See accompanying notes to these consolidated financial statements.

HOLLINGER INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2003, 2002 and 2001

(1)Significant Accounting Policies

(a)Description of Business

Hollinger International Inc. ("the Company") operates principally as a publisher, printer and distributor of newspapers and magazines through subsidiaries and affiliates in the United States, the United Kingdom, Canada and Israel. The Company's operating subsidiaries and affiliates in the United Kingdom and Israel were sold during 2004. (See Note 28(c)). In addition, the Company has developed websites related to its publications on the Internet. The Company's raw materials, principally newsprint and ink, are not dependant on a single or limited number of suppliers. Customers primarily consist of purchasers of the Company's publications and advertisers in those publications.

(b)Principles of Presentation and Consolidation

The Company is a subsidiary of Hollinger Inc., a Canadian corporation. At December 31, 2003, Hollinger Inc. owned 30.0% of the combined equity and 72.4% of the combined voting power of the outstanding Common Stock of the Company.

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries and other controlled entities. The Company's interest in Hollinger Canadian Newspapers, Limited Partnership ("Hollinger L.P.") was 87% at December 31, 2003, and during all periods presented. The Company had no economic interest in The National Post Company at or after August 31, 2001. (See Note 3(c)). All significant intercompany balances and transactions have been eliminated on consolidation.

The Company has prepared the consolidated financial statements on the basis that the Company will continue as a going concern. As discussed in Note 28(c), the Company retained Lazard Freres & Co. LLC and Lazard & Co., Limited (collectively "Lazard") to explore strategic alternatives including the sale of all of the Company or the sale of specific properties the Company owns.

(c)Use of Estimates

The preparation of consolidated financial statements in accordance with U.S. generally accepted accounting principles ("GAAP") requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates including those related to bad debts, investments, goodwill, intangible assets, income taxes, pensions and other post-retirement benefits, contingencies and litigation. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances in making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

(d)Cash Equivalents

Cash equivalents consist of certain highly liquid investments with original maturities of three months or less.

(e)Inventories

Inventories consist principally of newsprint that is valued at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

(f)Long-Lived Assets

Property, plant and equipment are recorded at cost. Routine maintenance and repairs are expensed as incurred. Depreciation is calculated under the straight-line method over the estimated useful lives of the assets, principally 25 to 40 years for buildings and improvement, 3 to 10 years for machinery and equipment and 20 years for printing press equipment. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful life of the asset and the lease term. Property, plant and equipment categorized as construction in progress is not depreciated until the items are in use.

The Chicago Group publications capitalize the direct response advertising costs associated with their efforts to obtain new subscribers, which efforts enhance their subscriber lists. These costs are capitalized in accordance with Statement of Position 93-7("SOP 93-7"). The capitalized amounts are amortized over an 11-year period based on each publication's subscriber retention experience. Based on historical retention data, an accelerated amortization period has been adopted whereby approximately 61% of the amount capitalized by the Chicago Group in a year is amortized in the first year and an additional 17% is amortized in year two. The remaining 22% is amortized over the subsequent nine years on a declining basis.

The Company assesses the recoverability of the carrying value of all long-lived assets including property, plant and equipment whenever events or changes in business circumstances indicate the carrying value of the assets, or related group of assets, may not be fully recoverable. The assessment of recoverability is based on management's estimate of undiscounted future operating cash flows of its long-lived assets. If the assessment indicates that the undiscounted operating cash flows do not exceed the carrying value of the long-lived assets, then the difference between the carrying value of the long-lived assets and the fair value of such assets is recorded as a charge against income in the Consolidated Statements of Operations.

Primary indicators of impairment include significant permanent declines in circulation and readership; the loss of specific sources of advertising revenue, whether or not to other forms of media; and, an expectation that a long-lived asset may be disposed of before the end of its useful life. Impairment is assessed at a level based on the printing facility or facilities associated with a specific newspaper publication or group of publications being the lowest level at which identifiable cash flows are largely independent of the cash flows of other assets.

(g)Derivatives

The Company is a limited user of derivative financial instruments to manage risks generally associated with interest rate and foreign currency exchange rate market volatility. The Company does not hold or issue derivative financial instruments for trading purposes. All derivative instruments are recorded on the Consolidated Balance Sheets at fair value. Derivatives that are not classified as hedges are adjusted to fair value through earnings. Changes in the fair value of derivatives that are designated and qualify as effective hedges are recorded either in "Accumulated Other Comprehensive Loss" or through earnings, as appropriate. The ineffective portion of derivatives that are classified as hedges is immediately recognized in earnings.

In April 2003, the Financial Accounting Standards Board ("FASB") issued SFAS No. 149, "Amendment of SFAS No. 133 on Derivative Instruments and Hedging Activities" ("SFAS No. 149"). SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"). In particular, it clarifies under what circumstances a contract with an initial net investment meets the characteristics of a derivative as discussed in SFAS No. 133; clarifies when a derivative contains a financing component; amends the meaning of "underlying" to conform it to the language used in the FASB Interpretation No. 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others -- an interpretation of FASB Statements No. 5, 57 and 107 and rescission of FASB No. 34" ("FIN 45"); and amends certain other existing pronouncements.

SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. See Note 21 for a discussion of the Company's use of derivative instruments. The adoption of SFAS No. 149 did not have a material effect on the Company's Consolidated Financial Statements.

(h)Investments

Investments consist of corporate debt and equity securities. Marketable debt and equity securities which are classified as available-for-sale are recorded at fair value. Unrealized holding gains and losses, net of the related tax and minority interest effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of "Accumulated Other Comprehensive Loss" until realized. Realized gains and losses from the sale of available-for-sale securities are determined on specific investments and recognized in the Consolidated Statements of Operations under the caption of "Other income (expense), net". Other than investments accounted for using the equity method (see below), corporate debt and equity securities are recorded at cost less declines in market value that are other than temporary.

A decline in the market value of any security below cost that is deemed to be other than temporary results in a reduction in the carrying amount to fair value. Any impairment is charged to earnings and a new cost basis for the security is established.

Dividend and interest income is recognized when earned.

Investments in the common stock of entities for which the Company has significant influence over the investee's operating and financial policies, but less than a controlling voting interest, are accounted for using the equity method. Significant influence is generally presumed to exist when the Company owns between 20% and 50% of the investee's voting stock.

Under the equity method, the Company's investment in an investee is included in the Consolidated Balance Sheets (under the caption "Investments") and the Company's share of the investee's earnings or loss is included in the Consolidated Statements of Operations under the caption "Other income (expense), net".

Included as equity investees are 50% owned joint ventures with which certain of the Company's U.K. Newspaper Group subsidiaries have agreements for the printing of predominantly all of the U.K. newspapers and for the purchase of newsprint. Costs of the related services and purchases are reflected as operating costs in the Consolidated Statements of Operations (see Note 23(k)). The Company's joint venture partners are also engaged in the business of newspaper publication.

The Company previously owned the National Post. The Company sold a 50% interest in the National Post on November 16, 2000 and sold its remaining 50% interest on September 1, 2001. The Company continued to control the operations of the National Post as its managing partner through August 31, 2001. Accordingly, the financial position, results of operations, and cash flows of the National Post were consolidated in the Company's financial statements through August 31, 2001.

(i)Goodwill and Other Intangible Assets

Goodwill represents the excess of acquisition costs over the estimated fair value of net assets acquired in business combinations and circulation related assets. Until December 31, 2001, amortization was calculated using the straight-line method over the respective estimated useful lives to a maximum of 40 years.

Definite lived intangibles include non-competition agreements with former owners of acquired newspapers and subscriber and advertiser relationships.



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HOLLINGER INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

Effective January 1, 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"). The new standard requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually. The standard also specifies criteria that intangible assets must meet to be recognized and reported apart from goodwill. In addition, SFAS No. 142 requires that intangible assets with finite useful lives be amortized over their respective estimated useful lives to their estimated residual values and reviewed for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144").

As of the date of adoption of SFAS No. 142, the Company has discontinued amortization of all existing goodwill, evaluated existing intangible assets and has made the necessary reclassification in order to conform with the new criteria for recognition of intangible assets apart from goodwill. Some amounts previously ascribed to circulation, mastheads and certain other intangible assets have been reclassified to goodwill effective January 1, 2002.

The transitional provisions of SFAS No. 142 required the Company to assess whether goodwill was impaired as of January 1, 2002. The fair values of the Company's reporting units are determined primarily using a multiple of maintainable normalized cash earnings. As a result of this transitional impairment test, and based on the methodology adopted, the Company determined that the carrying amount of The Jerusalem Post properties was in excess of its estimated fair value. Accordingly, the goodwill attributable to The Jerusalem Post was written down in its entirety. The write-down of $20.1 million (net of tax of nil) has been reflected in the Consolidated Statement of Operations as of January 1, 2002 as a cumulative effect of a change in accounting principle.

This change in accounting principle cannot be applied retroactively and the amounts presented for prior periods have not been restated for this change. If this change in accounting policy were applied to the reported Consolidated Statement of Operations for the year ended December 31, 2001, the impact of the change, in respect of goodwill and intangible assets with indefinite useful lives not being amortized, would be as follows:

| | 2001 |
|---|---|
| | (In thousands) Restated Note 2 |
| Net loss -- as reported | $ (326,573) |
| Eliminate goodwill amortization, net of income tax and minority interest | 16,604 |
| Adjusted net loss | $ (309,969) |
| Basic loss per share -- as reported | $ (3.31) |
| Basic adjusted loss per share | $ (3.14) |
| Diluted loss per share -- as reported | $ (3.31) |
| Diluted adjusted loss per share | $ (3.14) |

Adjusted net loss, noted above, reflects only the reduction of goodwill amortization expense and does not give effect to the impact that this change in accounting policy would have had on the gains and losses resulting from the disposal of operations during 2001.

In addition to the transitional goodwill impairment test as of January 1, 2002, the Company is required to test goodwill for impairment on an annual basis for each of its reporting units. The Company is also required to evaluate goodwill for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Certain indicators of potential impairment that could impact the Company's reporting units include, but are not limited to, the following: (i) a significant long-term adverse change in the business climate that is expected to cause a substantial decline in advertising spending, (ii) a permanent significant decline in a reporting unit's newspaper readership, (iii) a significant adverse long-term negative change in the demographics of a reporting unit's newspaper readership and (iv) a significant technological change that results in a substantially more cost effective method of advertising than newspapers. The Company has determined that the fair value of all reporting units is in excess of the respective carrying amounts at December 31, 2003 and 2002 for purposes of the annual impairment test.

Effective January 1, 2002, the Company had unamortized goodwill in the amount of $512.1 million, which is no longer being amortized. This amount reflects the transitional impairment of $20.1 million relating to The Jerusalem Post.

(j)Deferred Financing Costs

Deferred financing costs consist of costs incurred in connection with debt financings. Such costs are amortized on a straight-line basis over the remaining terms of the related debt.

(k)Pension Plans and Other Post-retirement Benefits

The Company provides defined benefit pension, defined contribution pension, post-retirement and post-employment health care and life insurance benefits to eligible employees under a variety of plans (Note 25).

Pension costs for defined contribution plans are recognized as the obligation for contribution arises.

In general, benefits under the defined benefit plans are based on years of service and the employee's compensation during the last few years of employment.

Health care benefits are available to eligible employees meeting certain age and service requirements upon termination of employment. Post-retirement and post-employment benefits are accrued in accordance with SFAS No. 106, "Employers' Accounting for Post-retirement Benefits Other than Pensions" ("SFAS No. 106"), and SFAS No. 112, "Employers' Accounting for Post-employment Benefits" ("SFAS No. 112").

The annual pension expense is based on a number of actuarial assumptions, including expected long-term return on assets and discount rate. The Company's methodology in selecting these actuarial assumptions is discussed below.

Long-Term Rate of Return on Assets

In determining the expected long-term rate of return on assets, the Company evaluated input from its investment consultants, actuaries and investment management firms including their review of asset class return expectations, as well as long-term historical asset class returns. Projected returns by such consultants are based on broad equity and bond indices.

The Company regularly reviews its actual asset allocation and periodically rebalances its investments to its targeted allocation when considered appropriate.

The Company's determination of net pension expense was based on market-related valuation of assets, which reduces year-to-year volatility. This market-related valuation of assets recognizes investment gains or losses over a three-year period from when they occur. Investment gains or losses for this purpose reflect the difference between the expected return calculated using the market-related value of assets and recognized gains or losses over a three-year period. The future value of assets will be affected as previously deferred gains or losses are recorded.

Discount Rate

The discount rate that the Company uses for determining future pension obligations is based on indices of AA-rated corporate bonds. These indices reflect the weighted average period of benefit payments.

The Company will continue to evaluate all of its actuarial assumptions, generally on an annual basis, including the expected long-term rate of return on assets and discount rate, and will adjust them as appropriate. Actual pension expense will depend on future investment performance, changes in future discount rates, the level of contributions by the Company and various other factors related to the populations participating in the pension plans.

(l)Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the difference between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are also recognized for the tax effects attributable to the carryforward of net operating losses. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company considers future taxable income and ongoing tax strategies in assessing the need for a valuation allowance in relation to deferred tax assets. The Company records a valuation allowance to reduce deferred tax assets to a level where they are more likely than not to be realized based upon the above mentioned considerations.

(m)Revenue Recognition

The Company's principal sources of revenue comprise advertising, circulation and job printing. As a general principle, revenue is recognized when the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred and services have been rendered, (iii) the price to the buyer is fixed or determinable and, (iv) collectibility is reasonably assured or is probable. Advertising revenue, being amounts charged for space purchased in the Company's newspapers, is recognized upon publication of the advertisements. Circulation revenue from subscribers, billed to customers at the beginning of a subscription period, is recognized on a straight-line basis over the term of the related subscription. Deferred revenue represents subscription receipts that have not been earned. Circulation revenue from single copy sales is recognized at the time of distribution. In both cases, circulation revenues are recorded net of fees or commissions paid to distributors and retailers and net of an allowance for returned copies. Job printing revenue, being charges for printing services provided to third parties, is recognized upon delivery.

(n)Foreign Currency Translation

Foreign operations of the Company have been translated into U.S. dollars in accordance with the principles prescribed in SFAS No. 52, "Foreign Currency Translation" ("SFAS No. 52"). All assets, liabilities and minority interests are translated at period end exchange rates, stockholders' equity is translated at historical rates, and revenues and expenses are translated at the average rates of exchange prevailing throughout the period. Translation adjustments are included in the "Accumulated Other Comprehensive Loss" component of stockholders' equity. Translation adjustments are not included in earnings unless they are actually realized through a sale or upon complete or substantially complete liquidation of the Company's net investment in the foreign operation. Gains and losses arising from the Company's foreign currency transactions are reflected in net earnings.

(o) Loss Per Share

Loss per share is computed in accordance with SFAS No. 128, "Earnings per Share" ("SFAS No. 128"). See Note 16 for a reconciliation of the numerator and denominator for the calculation of basic and diluted loss per share.

(p) Stock-based Compensation

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation -- Transition and Disclosure, an Amendment of FASB Statement No. 123" ("SFAS No. 148") to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123") to require prominent disclosure in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The Company adopted the disclosure requirements of SFAS No. 148 as of December 31, 2002.

The Company accounts for stock-based employee compensation arrangements in accordance with provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25") and complies with the disclosure provisions of SFAS No. 123, as amended. Under APB No. 25, compensation expense is based on the difference, if any, on the date of grant between the quoted market price of the Company's stock and the exercise price.

On March 31, 2000, the FASB issued Financial Interpretation No. 44, "Accounting for Certain Transactions involving Stock Compensation" ("FIN 44"), which provided guidance on several implementation issues related to APB No. 25. The most relevant to the Company was the clarification of the accounting for stock options that have been repriced or otherwise modified and the measurement of options granted to employees of The Ravelston Corporation Limited ("Ravelston"), the parent company of Hollinger Inc. The Company adopted FIN 44 effective July 1, 2000.

The Company uses the intrinsic value based method of accounting for its stock-based compensation arrangements. Stock options granted to employees of Ravelston are recorded using the fair value based method and are reflected in the Consolidated Statements of Stockholders' Equity as in-kind dividends.

The Company uses the Black-Scholes option-pricing model, which was developed for use in estimating the fair value of traded options that have no vesting restrictions and are freely transferable. All available option-pricing models require the input of highly subjective assumptions including the expected stock price volatility.

Had the Company determined compensation costs based on the fair value at the grant date of its stock options under SFAS No. 123, the Company's net loss and loss per share would have been increased to the pro forma amounts indicated in the following table:

| | 2003 | 2002 | 2001 |
|---|---|---|---|
| | (In thousands, except per share amounts) | | |
| | | Restated Note 2 | Restated Note 2 |
| Net loss, as reported | $ (74,308) | $ (230,629) | $ (326,573) |
| Exclude: stock-based compensation expense (credit), as reported | 6,722 | -- | (1,369) |
| Include: pro forma stock-based compensation expense | (9,336) | (3,551) | (1,766) |
| Pro forma net loss | $ (76,922) | $ (234,180) | $ (329,708) |
| Basic loss per share, as reported | $ (0.85) | $ (2.40) | $ (3.31) |
| Diluted loss per share, as reported | $ (0.85) | $ (2.40) | $ (3.31) |
| Pro forma basic loss per share | $ (0.88) | $ (2.44) | $ (3.34) |
| Pro forma diluted loss per share | $ (0.88) | $ (2.44) | $ (3.34) |

The fair value of each stock option granted during 2003, 2002, and 2001 was estimated on the date of grant for pro forma disclosure purposes using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in fiscal 2003, 2002 and 2001, respectively: dividend yield of 3.39%, 4.80% and 3.63%; expected volatility of 36.18%, 35.79% and 37.25% and risk-free interest rates of 2.69%, 4.27% and 4.7%; expected lives of five years. Weighted average fair value of options granted by the Company during 2003, 2002 and 2001 was $2.41, $2.64 and $4.09, respectively, on a per share basis.

(q)Reclassifications

Certain 2002 and 2001 amounts in the consolidated financial statements have been reclassified to conform with the 2003 presentation and to reflect the required adoption of a new FASB Standard. (See Note 2.)

(r)New Accounting Pronouncements

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS No. 150"). SFAS No. 150 establishes standards for classification and measurement of certain financial instruments with characteristics of both liabilities and equity. Some provisions of SFAS No. 150 are consistent with the FASB's proposal to revise the definition of liabilities in FASB Concepts Statement No. 6, "Elements of Financial Statements", to encompass certain obligations that a reporting entity can or must settle by issuing its own equity shares, depending on the nature of the relationship established between the holder and the issuer. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company adopted the provisions of SFAS No. 150 as of July 1, 2003. The adoption of this pronouncement did not have a material effect on the Company's consolidated financial statements.

In December 2003, the FASB issued SFAS No. 132, (revised), "Employers' Disclosures about Pensions and Other Post-retirement Benefits -- an amendment of FASB Statements No. 87, 88, and 106" ("SFAS No. 132R"). SFAS No. 132R retains the disclosures required by SFAS No. 132, which standardized the disclosure requirements for pensions and other post-retirement benefits to the extent practicable, and requires additional information on changes in the benefit obligations and fair values of plan assets. Additional disclosures have been added in response to concerns expressed by users of financial statements; those disclosures include information describing the types of plan assets, investment strategy, measurement date(s), plan obligations, cash flows, and components of net periodic benefit cost recognized during interim periods. (See Note 1(k), "Significant Accounting Policies -- Pension Plans and Other Post-retirement Benefits; and Note 25, "Employee Benefit Plans".) The Company has included the disclosures required by SFAS No. 132R in these consolidated financial statements.

In December 2003, the FASB issued a revised version of Financial Interpretation No. 46, "Variable Interest Entities" ("FIN 46R"). FIN 46R requires an entity to evaluate investments that are held to determine, firstly, whether or not the entity invested in is a variable interest entity, as defined, and secondly, if the investing entity is the primary beneficiary of the variable interest entity. The results of this analysis will determine if an entity will be required to consolidate the results of the investee, regardless of the actual ownership percentage. The Company has evaluated its investments in relation to FIN 46R, and does not expect the adoption of FIN 46R will have a material impact on the Company's results of operations or financial position.

In December 2004, the FASB issued SFAS No. 123 (revised 2004) "Share-Based Payment" ("SFAS 123R"). SFAS 123R addresses the accounting for transactions in which an enterprise exchanges its equity instruments for employee services. It also addresses transactions in which an enterprise incurs liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of those equity instruments in exchange for employee services. For public entities, the cost of employee services received in exchange for equity instruments, including employee stock options, is to be measured on the grant-date fair value of those instruments. That cost will be recognized as compensation expense over the service period, which would normally be the vesting period. SFAS 123R is effective as of the first interim or annual reporting period that begins after June 15, 2005; the Company will adopt SFAS 123R in the third quarter of fiscal 2005. The Company has not yet determined the impact SFAS 123R will have on its results of operations.

(2)Restatements and Reclassifications

The Company has restated its consolidated financial statements as of December 31, 2002 and for the years ended December 31, 2002 and 2001. These restatements have been grouped into the following categories:

(a) Restatements arising from the findings of the special committee of independent directors (the "Special Committee") (Note 18(a));

(b) Corrections of accounting errors in prior periods;

(c) Reclassifications arising from the required adoption of a new FASB standard; and

(d) Other, principally the effects of foreign currency translation adjustments.



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HOLLINGER INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

The following tables set forth the net effect of the restatements and reclassifications on specific amounts presented in the Company's Consolidated Statements of Operations and Consolidated Balance Sheet:

| | December 31, 2002 | | December 31, 2001 | |
|---|---|---|---|---|
| | Restated | Previously Reported | Restated | Previously Reported |
| | (In thousands, except per share amounts) | | | |
| Net effect on specific amounts presented in the Consolidated Statements of Operations: | | | | |
| Newsprint | $ 86,935 | $ 89,840 | $ 127,025 | $ 127,025 |
| Operating income (loss) | 60,107 | 57,202 | (35,983) | (35,983) |
| Other income (expense), net | (172,783) | (139,978) | (303,318) | (297,137) |
| Total other expense | (218,358) | (185,553) | (327,431) | (321,250) |
| Loss before income taxes, minority interest, extraordinary items and cumulative effect of change in accounting principle | (158,251) | (128,351) | (363,414) | (357,233) |
| Income taxes (benefit) | 50,132 | 66,950 | (23,038) | (8,319) |
| Loss before minority interest, extraordinary items and cumulative effect of change in accounting principle | (208,383) | (195,301) | (340,376) | (348,914) |
| Extraordinary loss on debt extinguishment | -- | (21,276) | -- | -- |
| Loss before cumulative effect of change in accounting principle | (210,550) | (218,744) | (326,573) | (335,111) |
| Net loss | (230,629) | (238,823) | (326,573) | (335,111) |
| Basic loss per share | $ (2.40) | $ (2.49) | $ (3.31) | $ (3.39) |
| Diluted loss per share | $ (2.40) | $ (2.49) | $ (3.31) | $ (3.39) |

| | December 31, 2002 | |
|---|---|---|
| | Restated | Previously Reported |
| | (In thousands) | |
| Net effect on specific amounts presented in the Consolidated Balance Sheet: | | |
| Cash and cash equivalents | $ 137,141 | $ 113,368 |
| Total current assets | 917,488 | 893,715 |
| Investments | 97,943 | 124,076 |
| Total assets | 2,185,772 | 2,188,132 |
| Accounts payable and accrued expenses | 213,668 | 194,323 |
| Amounts due to related parties, net | 25,165 | 30,358 |
| Income taxes payable and other tax liabilities | 311,139 | 295,971 |
| Total current liabilities | 1,114,938 | 1,085,618 |
| Deferred income taxes and other tax liabilities | 222,269 | 249,731 |
| Other liabilities | 98,377 | 132,503 |
| Total liabilities | 2,010,242 | 2,042,510 |
| Cumulative foreign currency translation adjustment | (28,971) | (38,950) |
| Accumulated deficit | (76,133) | (98,296) |
| Total stockholders' equity | 149,783 | 119,875 |
| Total liabilities and stockholders' equity | 2,185,772 | 2,188,132 |

HOLLINGER INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

The following table summarizes the effect of the restatements and reclassifications on specific accounts included in the Consolidated Statements of Operations for the periods presented:

| | Year Ended December 31, 2002 | Year Ended December 31, 2001 |
|---|---|---|
| | (In thousands) | |
| Operating income (loss), as previously reported | $ 57,202 | $ (35,983) |
| Correction of newsprint overaccrual (b(iii)) | 2,905 | -- |
| Restated operating income (loss) | $ 60,107 | $ (35,983) |
| Loss before income taxes, minority interest, extraordinary items and cumulative effect of change in accounting principle, as previously reported | $(128,351) | $(357,233) |
| Correction of "non-competition" payments recorded in incorrect year (a(i)) | -- | (6,100) |
| Correction of newsprint overaccrual (b(iii)) | 2,905 | -- |
| Correction of equity accounting of affiliate (b(iv)) | 2,714 | -- |
| Reclassification of extraordinary loss (c) | (35,460) | -- |
| Other (d) | (59) | (81) |
| Restated loss before income taxes, minority interest, and cumulative effect of change in accounting principle | $(158,251) | $(363,414) |
| Income taxes (benefit), as previously reported | $ 66,950 | $ (8,319) |
| Tax effect of correction of "non-competition" payments recorded in incorrect year (a(i)) | -- | (2,440) |
| Other tax adjustments (a(iii)) | 4,415 | 3,086 |
| Tax effect of correction of newsprint overaccrual (b(iii)) | 1,139 | -- |
| Correction of U.S. tax benefit on liquidation of Canadian operations (b(v)) | (20,116) | -- |
| Other corrections of tax accounts (b(vi)) | 11,928 | (15,330) |
| Reclassification of tax benefit on extraordinary loss (c) | (14,184) | -- |
| Other (d) | -- | (35) |
| Restated income taxes (benefit) | $ 50,132 | $ (23,038) |

HOLLINGER INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

The following table summarizes the effect of the restatements and reclassifications on the Consolidated Balance Sheet as of December 31, 2002:

| | As of December 31, 2002 |
|---|---|
| | (In thousands) |
| Cash and cash equivalents, as previously reported | $ 113,368 |
| Reclassification to conform with current year presentation (Note 9(a)) | 23,773 |
| Restated cash and cash equivalents | $ 137,141 |
| Investments, as previously reported | $ 124,076 |
| Correction of equity accounting of affiliate (b(iv)) | 1,391 |
| Reclassification to conform with current year presentation (Note 5(b)) | (27,524) |
| Restated investments | $ 97,943 |
| Accounts payable and accrued expenses, as previously reported | $ 194,323 |
| Correction of overaccruals recorded in 2000 (b(ii)) | (1,580) |
| Correction of newsprint overaccrual (b(iii)) | (2,848) |
| Reclassification to conform with current year presentation (Note 9(a)) | 23,773 |
| Restated accounts payable and accrued expenses | $ 213,668 |
| Amounts due to related parties, net, as previously reported | $ 30,358 |
| Correction of overaccruals recorded prior to 1999 (b(i)) | (5,193) |
| Restated amounts due to related parties, net | $ 25,165 |
| Income taxes payable and other tax liabilities, as previously reported | $ 295,971 |
| Tax on assumed additional proceeds from sale of newspaper properties (a(ii)) | 19,494 |
| Other tax adjustments (a(iii)) | 1,599 |
| Tax effect of correction of equity accounting of affiliate (b(iv)) | (1,362) |
| Correction of U.S. tax benefit on liquidation of Canadian operations (b(v)) | (20,116) |
| Other corrections of tax accounts (b(vi)) | 7,080 |
| Reclassifications affecting tax accounts (b(vii)) | 8,473 |
| Restated income taxes payable and other tax liabilities | $ 311,139 |
| Deferred income taxes and other tax liabilities, as previously reported | $ 249,731 |
| Other tax adjustments (a(iii)) | 6,648 |
| Tax effect of overaccruals (b(i) and b(ii)) | 3,273 |
| Tax effect of correction of newsprint overaccrual (b(iii)) | 1,139 |
| Other corrections of tax accounts (b(vi)) | (30,049) |
| Reclassifications affecting tax accounts (b(vii)) | (8,473) |
| Restated deferred income taxes and other tax liabilities | $ 222,269 |
| Other liabilities, as previously reported | $ 132,503 |
| Correction of overaccruals recorded prior to 1999 (b(i)) | (6,602) |
| Reclassification to conform with current year presentation (Note 5(b)) | (27,524) |
| Restated other liabilities | $ 98,377 |

HOLLINGER INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

| | As of December 31, 2002 |
|---|---|
| | (In thousands) |
| Cumulative foreign currency translation adjustment, as previously reported | $ (38,950) |
| Other corrections of tax accounts (b(vi)) | 9,686 |
| Currency translation effects attributable to restatements of accounts stated in foreign currencies | 293 |
| Restated cumulative foreign currency translation adjustment | $ (28,971) |
| Accumulated deficit, as previously reported | $ (98,296) |
| Tax on assumed additional proceeds from sale of newspaper properties (a(ii)) | (20,239) |
| Other tax adjustments (a(iii)) | (8,266) |
| Correction of overaccruals, net of tax (b(i) to b(iii)) | 12,369 |
| Correction of equity accounting of affiliate, net of tax (b(iv)) | 2,714 |
| Correction of U.S. tax benefit on liquidation of Canadian operations (b(v)) | 20,116 |
| Other corrections of tax accounts (b(vi)) | 13,283 |
| Correction of in-kind dividends (b(viii)) | 2,234 |
| Other (d) | (48) |
| Restated accumulated deficit | $ (76,133) |

The following table summarizes the cumulative effect of the restatements and reclassifications on the Company's "Stockholders' Equity" at December 31, 2001 and January 1, 2001.

| | As of December 31, 2001 | As of January 1, 2001 |
|---|---|---|
| | (In thousands) | |
| Total stockholders' equity, as previously reported | $ 366,627 | $898,109 |
| Correction of "non-competition" payments recorded in incorrect year, net of tax benefit (a(i)) | -- | 3,660 |
| Tax on assumed additional proceeds from sale of newspaper properties (a(ii)) | (19,341) | (20,541) |
| Other tax adjustments (a(iii)) | (3,849) | (764) |
| Correction of overaccruals recorded prior to 1999, net of tax benefit (b(i)) | 9,115 | 9,434 |
| Correction of overaccruals recorded in 2000, net of tax benefit (b(ii)) | 948 | 948 |
| Other corrections of tax accounts (b(vi)) | 23,993 | 10,297 |
| Other (d) | 13 | 2 |
| Restated total stockholders' equity | $ 377,506 | $901,145 |

Each category of the restatements and reclassifications and their effect on the consolidated financial statements is discussed below:

(a)Restatements Arising from the Findings of the Special Committee

The Special Committee identified, among other things, the following transactions that were improperly reflected in the Company's consolidated financial statements in prior periods.

(i)
The recording of "non-competition" payments in the incorrect year
-- The Special Committee identified $6.1 million of "non-competition" payments that the Company made in 2001 that were reflected in the consolidated financial statements as having been made or were otherwise accrued in 2000. Of the $6.1 million, $5.5 million related to "non-competition" payments paid by the Company in 2001 to Lord Conrad M. Black of Crossharbour ("Black"), Peter Y. Atkinson ("Atkinson"), F. David Radler ("Radler") and J. A. Boultbee ("Boultbee") pursuant to "non-competition" agreements with American Publishing Company (which owned virtually no newspaper assets as of February 2001). The payments were issued in 2001 and backdated to 2000. The remaining $0.6 million relates to payments that were made in 2001 and recorded as reductions of excessive accruals that were previously established in 2000. According to the report of the Special Committee (the "Report"), the Audit Committee did not approve any of these payments. Accordingly, the Company has increased "Retained earnings" by $3.7 million, net of tax as of January 1, 2001. With respect to the 2001 Consolidated Statement of Operations, the Company has decreased "Other income (expense), net," by $6.1 million and decreased "Income taxes (benefit)" by $2.4 million, which resulted in an increase in net loss of $3.7 million and a corresponding decrease in total stockholders' equity.

(ii)
Tax on assumed additional proceeds from sale of Canadian newspaper properties to CanWest Global Communications Corporation
-- The Special Committee determined that "non-competition" payments that were made in connection with the sale of Canadian newspaper properties to CanWest Global Communications Corporation ("CanWest") in 2000 were not properly approved by the Company. According to the findings of the Special Committee, these "non-competition" payments, aggregating Cdn.$80.0 million, made to certain former directors and officers of the Company, effectively reduced the proceeds the Company received from the sale of the newspaper properties.

The Special Committee also determined that the proceeds the Company received from the sale of Canadian properties to CanWest in 2000 were further reduced by Cdn.$60.0 million, as a consequence of an agreement between CanWest and Ravelston for the payment of an annual management fee of Cdn.$6.0 million in consideration for management services. The Special Committee determined that these proceeds should have been received by the Company.

Had the Company received the assumed additional proceeds of Cdn.$140.0 million, the gain on the sale would have been greater by that amount with a consequent increase in income taxes that would have been provided for in 2000. The Company has recorded a decrease in "Retained earnings" of $20.2 million as of January 1, 2001 to account for income taxes on these unrecognized purchase proceeds.

(iii)
Other tax adjustments
-- The Company has recorded additional accruals for tax contingencies to cover interest that the Company may be required to pay, net of federal tax benefits on a portion thereof.

(b)Corrections of Accounting Errors

During the course of the preparation of its consolidated financial statements for the year ended December 31, 2003, the Company determined that previously reported financial information required restatement for certain accounting errors identified. Several transactions relate to periods prior to 2001 and have been reflected as adjustments to "Retained earnings" in the Consolidated Statement of Stockholders' Equity as of January 1, 2001. Below is a description of the adjustments made to correct these accounting errors.



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(i)
Correction of overaccruals recorded prior to 1999
-- In the review of its accounts, the Company identified that certain amounts had been overaccrued in periods prior to 1999. Specifically, in 1997, when the Company's parent, Hollinger Inc., transferred certain Canadian properties to the Company, accruals due to related parties were established to provide for expected costs of this transaction. The Company has increased "Retained earnings" as of January 1, 2001 by approximately $5.5 million in respect of these accruals due to related parties that were considered to be excessive. There was no tax effect on the reversal of these accruals. In 1998, the Chicago Sun-Times recorded approximately $6.6 million of pension costs in excess of amounts determined appropriate by the Company's actuaries. "Retained earnings" as of January 1, 2001 has been increased by $4.0 million, which is net of tax benefit of $2.6 million, in respect of these excess accruals.

(ii)
Correction of overaccruals recorded in 2000
-- The Company also identified accruals that were established with respect to the disposition of Community Group properties in 2000 which were considered to be excessive by approximately $1.6 million. "Retained earnings" as of January 1, 2001 has been increased by $1.0 million, which is net of tax benefit of $0.6 million, in respect of these excessive accruals.

(iii)
Correction of overaccrual of newsprint costs at the Chicago Sun-Times in 2002
-- In its review of past transactions, the Company identified an overaccrual relating to the Chicago Newspaper Group's newsprint costs of approximately $2.9 million in 2002. This overaccrual has been reversed and is reflected as an adjustment to "Newsprint" and has been tax effected at an effective rate of 40% in the Consolidated Statement of Operations.

(iv)
Correction of equity accounting of affiliate in 2002
-- The Company has identified errors with respect to its equity earnings from a joint venture affiliate in 2002. The Company previously had not recorded interest income from the joint venture on amounts that the Company had funded to the joint venture. The Company also did not record its 50% share of the joint venture affiliate's income tax benefit. The effect of these adjustments is to decrease the Company's equity losses in affiliates by approximately $2.7 million, which has been reflected through "Other income (expense), net" in the Consolidated Statement of Operations.

The Company failed to record the effects of a tax sharing arrangement between the joint venture and the U.K. Newspaper Group. The effect of this arrangement has been reflected as a decrease of $1.4 million of "Income taxes payable and other tax liabilities" in the Consolidated Balance Sheet.

The net effect of the three foregoing adjustments has been reflected as a $1.4 million increase to "Investments" in the Consolidated Balance Sheet.

(v)
Correction of U.S. tax benefit on liquidation of Canadian operations
-- The Company identified an error with respect to the amount of taxes provided upon the substantial liquidation of Canadian operations. The Company had not recognized a tax benefit in the 2002 U.S. tax provision on the foreign exchange impact of this liquidation. Accordingly, the Company has recorded a tax benefit in "Income taxes (benefit)" on the Consolidated Statement of Operations and a decrease in "Income taxes payable and other tax liabilities" on the Consolidated Balance Sheet of $20.1 million.

(vi)
Other corrections of tax accounts
-- The Company has identified certain errors with respect to the amounts of income taxes (benefit) recorded in prior years. The Company's Consolidated Financial Statements have been restated to give effect to corrections regarding: (a) the periods in which certain amounts should have been recognized in income taxes (benefit); (b) the appropriate level of the valuation allowance related to certain deferred tax assets; and (c) other factors that impacted the provision for income taxes (benefit). The Company has also corrected the manner in which it had maintained its accrual for income tax contingencies, which had affected the cumulative foreign currency translation account.

The Consolidated Statements of Operations have been restated to increase the provision for income taxes by $11.9 million in 2002 and to increase the income tax benefit in 2001 by $15.3 million. With respect to the Consolidated Balance Sheet as of December 31, 2002, the restatements resulted in an increase of $7.1 million in "Income taxes payable and other tax liabilities," a decrease of $30.1 million in "Deferred income taxes and other tax liabilities" and an increase in stockholders' equity of $23.0 million. The effects of the restatements are also reflected in the tables and elsewhere in the note, "Income Taxes." (See Note 24.)

(vii)
Reclassifications affecting tax accounts
 -- The Company has identified certain errors with respect to the classification of transactions between current and deferred income taxes (benefit) in prior years. These errors did not affect total income taxes (benefit) or net earnings (loss) in any year. The Company has reclassified certain amounts that are reflected in the tables presented in the note, "Income Taxes." (See Note 24.) With respect to the Company's Consolidated Balance Sheet, the reclassifications resulted in an increase to "Income taxes payable and other tax liabilities" of $8.5 million and a corresponding decrease to "Deferred income taxes and other tax liabilities" at December 31, 2002.

(viii)
Correction of stock-based compensation disclosures and in-kind dividends
 -- The Company has corrected certain assumptions used in error in the calculation of the fair value of stock options issued to employees of the Company and to employees of Ravelston. Stock options granted to employees of Ravelston are reflected in the Consolidated Statements of Stockholders' Equity as in-kind dividends.

The Company has corrected its calculation of the compensatory cost of stock options granted for its disclosures in accordance with SFAS No. 123. Specifically, the Company has estimated that the life of options issued to employees is expected to be five years. In addition, the Company is now using volatility based on the average option life instead of using 12 months as was used in prior periods. The Company has restated prior periods to correct the assumptions used in the calculation.

The tables below outline the effects of these corrections on the in-kind dividends and the pro forma stock based compensation:

In-kind Dividends

| | Restated | As Previously Reported |
|---|---|---|
| | (In thousands) | |
| Year Ended December 31, | | |
| 2003 | $ 3,906 | $ 8,513 |
| 2002 | 4,376 | 6,111 |
| 2001 | 7,301 | 7,800 |

In 2003, the in-kind dividends were previously reported in the Company's quarterly report on Form 10-Q for the three-months ended March 31, 2003.

Pro forma Stock-based Compensation

| | Restated | As Previously Reported |
|---|---|---|
| | (In thousands) | |
| Year Ended December 31, | | |
| 2002 | $ 3,551 | $ 7,861 |
| 2001 | 3,135 | 6,989 |

(c) Reclassifications Arising from the Required Adoption of a New FASB Standard

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections" ("SFAS No. 145"). SFAS No. 145 addresses, among other things, the income statement treatment of gains and losses related to debt extinguishments requiring that such expenses no longer be treated as extraordinary items unless the items meet the definition of extraordinary under APB Opinion No. 30, "Reporting the Results of Operations -- Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions". SFAS 145 became effective for fiscal years beginning after May 15, 2002. As a result of the Company's adoption of SFAS No. 145, it was required to reclassify the loss on early extinguishment of debt of $21.3 million (approximately $35.5 million, pretax) in 2002. Corresponding reclassification adjustments were made to "Other income (expense), net" and "Income taxes (benefit)" in the Company's Consolidated Statement of Operations.

(d) Other

Amounts described as "Other" reflect the effects of foreign currency translation and related items.

(3)Dispositions of Businesses

(a)In January 2001, Hollinger L.P. completed the sale of UniMedia Company to Gesca Limited, a subsidiary of Power Corporation of Canada. The publications sold represented the French language newspapers of Hollinger L.P. including three paid circulation dailies and 15 weeklies published in Quebec and Ontario. A pre-tax gain of approximately $47.5 million was recognized on this sale and was recorded in "Other income (expense), net."

(b)In two separate transactions in July and November 2001, the Company and Hollinger L.P. completed the sale of most of its remaining Canadian newspapers to Osprey Media Group Inc. ("Osprey Media") for total sale proceeds of approximately Cdn. $255.0 million ($166.0 million) plus closing adjustments primarily for working capital. Included in these sales were community newspapers in Ontario such as The Kingston Whig-Standard, The Sault Star, the Peterborough Examiner, the Chatham Daily News and The Observer (Sarnia). Pre-tax gains of approximately $0.8 million were recognized on these sales. The former CEO of Hollinger L.P. is a minority stockholder and CEO of Osprey Media.

In connection with the two sales of Canadian newspaper properties to Osprey Media in 2001, the Company, Hollinger Inc., Black and three executive officers entered into "non-competition" agreements with Osprey Media pursuant to which each agreed not to compete directly or indirectly in Canada with the Canadian businesses sold to Osprey Media for a five-year period, subject to certain limited exceptions, for aggregate consideration of Cdn.$7.9 million ($5.1 million). Such consideration was paid to Black and the three executive officers, who determined that allocation. The Special Committee has concluded that the "non-competition" payments had been ratified by the Audit Committee on the basis of false and misleading information. The Company, through the Special Committee, has brought suit to recover these and other payments. See Note 22(a).

(c)In August 2001, the Company entered into an agreement to sell to CanWest its remaining 50% interest in the National Post. In accordance with the agreement, the Company's representatives resigned from their executive positions at the National Post effective September 1, 2001. The results of operations of the National Post are included in the Consolidated Statement of Operations to August 31, 2001. A pre-tax loss of approximately $78.2 million was recognized on the sale and was recorded in "Other income (expense), net."

(d)In August 2001, the Company sold certain other publications, including the Mammoth Times, to Horizon Publications Inc. ("Horizon") in exchange for $1.00. Horizon is managed by former Community Group executive officers and controlled by Black and the Company's former Deputy Chairman, President and COO, Radler. The Company recognized a net loss on this transaction of approximately $1.5 million.

(e) In 2001, certain of the closing adjustments were finalized relating to the November 16, 2000 sale of most of the Canadian newspapers and related assets to CanWest. The closing adjustments resulted in an additional pre-tax gain in 2001 of approximately $18.3 million. At December 31, 2003, approximately $49.1 million in respect of closing adjustments remained due to the Company and is included in accounts receivable in the Consolidated Balance Sheet. Amounts due bear interest at a rate of approximately 9%. The amount outstanding is subject to arbitration between CanWest and the Company. Adjustments in the balance due, if any, resulting from further negotiations will be recorded as a component of net gains (losses) on sales of publishing interests included in "Other income (expense), net" (See Note 22(a)).

(f) The Company concluded several other transactions in 2001 which resulted in an overall net gain of approximately $11.9 million.

## (4) Other Current Assets

At December 31, 2003, included in "Other current assets" on the Consolidated Balance Sheet, the Company identified the following assets as "held for sale" as the decision to dispose of these assets was made prior to year end.

| | Cost | Accumulated Depreciation | Net Book Value |
|---|---|---|---|
| | | (In thousands) | |
| Apartments(a) | $ 4,047 | $ 1,564 | $ 2,483 |
| Corporate aircraft(b) | 8,960 | 1,960 | 7,000 |
| | $13,007 | $ 3,524 | $ 9,483 |

(a) At December 31, 2003, the Company owned corporate apartments in both Chicago and New York, which are considered non-core assets. Subsequent to the year-end, the apartments were sold for net proceeds of $1.4 million and $1.8 million, respectively, resulting in a gain on sale of $0.8 million.

(b) As a result of the wind-down of aviation operations prior to year-end, the corporate aircraft has been classified as an asset held for sale. A write-down of $5.2 million was made in 2003 and included in "Other income (expense), net" (See Note 19). The corporate jet was sold for $7.1 million subsequent to year end, resulting in a gain on sale of $0.1 million.

(5)Investments

| | 2003 | 2002 |
|---|---|---|
| | (In thousands) | |
| | | Restated Note 2 |
| Available-for-sale securities, at fair value: | | |
| Equity securities | $ 4,404 | $ 4,270 |
| CanWest debentures(a) | 69,484 | 52,712 |
| | 73,888 | 56,982 |
| Other non-marketable investments, at cost: | | |
| Internet and technology related companies | 13,923 | 22,439 |
| Other | 10,719 | 14,341 |
| | 24,642 | 36,780 |
| Equity accounted companies, at equity: | | |
| Printing joint ventures(b) | (2,662) | (5,335) |
| Internet related companies | 9,366 | 6,330 |
| Other | 6,738 | 3,186 |
| | 13,442 | 4,181 |
| | $111,972 | $97,943 |

| | 2003 | 2002 |
|---|---|---|
| | (In thousands) | |
| Gross unrealized holding gains (losses) on available-for-sale securities: | | |
| CanWest debentures | $14,588 | $(1,484) |
| Equity securities | 1,363 | 595 |
| | 15,951 | (889) |
| Less -- deferred tax benefit | (3,111) | (1) |
| Less -- minority interest | (1,665) | 196 |
| Unrealized gain (loss) on marketable securities included in stockholders' equity | $11,175 | $ (694) |

(a)On November 16, 2000, the Company sold a substantial portion of its Canadian assets to CanWest and received in return, in addition to cash and shares in CanWest, 12 1/8% debentures issued by CanWest ("CanWest Debentures"). The Company was able to monetize its interest in the CanWest Debentures in spite of restrictions limiting transfer of ownership but not without retaining some risk, particularly in relation to foreign exchange rate fluctuations between the Canadian and United States dollars. The monetization was effected by way of a participation agreement pursuant to which the Company sold its interests in a substantial portion of the CanWest Debentures to a trust. The Company was ultimately able to relieve itself of any obligations relating to the CanWest Debentures under the participation agreement on November 18, 2004. See Note 28(i). The underlying transactions to these events are described in more detail in the balance of this note.

The CanWest Debentures were issued by a wholly-owned subsidiary of CanWest and are guaranteed by CanWest. These debentures are denominated in Canadian dollars. Interest on the CanWest Debentures is calculated, compounded and payable semi-annually in arrears at a rate of 12 1/8% per annum. At any time prior to November 5, 2005, CanWest may elect to pay interest on the debentures by way of non-voting shares of CanWest, debentures in substantially the same form as the CanWest Debentures, or cash. Subsequent to November 5, 2005, interest is to be paid in cash. The debentures are due November 15, 2010, but were redeemable at any time prior to May 15, 2003 for cash at CanWest's option at 100% of the principal amount.

The Company was prohibited from selling the CanWest Debentures received prior to May 15, 2003. In order to monetize this investment, the Company entered into a participation agreement in August 2001 pursuant to which it sold participation interests in Cdn.$540.0 million ($350.0 million) principal amount of CanWest Debentures to a special purpose trust ("Participation Trust") administered by an arm's length trustee. That sale of participation interests was supplemented by a further sale of Cdn.$216.8 million ($140.5 million) in December 2001 for a total of Cdn.$756.8 million ($490.5 million). Both sales were conducted at a contracted rate of exchange of $0.6482 for each Cdn.$1. The Company remains the record owner of the participated CanWest Debentures and is required to make payments to the Participation Trust with respect to those debentures if and to the extent it receives payment in cash or kind on the debentures from CanWest. These payments are not reflected in the Company's accounts.

Coincident with the Participation Trust's purchases of the participation interests, the Participation Trust sold senior notes to arm's length third parties ("Trust Notes") to finance the purchase of the participation interests. These transactions resulted in net proceeds to the Company of $401.2 million and for accounting purposes have been accounted for as sales in accordance with SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" ("SFAS No. 140"). The net loss on the transactions, including realized holding losses on the debentures, amounted to $62.1 million. That loss has been included in "Other income (expense), net". The Company believes that the participation arrangement does not constitute a prohibited sale of debentures as legal title was not transferred. CanWest has advised the Company that it accepts that position.

The Company has not retained an interest in the Participation Trust nor does it have any beneficial interest in the assets of the Participation Trust. The Participation Trust and its investors have no recourse to the Company's other assets in the event that CanWest defaults on its debentures. Under the terms of the Participation Trust, the interest payments received by the Company in respect of the underlying CanWest Debentures are immediately paid to the Participation Trust. However, after May 15, 2003, the Company may have been required to deliver to the Participation Trust CanWest Debentures with a value equivalent to $475.3 million based on the contracted rate of exchange. The CanWest Debentures are denominated in Canadian dollars and consequently, there is a currency exposure on the debentures subject to the delivery provision. A substantial portion of that exposure was previously hedged, however, the hedge instrument (a forward foreign exchange contract) was terminated in contemplation of and in conjunction with the placement of 9% Senior Notes due 2010 (the "9% Senior Notes") and amendment of the Senior Credit Facility in 2002 (See Note 10). In 2002, a net cash receipt of $6.3 million was realized on the termination of the hedge and has been included in "Other income (expense), net."

At the time the Participation Trust was established, the Company retained a beneficial interest in CanWest Debentures that was not subject to the interests of the Participation Trust. Based on exchange rates at December 31, 2003 and 2002, the Company held debentures with a face value of $59.4 million and $58.9 million, respectively, in excess of those required to satisfy its obligations to the Participation Trust.

Pursuant to the terms of the participation agreement, the Company was unable to transfer to an unaffiliated third party, until at least November 4, 2005, the equivalent of $50.0 million principal amount of CanWest Debentures at December 31, 2003.

On May 11, 2003, CanWest redeemed Cdn.$265.0 million principal amount of the CanWest Debentures plus interest accrued to the redemption date of Cdn.$8.8 million for a total of Cdn.$273.8 million



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($197.2 million), of which Cdn.$246.6 million was payable to the Participation Trust. This amount, converted at the fixed rate of $0.6482 for each Canadian dollar, totaled $159.8 million and was delivered to the Participation Trust on May 11, 2003. The balance of the proceeds of $37.4 million, less the amounts paid under the cross currency swap discussed below of $9.8 million, or $27.6 million, was retained by the Company in respect of its interest in debentures, in which Participations were not sold, a portion of which it is unable to transfer to an unaffiliated third party before November 4, 2005 and thereafter, only at the election of the Participation Trust. Of the proceeds retained by the Company, approximately $16.7 million is restricted cash under the terms of the Participation Trust and unavailable for general corporate purposes as of December 31, 2003.

On April 11, 2003, the Company entered into a cross-currency rate swap transaction to hedge the Canadian denominated proceeds expected to be received on the redemption of the CanWest Debentures. The contract had a total foreign currency obligation notional value of $187.4 million, fixed at a rate of US$0.6845 for each Cdn.$1.00 and expired as to Cdn.$273.8 million on May 13, 2003. Changes in the value of derivatives comprising the cross-currency swap amounted to a loss of $9.8 million, which is included in "Other income (expense), net."

Pursuant to the indenture for the CanWest Debentures, the redemption terms were to be renegotiated after May 15, 2003. Any agreement as to revised redemption terms requires the approval of all the Participation Trust unit holders under the terms of the Participation Trust. Such approval was sought but the approval level received was short of the unanimous consensus required and accordingly, there were no terms of redemption for the CanWest Debentures as of December 31, 2003.

During 2003, the Company received additional CanWest Debentures in the amount of Cdn.$10.0 million ($7.2 million) (2002 -- Cdn.$15.8 million ($10.0 million)) in payment of the interest due on existing debentures held by the Company, a portion of which related to interest accrued during 2002. These debentures have been recorded at their fair value.

The Company, subsequent to year-end, entered into an agreement with CanWest that resulted in the redemption of the Participation Trust. As a consequence of that agreement, the Company was relieved of all obligations under the Participation Trust agreement on November 18, 2004. See Note 28(i).

(b)The Company's share of the printing joint ventures' pension liabilities (Note 25) was previously included in "Other liabilities" as of December 31, 2002. As of the end of the current year, the Company accounted for its share of the printing joint ventures' pension liability as part of its investment in the printing joint ventures. Therefore, to conform with the current year's presentation, the investment in printing joint ventures was reduced by $27.5 million as of December 31, 2002.

(6)Property, Plant and Equipment

| | December 31, 2003 | December 31, 2002 |
|---|---|---|
| | (In thousands) | |
| Land | $ 27,823 | $ 27,574 |
| Building and leasehold interests | 147,798 | 148,151 |
| Machinery and equipment | 341,188 | 324,401 |
| Construction in progress | 3,488 | 8,401 |
| | 520,297 | 508,527 |
| Less accumulated depreciation | 254,938 | 208,841 |
| | $265,359 | $299,686 |

Depreciation of property, plant and equipment totaled $38.5 million, $37.0 million and $38.0 million in 2003, 2002 and 2001, respectively. The Company capitalized interest in 2001 of approximately $0.1 million, related to the construction and equipping of production facilities for its newspapers in the Chicago area.

(7)Goodwill and Intangible Assets

As disclosed in Note 1(i), the Company adopted SFAS No. 142 effective January 1, 2002.

The changes in the carrying amount of goodwill by reportable segment for the years ended December 31, 2003 and 2002 are as follows:

| | Chicago Group | Community Group | U.K. Newspaper Group | Canadian Newspaper Group | Consolidated Total |
|---|---|---|---|---|---|
| | (In thousands) | | | | |
| Balance as of January 1, 2002 | $139,431 | $ 20,079 | $327,950 | $44,700 | $ 532,160 |
| Transitional impairment loss | -- | (20,079) | -- | -- | (20,079) |
| Revised balance as of January 1, 2002 | 139,431 | -- | 327,950 | 44,700 | 512,081 |
| Adjustment of excess acquisition reserves | (11,377) | -- | -- | -- | (11,377) |
| Foreign currency translation | -- | -- | 32,444 | 529 | 32,973 |
| Balance as of December 31, 2003 | $128,054 | $ -- | $360,394 | $45,229 | $ 533,677 |
| Adjustments of excess acquisition reserves | (3,657) | -- | -- | -- | (3,657) |
| Acquisition | -- | -- | -- | 709 | 709 |
| Foreign currency translation | -- | -- | 36,470 | 10,101 | 46,571 |
| Balance as of December 31, 2003 | $124,397 | $ -- | $396,864 | $56,039 | $ 577,300 |

Upon adoption of SFAS No. 142 effective January 1, 2002, intangible assets totaling $351.2 million, primarily amounts previously ascribed to circulation and mastheads, were reclassified to goodwill. Intangible assets totaling $126.0 million (comprising non-competition agreements of $8.7 million and subscriber and advertiser relationships of $117.3 million) were recognized as identifiable intangible assets apart from goodwill.

During 2003, the Company purchased the remaining 25% interest of one of its subsidiaries included in the Canadian Newspaper Group for $0.7 million.

The Company's amortizable intangible assets consist of: (i) non-competition agreements with former owners of acquired newspapers that are amortized using the straight-line method over the term of the respective non-competition agreements, which range from three to five years; and (ii) subscriber and advertiser relationships, which are amortized using the straight-line method over 30 years. The components of amortizable intangible assets at December 31, 2003 and 2002 are as follows:

| | December 31, 2003 | | |
|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Book Value |
| | (In thousands) | | |
| Amortizable intangible assets: | | | |
| Non-competition agreements | $ 14,000 | $ 13,792 | $ 208 |
| Subscriber and advertiser relationships | 138,154 | 30,872 | 107,282 |
| | $152,154 | $ 44,664 | $107,490 |

| | December 31, 2002 | | |
|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Book Value |
| | (In thousands) | | |
| Non-competition agreements | $ 14,000 | $ 9,525 | $ 4,475 |
| Subscriber and advertiser relationships | 139,547 | 26,843 | 112,704 |
| | $153,547 | $ 36,368 | $117,179 |

Amortization of amortizable intangible assets for the years ended December 31, 2003, 2002 and 2001 was $9.7 million, $8.9 million and $8.9 million, respectively. Future amortization of amortizable intangible assets is as follows: $4.6 million in 2004 and $4.4 million per year from 2005 through 2008.

(8)Deferred Financing Costs and Other Assets

| | December 31, | |
|---|---|---|
| | 2003 | 2002 |
| | (In thousands) | |
| Unrealized foreign exchange gain on Participation Trust (Notes 21 and 28(i)) | $ 92,106 | $ -- |
| Deferred financing costs | 16,093 | 33,392 |
| Capitalized telemarketing costs | 14,411 | 13,675 |
| Receivable from Bradford Publishing Co. (Note 23(p)) | 3,430 | 4,130 |
| Receivable from Horizon (Note 23(q)) | 4,859 | 4,859 |
| Intangible asset -- pension (Note 25) | 2,414 | 1,528 |
| Other | 2,583 | 2,630 |
| | $135,896 | $60,214 |

HOLLINGER INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

(9)Accounts Payable and Accrued Expenses

| | December 31, 2003 | December 31, 2002 |
|---|---|---|
| | (In thousands) | Restated Note 2 |
| Accounts payable(a) | $133,942 | $111,218 |
| Accrued expenses: | | |
| Labor and benefits | 24,256 | 25,843 |
| Accrued interest | 3,751 | 17,786 |
| Dividends | 4,535 | 4,514 |
| Accrued restitution and settlement costs -- circulation matters(b) | 24,120 | -- |
| Other | 67,208 | 54,307 |
| | $257,812 | $213,668 |

(a)The Company has reclassified overdraft amounts which were reflected as a reduction of "Cash and cash equivalents" in prior periods, to accounts payable in 2003. Prior period amounts have been restated to reflect this change in classification.

(b)As disclosed in Notes 18 and 22, the Company's Audit Committee recently completed its investigation of circulation matters at the Chicago Sun-Times. The Company is negotiating restitution with its advertisers and has recorded an accrual of $24.1 million as of December 31, 2003.

HOLLINGER INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

## (10)Long-Term Debt

| | December 31, 2003 | December 31, 2002 |
|---|---|---|
| | (In thousands) | |
| Hollinger International Publishing Inc.: | | |
| 8.625% Senior Notes due 2005 (Note 10(a)) | $ 5,082 | $ 5,082 |
| 9% Senior Notes due 2010 (Note 10(b)) | 300,000 | 300,000 |
| Senior Subordinated Notes due 2006 (Note 10(c)) | -- | 239,906 |
| Senior Subordinated Notes due 2007 (Note 10(c)) | -- | 265,000 |
| Community Group: | | |
| Amounts due under non-interest bearing non-competition agreements due 2004-2007 | 750 | 1,796 |
| Other due 2004-2009 (at varying interest rates up to 9%) | 1,088 | 1,434 |
| U.K. Newspaper Group | | |
| Obligations under capital leases (Note 11) | 1,944 | 3,475 |
| Senior Credit Facility (Note 10(d)) | 217,129 | 265,000 |
| Other debt | 3,279 | 2,685 |
| | 529,272 | 1,084,378 |
| Less: | | |
| Current portion included in current liabilities | 6,725 | 4,814 |
| Senior Subordinated Notes due 2006 and 2007 (Note 10(c)) | -- | 504,906 |
| | $522,547 | $ 574,658 |

The following table summarizes the terms of the Hollinger International Publishing Inc. ("Publishing") notes and the Senior Credit Facility:

| Principal (In thousands) | Interest Rate | Issue Date | Status | Maturity | Early Redemption Date | Early Redemption Price |
|---|---|---|---|---|---|---|
| $ 5,082 | 8.625%(a) | March 18, 1997 | Senior | March 15, 2005 | None | -- |
| $300,000 | 9%(b) | December 23, 2002 | Senior | December 15, 2010 | December 15, 2006 or after | 2006-104.50%<br>2007-102.25%<br>2008-100.00% |
| $ 5,207 | (d) | December 23, 2002 | Senior Secured | September 30, 2008 | None | -- |
| $211,922 | (d) | December 23, 2002 | Senior Secured | September 30, 2009 | None | -- |

(a)8.625% Senior Notes due 2005 ("8.625% Senior Notes")

On February 14, 2002, Publishing, a wholly-owned subsidiary of the Company, commenced a cash tender offer for any and all of its outstanding 8.625% Senior Notes due 2005. The tender offer was made upon the terms and conditions set forth in the Offer to Purchase and Consent Solicitation Statement dated February 14, 2002. Under the terms of the offer, the Company offered to purchase the outstanding 8.625% Senior Notes at a price to be determined three business days prior to the expiration date of the tender offer by reference to a fixed spread of 87.5 basis points over the yield to maturity of the 7.50% U.S. Treasury Notes due February 15, 2005, plus accrued and unpaid interest up to but not including the day of payment for the 8.625% Senior Notes. The purchase price totaled $1,101.34 for each $1,000 principal amount of 8.625% Senior Notes. Included in the purchase price was a consent payment equal to $40 per $1,000 principal amount of the 8.625% Senior Notes, payable to those holders who validly consented to the proposed amendments to the indenture governing the 8.625% Senior Notes. In connection with the tender offer, the Company solicited consents from the holders of the 8.625% Senior Notes to amend the indenture governing the 8.625% Senior Notes by eliminating most of the restrictive provisions. On March 15, 2002, $248.9 million in the aggregate principal amount had been validly tendered pursuant to the offer and on March 18, 2002, these noteholders were paid in full. In addition, during 2002, Publishing purchased for retirement an additional $6.0 million in aggregate principal amount of the 8.625% Senior Notes.

(b) 9% Senior Notes due 2010

On December 23, 2002, Publishing issued $300.0 million of 9% Senior Notes guaranteed by the Company. Net proceeds of $291.7 million plus cash on hand and borrowings under the Senior Credit Facility (Note 10(d)) were used in January 2003 to retire, in their entirety, Publishing's outstanding Senior Subordinated Notes due 2006 and 2007, to retire the Company's equity forward purchase agreements (Total Return Equity Swaps (Note 17)) in December 2002 and to repay amounts borrowed under the term facility maturing December 31, 2003 (Note 10(e)) with the balance available for general corporate purposes. On December 23, 2002, Publishing gave notice of redemption to the holders of existing Senior Subordinated Notes. Such notes were retired in January 2003 and accordingly were reflected as a current liability at December 31, 2002. The related financing proceeds were held in escrow in short term investments at December 31, 2002. Including early redemption premiums and accrued interest, $543.8 million was paid upon retirement of the Senior Subordinated Notes.

The Indentures relating to the 9% Senior Notes contained financial covenants and negative covenants that limited Publishing's ability to, among other things, incur indebtedness, pay dividends or make other distributions on its capital stock, enter into transactions with related companies, and sell assets including stock of a restricted subsidiary. The Indentures provided that upon a change of control (as defined in the Indentures), each noteholder had the right to require Publishing to purchase all or any portion of such noteholder's notes at a cash purchase price equal to 101% of the principal amount of such notes, plus accrued and unpaid interest. The Senior Credit Facility restricted Publishing's ability to repurchase these notes even when Publishing may have been required to do so under the terms of the indenture relating to the 9% Senior Notes in connection with a change of control.

On January 22, 2003 and February 6, 2003, Publishing entered into interest rate swap agreements to convert $150.0 million and $100.0 million, respectively, of the 9% Senior Notes to floating rates through December 15, 2010, subject to early termination notice (Note 21).

Subsequent to December 31, 2003, the Company tendered an offer for the early retirement of the 9% Senior Notes and terminated the related interest rate swap agreements (Note 28(e)). In conjunction with the tender, the above noted financial and negative covenants were stripped from the 9% Senior Notes not tendered and are no longer in force.

(c) Senior Subordinated Notes due 2006 and 2007

In 2002, Publishing purchased for retirement $10.1 million in aggregate principal amount of the Senior Subordinated Notes due 2006 ("Notes due 2006") and $25.0 million in aggregate principal amount of the Senior Subordinated Notes due 2007 ("Notes due 2007" and collectively, "Senior Subordinated Notes").

The remaining Senior Subordinated Notes were retired in January of 2003 with proceeds from the 9% Senior Notes issued in December 2002 (Note 10(b)) and with borrowings under the Senior Credit Facility. Publishing gave notice of redemption of the Senior Subordinated Notes on December 23, 2002 and therefore, these Senior Subordinated Notes were classified as a current liability at December 31, 2002. Publishing paid premiums of approximately $19.7 million on the early redemption of the Notes due 2006 and the Notes due 2007 and wrote-off related deferred financing costs of approximately $17.6 million, which amounts were recorded as "Other income (expense), net" in the 2003 Consolidated Statement of Operations.

The total principal amount of the above 8.625% Senior Notes, Notes due 2006 and Notes due 2007 repaid during 2002 was $290.0 million. The premiums paid to retire that debt totaled approximately $27.1 million, which together with a write-off of approximately $8.3 million of related deferred financing costs, have been reflected as an "Other income (expense), net" item in the 2002 Consolidated Statement of Operations.

(d) Senior Credit Facility

On December 23, 2002, certain of the Company's subsidiaries entered into a senior credit facility with an aggregate commitment of $310.0 million, arranged by Wachovia Bank, N.A. (the "Senior Credit Facility").

The Senior Credit Facility consisted of (i) a $45.0 million revolving credit facility, which was to mature on September 30, 2008 (the "Revolving Credit Facility"), (ii) a $45.0 million Term Loan A which was to mature on September 30, 2008 ("Term Loan A") and (iii) a $220.0 million Term Loan B, which was to mature on September 30, 2009 ("Term Loan B"). Publishing and Telegraph Group Limited (a wholly-owned indirect subsidiary) were the borrowers under the Revolving Credit Facility and First DT Holdings ("FDTH"), a wholly-owned indirect subsidiary, was the borrower under Term Loan A and Term Loan B. The Revolving Credit Facility and Term Loans bore interest at either the Base Rate (U.S.) or LIBOR, plus an applicable margin.

Publishing's borrowings under the Senior Credit Facility were guaranteed by Publishing's material U.S. subsidiaries, while FDTH's and Telegraph Group's borrowings under the Senior Credit Facility were guaranteed by Publishing and its material U.S. and U.K. subsidiaries. The Company was also a guarantor of the Senior Credit Facility. Publishing's borrowings under the Senior Credit Facility were secured by substantially all of the assets of Publishing and its material U.S. subsidiaries, a pledge of all of the capital stock of Publishing and its material U.S. subsidiaries and a pledge of 65% of the capital stock of certain foreign subsidiaries. FDTH's and Telegraph Group's borrowings under the Senior Credit Facility were secured by substantially all of the assets of Publishing and its material U.S. and U.K. subsidiaries and a pledge of all of the capital stock of Publishing and its material U.S. and U.K. subsidiaries. The Company's assets in Canada were not pledged as security under the Senior Credit Facility.

On December 27, 2002, FDTH entered into two cross-currency rate swap transactions to hedge principal and interest payments on U.S. dollar borrowings under the Senior Credit Facility. The contracts set a foreign currency obligation notional value of $265.0 million, fixed at a rate of US $1.5922 to  lb.1, converted the interest rate on such borrowing from floating to fixed, and were to expire as to $45.0 million on December 29, 2008 and as to $220.0 million on December 29, 2009.

During the third quarter of 2003, the Company repaid $45.0 million of term loans under its Senior Credit Facility in addition to the regularly scheduled repayment of $0.6 million. Related deferred financing costs of $1.1 million were written off during the year.

The terms of the cross-currency rate swaps were revised to reflect the $45.0 million principal repayment. The swaps were revised so that interest was paid at 8.14% on a notional obligation of $5.3 million and at



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8.64% on a notional obligation of $214.7 million. The Company "marks-to-market" the value of the swaps on a quarterly basis (Note 21).

On July 30, 2004, upon completion of the sale of the Telegraph Group (Note 28(c)), the Company repaid the full amount of the Senior Credit Facility and terminated the related swap agreements. (Note 28(d).)

The Senior Credit Facility agreement, as amended, required Publishing to comply with certain covenants which included certain leverage ratios and restrictions on: use of funds; additional indebtedness; incurring liens; certain types of payments (including without limitation, capital stock dividends and redemptions, payments on existing indebtedness and intercompany indebtedness); incurring or guaranteeing debt of an affiliate; making certain investments and paying management fees; mergers, consolidations, sales and acquisitions; transactions with affiliates; conduct of business; sale and leaseback transactions; changing fiscal year; changes to holding company status; creating or allowing restrictions on taking action under the Senior Credit Facility loan documentation; and entering into operating leases, all subject to certain basket calculations and exceptions. The Senior Credit Facility loan documentation also contained customary events of default. If the Company were to be in violation of these covenants, the debts could become due and payable on demand. At December 31, 2003, the Company was in compliance with the covenants with the exception of filing the year end Consolidated Financial Statements on a timely basis. The Company obtained a waiver of default from its lenders for this breach of the covenants.

As of December 31, 2002, the Company's aggregate annual rental payments under operating leases exceeded the amounts permitted under the covenants to the Senior Credit Facility. The Company was advised by the Administrative Agent of the Senior Credit Facility that the lenders had agreed to amend the Senior Credit Facility effective March 28, 2003, to increase the amount permitted under the operating lease covenant and agreed to a waiver of any default or event of default in connection therewith. Based on the amended covenant, the Company was in compliance as of December 31, 2002.

(e) Other

Amounts borrowed under a short-term credit facility of $120.0 million entered into by the Company in 2001 were repaid during that year.

In October 2002, the Company borrowed, on an unsecured basis, $50.0 million at 10.5% under a term facility maturing December 31, 2003. Proceeds from the Senior Credit Facility and the 9% Senior Notes were used, in part, to repay these borrowings in December 2002.

The following table presents the contractual principal repayments to be made the next five years and thereafter, including obligations under capital leases pursuant to the terms of the relevant underlying documents. The table does not reflect the repayment of the Senior Credit Facility and the retirement of $290.6 million of principal of the 9% Senior Notes which occurred in the third quarter of 2004 (Note 28(d) and (e)).

| Year Ended December 31, | (In thousands) |
|---|---|
| 2004 | $ 6,725 |
| 2005 | 9,448 |
| 2006 | 4,490 |
| 2007 | 4,037 |
| 2008 | 3,386 |
| Thereafter | 501,186 |
| | $ 529,272 |

Interest paid for 2003, 2002 and 2001 was $89.2 million, $65.3 million and $84.2 million respectively.

(11)Leases

The Company leases various facilities and equipment under non-cancelable operating lease arrangements. Rental expense under all operating leases was approximately $16.6 million, $15.8 million and $12.1 million in 2003, 2002 and 2001, respectively.

Minimum lease commitments together with the present value of capital lease obligations at December 31, 2003 are as follows:

| | Capital Leases | Operating Leases |
|---|---|---|
| | (In thousands) | |
| 2004 | $1,957 | $ 14,157 |
| 2005 | -- | 12,476 |
| 2006 | -- | 11,948 |
| 2007 | -- | 11,196 |
| 2008 | -- | 11,007 |
| Thereafter | -- | 83,848 |
| | 1,957 | $144,632 |
| Less imputed interest and executory costs | 13 | |
| Present value of net minimum payments | 1,944 | |
| Less current portion included in current liabilities | 1,944 | |
| Long-term obligations | $ -- | |

Subsequent to December 31, 2003, the Company entered into a lease for office space in Chicago. (Note 28(f).)

(12)Minority Interest

| | December 31, 2003 | December 31, 2002 |
|---|---|---|
| | (In thousands) | |
| Common shares of subsidiary | $ 2,839 | $ 1,961 |
| Partnership units | 25,416 | 14,826 |
| Other | -- | 310 |
| | $28,255 | $17,097 |

The Partnership units are comprised of limited partnership units not held by the Company in Hollinger L.P., a company listed on the Toronto Stock Exchange (Note 28(h)). The Company holds an 87% interest in Hollinger L.P. The common shares of subsidiary are comprised of shares not held by the Company in Great West Newspaper Ltd. ("Great West"). The Company holds a 70% interest in Great West.

(13)Redeemable Preferred Stock

Shares of Series E Preferred Stock, all of which were owned by a wholly-owned subsidiary of Hollinger Inc., were redeemable at the option of the holder or the Company at a price of Cdn.$146.63 ($92.80 based on December 31, 2002 exchange rates) plus accrued dividends. The holder of these shares could, at any time, convert such shares into shares of Class A Common Stock of the Company at a conversion price of $14.00 per share of Class A Common Stock. The Series E Preferred Stock was non-voting and was entitled to receive cumulative cash dividends, payable quarterly. The amount of each quarterly dividend per share was equal to the product of (a) the redemption price of Cdn.$146.63 divided by the Canadian dollar equivalent of the conversion price and (b) the per share amount of the regularly scheduled dividend on Class A Common Stock. On September 27, 2001, the Company redeemed 40,920 shares of Series E Preferred Stock at the redemption price of Cdn.$146.63 per share for a total cash payment of $3.8 million (Note 23 (l)).

At December 31, 2002, 93,206 shares of Series E Preferred Stock were outstanding and based on exchange rates in effect on that day were exchangeable into 617,827 shares of Class A Common Stock of the Company. In 2002, the dividend on the Series E Preferred Stock amounted to $2.10 per share.

During the first quarter of 2003, all of the 93,206 outstanding shares of the Series E Preferred Stock were redeemed at the fixed redemption price of Cdn.$146.63 per share for a total of $9.3 million (Note 23(c)).

(14)Stockholders' Equity

Preferred Stock

The Company is authorized to issue 20,000,000 shares of preferred stock in one or more series and to designate the rights, preferences, limitations and restrictions of and upon shares of each series, including voting, redemption and conversion rights. In addition to the Series E Preferred Stock referred to in Note 13 above, the Company had issued Series C Preferred Stock. Pursuant to a January 1997 transaction wherein the Company acquired Canadian publishing assets from Hollinger Inc., the Company issued 829,409 shares of Series C Preferred Stock. The stated value of each share was $108.51 and cumulative dividends were payable quarterly at 9.5% per annum of this amount. On June 1, 2001, the Company converted all the Series C Preferred Stock at the conversion ratio of 8.503 shares of Class A Common Stock per share of Series C Preferred Stock into 7,052,464 shares of Class A Common Stock. On September 5, 2001, the Company purchased for cancellation, from Hollinger Inc., the 7,052,464 shares of Class A Common Stock for a total cost of $92.2 million.

Class A and Class B Common Stock

Class A Common Stock and Class B Common Stock have identical rights with respect to cash dividends and in any sale or liquidation, but different voting rights. Each share of Class A Common Stock is entitled to one vote per share and each share of Class B Common Stock is entitled to ten votes per share on all matters, where the two classes vote together as a single class, including the election of directors. Class B Common Stock is convertible at any time at the option of Hollinger Inc. into Class A Common Stock on a share-for-share basis and is transferable by Hollinger Inc. under certain conditions. Where Hollinger Inc. does not meet these conditions, and there is a change of control of the Company, the Class B shares are automatically converted on a share-for-share basis into Class A shares.

Restrictions on Net Assets

The Company is a holding company and its assets consist primarily of investments in its wholly-owned direct and indirect subsidiaries. As a result, the Company's ability to meet its future financial obligations and its ability to pay dividends is dependent on the availability of cash flows from its United States and foreign subsidiaries through dividends, intercompany advances and other payments. As further described in Note 10, the Company's direct and indirect subsidiaries are subject to statutory and contractual restrictions that limit their ability to, among other things, incur additional indebtedness, make advances, pay dividends or make other distributions on or redeem or repurchase their capital stock, make investments, enter into transactions with affiliates, issue stock of certain subsidiaries, engage in unrelated lines of business, create liens to secure debt and transfer or sell assets or merge with other companies. As a result, substantially all of the net assets of the Company's subsidiaries were restricted at December 31, 2003.

(15)Stock Option Plan

During May 1994, the Company adopted the Hollinger International Inc. 1994 Stock Option Plan (the "1994 Plan"). The 1994 Plan was amended in September 1996 to increase the number of shares authorized for issuance up to 1,471,140 shares. In 1997, the Company adopted the 1997 Stock Incentive Plan (the "Incentive Plan"). The Incentive Plan provided for awards of up to 5,156,915 shares of Class A Common Stock. The Incentive Plan is administered by the Compensation Committee. The Committee has the authority to determine the employees to whom awards will be made, the amount and type of awards, and the other terms and conditions of the awards. In 1999, the Company adopted the 1999 Stock Incentive Plan ("1999 Stock Plan") which superseded the previous two plans.

The 1999 Stock Plan provides for awards of up to 8,500,000 shares of Class A Common Stock. The 1999 Stock Plan authorizes the grant of incentive stock options and nonqualified stock options. The exercise price for stock options must be at least equal to 100% of the fair market value of the Class A Common Stock on the date of grant of such option.

In 1999, the Company repriced a series of stock options which had originally been issued in 1998. Under FIN 44, these repriced options effectively change to a variable stock option award and are subject to accounting as a compensation expense. Accordingly, the stock based compensation determined for this repriced series of options for 2003 amounted to an expense of $3.2 million, for 2002 an expense of nil and for 2001, a credit of $1.4 million.

Under FIN 44, stock options granted to employees of the parent company must be measured at fair value and recorded as a dividend "in kind". On February 6, 2003, the Company granted 1,279,850 stock options to employees of Ravelston with an exercise price of $9.45 per share. The aggregate fair value of these options was $3.9 million and this has been recorded as an in-kind dividend during the year. On February 5, 2002, the Company granted 1,386,500 stock options to employees of Ravelston with an exercise price of $11.13 per share. The aggregate fair value of these options was $4.4 million and this has been recorded as an in-kind dividend in 2002. On April 2, 2001, the Company granted 1,470,000 stock options to employees of Ravelston with an exercise price of $14.37 per share. The aggregate fair value of these options was approximately $7.3 million and was recorded as an in-kind dividend in 2001.

During 2003, several employees had the lives of their options extended upon termination. FIN 44 requires that the option values be remeasured at the date of the modification and that compensation expense be recognized for the difference between the original intrinsic value of the stock options awarded and the intrinsic value on the modification date. The Company has recognized compensation expense of $2.7 million in relation to these modifications in 2003.

On November 16, 2003, Radler resigned his position as Chief Operating Officer. As a non-employee holder of the Company's options, Radler's option awards had previously been accounted for as in-kind dividends as discussed above. Upon termination, the life of Radler's options was extended from 30 days from his date of resignation to June 1, 2004. The Company has recognized a compensation charge of $0.8 million related to the modification of these options. This charge was calculated in accordance with Emerging Issues Task Force ("EITF") Issue 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services."

For all other series of stock options, no compensation cost has been recognized.

HOLLINGER INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

Stock option activity with respect to the Company's stock option plans was as follows:

| | Number of Options | Weighted-Average Exercise Price |
|---|---|---|
| Options outstanding at December 31, 2000 | 6,701,313 | $ 11.38 |
| Options granted | 2,418,000 | 14.40 |
| Options exercised | (624,162) | 11.01 |
| Options forfeited | (82,750) | 12.33 |
| Options outstanding at December 31, 2001 | 8,412,401 | 12.26 |
| Options granted | 2,227,000 | 11.14 |
| Options exercised | (75,375) | 10.81 |
| Options forfeited | (168,688) | 12.64 |
| Options outstanding at December 31, 2002 | 10,395,338 | 12.03 |
| Options granted | 2,055,100 | 9.45 |
| Options exercised | (1,085,450) | 11.22 |
| Options forfeited | (1,690,875) | 11.73 |
| Options outstanding at December 31, 2003 | 9,674,113 | $ 11.62 |
| Options exercisable at December 31, 2001 | 3,032,682 | $ 11.48 |
| Options exercisable at December 31, 2002 | 4,739,994 | $ 11.85 |
| Options exercisable at December 31, 2003 | 5,684,513 | $ 12.01 |

The following table summarizes information about the stock options outstanding as of December 31, 2003:

| | Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|---|
| Range of Exercise Prices | Number Outstanding at December 31, 2003 | Weighted-Average Remaining Contractual Life | Weighted Average Exercise Price | Number Exercisable at December 31, 2003 | Weighted-Average Exercise Price |
| $9.45 - $13.00 | 7,640,738 | 6.75 years | $ 10.87 | 4,462,638 | $ 11.33 |
| $14.37 - $16.31 | 2,033,375 | 7.07 years | $ 14.44 | 1,221,875 | $ 14.49 |
| $9.45 - $16.31 | 9,674,113 | 6.82 years | $ 11.62 | 5,684,513 | $ 12.01 |

HOLLINGER INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

(16)Loss per Share

The following tables reconcile the numerator and denominator for the calculation of basic and diluted loss per share for the years ended December 31, 2003, 2002 and 2001:

| | Year Ended December 31, 2003 | | |
|---|---|---|---|
| | Net Loss (Numerator) | Shares (Denominator) | Per-Share Amount |
| | (In thousands, except per share amounts) | | |
| Net loss | $ (74,308) | | |
| Deduct dividends: | | | |
| Series E Preferred Stock | -- | | |
| Basic EPS | | | |
| Net loss available to common stockholders | (74,308) | 87,311 | $ (0.85) |
| Effect of dilutive securities: | | | |
| None | -- | -- | -- |
| Diluted EPS | | | |
| Net loss available to common stockholders | $ (74,308) | 87,311 | $ (0.85) |

The effect of stock options has been excluded from the calculations for 2003 because they are anti-dilutive as a result of the net loss. The number of potentially dilutive securities, comprised of shares issuable in respect of stock options, at December 31, 2003, is 9,674,113.

| | Year Ended December 31, 2002 | | |
|---|---|---|---|
| | Net Loss (Numerator) | Shares (Denominator) | Per-Share Amount |
| | (In thousands, except per share amounts) Restated Note 2 | | |
| Net loss | $ (230,629) | | |
| Deduct dividends: | | | |
| Series E Preferred Stock | (196) | | |
| Basic EPS | | | |
| Net loss available to common stockholders | (230,825) | 96,066 | $ (2.40) |
| Effect of dilutive securities: | | | |
| None | -- | -- | -- |
| Diluted EPS | | | |
| Net loss available to common stockholders | $ (230,825) | 96,066 | $ (2.40) |

The effect of stock options and Series E Preferred Stock are excluded from the calculations for 2002 because they are anti-dilutive as a result of the net loss. Potentially dilutive securities comprise shares issuable at December 31, 2002 in respect of stock options and Series E preferred stock of 10,395,338 and 617,827, respectively.

| | Year Ended December 31, 2001 | | |
|---|---|---|---|
| | Net Loss (Numerator) | Shares (Denominator) | Per-Share Amount |
| | (In thousands, except per share amounts) Restated Note 2 | | |
| Net loss | $ (326,573) | | |
| Deduct dividends: | | | |
| Convertible preferred stock | (4,275) | | |
| Series E Preferred Stock | (442) | | |
| Basic EPS | | | |
| Net loss available to common stockholders | (331,290) | 100,128 | $ (3.31) |
| Effect of dilutive securities: | | | |
| None | -- | -- | -- |
| Diluted EPS | | | |
| Net loss available to common stockholders | $ (331,290) | 100,128 | $ (3.31) |

The effect of stock options, convertible preferred stock and Series E Preferred Stock are excluded from the calculations for 2001 because they are anti-dilutive as a result of the net loss. Potentially dilutive securities comprise shares issuable at December 31, 2001 in respect of stock options and Series E Preferred Stock of 8,412,401 and 612,977, respectively.

(17)Total Return Equity Swap ("TRES")

At December 31, 2000, the Company had arrangements with four banks pursuant to which the banks had purchased 14,109,905 shares of the Company's Class A Common Stock at an average price of $14.17. The Company had the option, quarterly, up to and including September 30, 2000 to buy the shares from the banks at the same cost or to have the banks resell those shares in the open market. These arrangements were extended from time to time for periods ultimately ending between February 28, 2003 and June 30, 2003. In the event the banks resold the shares, any gain or loss realized by the banks would be for the Company's account. Under the arrangements, until the Company purchased the shares or the banks resold the shares, dividends paid on shares belonged to the Company and the Company paid interest to the banks, based on their purchase price at the rate of LIBOR plus a spread.

On November 16, 2000, the EITF issued EITF Issue No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock" ("EITF 00-19") which clarified the accounting for derivative financial instruments indexed to, and potentially settled in a company's own stock, that require a cash payment by the issuer upon the occurrence of future events outside the control of the issuer. The EITF applies to new contracts entered into after September 30, 2000. Consequently, the extension of the contracts on October 1, 2000 was accounted for under EITF 00-19 and effective October 1, 2000, the contracts were accounted for using the asset and liability method. As a result, the derivative forward contracts were marked to market after October 1, 2000.

In August 2001, the Company purchased for cancellation from one of the banks 3,602,305 shares of Class A Common Stock for $50.0 million or $13.88 per share. The market value of these shares on the date of purchase was $47.0 million or $13.05 per share.

In November 2001, one of the banks sold in the open market 3,556,513 shares of Class A Common Stock for $34.2 million or an average price of $9.62 per share. This resulted in a loss to the bank of $15.8 million, which, in accordance with the arrangement, was paid in cash by the Company.

At December 31, 2001, the Company had two forward equity swap arrangements remaining with banks for a total of $100.0 million. Of that total, $10.0 million was prepaid during the course of 2002 from available cash on hand. In October 2002, a further $50.0 million was prepaid using the proceeds from borrowings in that month (Note 10). In December 2002, the TRES arrangements were terminated and the balance of $40.0 million then owing by the Company was paid from borrowings under the Senior Credit Facility and 9% Senior Notes proceeds received in December 2002 (Note 10).

Under the TRES arrangements at December 31, 2001, if the Company's stock price were to fall below the average purchase price of the acquired shares, the Company was required to deposit cash or shares into an escrow account as additional security. During 2001 and 2000, the Company issued 4,882,590 and 5,160,577 shares of Class A Common Stock as additional security, of which 5,011,628 shares with a carrying value of $58.7 million were required to remain deposited in the escrow account at December 31, 2001. The balance of shares issued as additional security were returned to the Company and included in treasury until cancelled. The shares held in escrow are shown as a deduction from Stockholders' Equity. In addition to these escrow shares, the Company also held restricted cash balances of $7.5 million as further collateral for the TRES arrangements.

In 2002, upon termination of the TRES arrangements, all escrow shares were returned and cancelled.

The excess of the $100.0 million cash paid on settlement over the approximately $27.8 million accrued losses on such contracts at the termination date, has been recorded as a reduction of additional paid-in capital.

The losses resulting from marking these arrangements to market together with the interest and fees paid to the banks during the years ended December 31, 2002 and 2001, totaled $15.2 million and $73.9 million respectively, and was reported in earnings as "Other income (expense), net". Dividends in respect of the shares purchased by the banks after September 30, 2000 have not been included in cash dividends as a deduction from retained earnings.

The TRES arrangements were originally entered into as a structure for the repurchase of the Company's shares over an extended time frame based on a price fixed at the outset of the arrangement. The Company does not presently intend to enter into further similar arrangements.

(18)Other Operating Costs

Included in "Other Operating Costs" are the following amounts that the Company considers to be infrequent in nature.

| | Year Ended December 31, | | |
| --- | --- | --- | --- |
| | 2003 | 2002 | 2001 |
| | (In thousands) | | |
| Special Committee and related costs(a) | $ 10,147 | $ -- | $ -- |
| Restitution and settlement costs -- circulation matters(b) | 24,120 | -- | -- |
| Pension and post-retirement plan liability adjustment | -- | -- | 12,429 |
| New Chicago plant pre-operating costs | -- | 450 | 4,679 |
| Wind-down of aircraft operations (Note 4) | 1,445 | -- | -- |
| Other | 3,416 | 582 | 4,626 |
| | $ 39,128 | $1,032 | $21,734 |

(a)Special Committee and related costs
On June 17, 2003, the Company established the Special Committee to investigate, among other things, certain allegations regarding various related party transactions, including allegations described in a beneficial ownership report on Schedule 13D filed with the Securities Exchange Commission ("SEC") by Tweedy, Browne & Company LLC ("Tweedy Browne"), an unaffiliated stockholder of the Company, on May 19, 2003, as amended on June 11, 2003. The Special Committee delivered its report to the U.S. District Court for the Northern District of Illinois. The Company filed a copy of the Special Committee's report with the SEC as an exhibit to a Current Report on Form 8-K, as amended by a Current Report on Form 8-K/ A filed with the SEC on December 15, 2004. Through December 31, 2003, the Company had incurred costs of $10.1 million as a result of the investigation conducted by the Special Committee and related litigation involving current and former directors and former officers of the Company. See Note 22(a). These costs consist primarily of legal and other professional costs. The legal fees include those incurred directly by the Special Committee in its investigation, the costs of litigation initiated by the Special Committee on behalf of the Company, costs to defend the Company from litigation that has arisen as a result of the issues the Special Committee was asked to investigate and fees advanced by the Company as a result of the indemnification of current and former officers and directors pursuant to this undertaking.

(b)Restitution and settlement costs -- circulation matters
On October 5, 2004, the Company's Audit Committee announced the results of an internal review into practices that resulted in the overstatement of circulation figures for the Chicago Sun-Times. The Chicago Sun-Times announced a plan to make restitution to its advertisers. To cover the estimated cost of restitution and settlement of related lawsuits, the Company recorded a pre-tax charge of $24.1 million during the year ended December 31, 2003. See Note 22(a).

HOLLINGER INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

(19)Other Income (Expense)

(a) Other Income (Expense), Net

| | 2003 | 2002 | 2001 |
|---|---|---|---|
| | (In thousands) | | |
| | | Restated Note 2 | Restated Note 2 |
| Net losses on sales of publishing interests | $ (6,251) | $ -- | $ (1,236) |
| Net gains (losses) on sale of investments(a) | 3,578 | -- | (147,213) |
| Net gains (losses) on sale of property, plant and equipment | (204) | 5,334 | 1,307 |
| Write-down of investments(b) | (7,700) | (40,536) | (48,037) |
| Write-down of property, plant and equipment (Note 4) | (6,779) | -- | (1,343) |
| Equity in losses of affiliates | (6,247) | (1,005) | (15,098) |
| Losses on Total Return Equity Swap (Note 17) | -- | (15,237) | (73,863) |
| "Non-competition" payments (Note 2(a(i))) | -- | -- | (6,100) |
| Restitution under Restructuring Agreement (Notes 23(a) and 28(a)) | 31,547 | -- | -- |
| Loss on extinguishment of debt (Notes 2(c) and 10) | (38,421) | (35,460) | -- |
| Write-down of FDR Collection(c) | (6,796) | -- | -- |
| Foreign currency gains (losses), net(d) | 114,103 | (86,858) | (1,259) |
| Other | (1,189) | 979 | (10,476) |
| | $ 75,641 | $(172,783) | $(303,318) |

(a)During 2001, the Company sold 2,700,000 multiple voting preferred shares and 27,000,000 non-voting shares in CanWest resulting in a realized pre-tax loss of $99.2 million.
In addition, during August and December of 2001, the Company sold participation interests in Cdn.$540.0 million ($350.0 million) and Cdn.$216.8 million ($140.5 million) principal amounts of CanWest debentures to the Participation Trust. See Note 5(a). The net loss on these transactions, including realized holding losses on the underlying debentures, amounted to $62.1 million.
These losses were partially offset by gains on sales of internet investments of $14.1 million, primarily related to the disposal of the Company's investment in Interactive Investor International.

(b)During 2001 and 2002, a number of valuation provisions were made to the investment portfolio, primarily related to internet and technology interests, resulting in a net write-down of investments in each of those years of $48.0 million and $40.5 million, respectively. No investment valuation provision with respect to an individual investment in any year exceeded $10.0 million.

(c)The Company has, over the past several years, made several acquisitions of papers and other memorabilia of President Franklin Delano Roosevelt (the "FDR Collection"). The Company has recorded an impairment in the value of the FDR Collection of $6.8 million. The U.S. National Archives has asserted an ownership claim to a portion of the collection known as the Grace Tully Collection.

(d)During 2003, the Company recorded mark-to-market losses on the cross-currency interest rate swaps of $21.7 million. See Note 10. The Company recorded mark-to-market gains on the Participation Trust of $122.3 million and of $21.6 million on the Company's Senior Credit Facility. The Company had a realized loss of $9.8 million related to the redemption of CanWest Debentures. See Notes 5 and 21.

During March 2002, the Company significantly reduced its investment in the Canadian Newspaper Group. Substantial Canadian dollar cash balances were distributed to the Company, converted to United

States dollars and used to reduce long-term debt (Note 10). As a result of the substantial reduction of the Company's net investment in the Canadian Newspaper Group, foreign exchange losses in the amount of $78.2 million have been included in net loss in 2002. These foreign exchange losses had accumulated since the Company's original investment in the Canadian Newspaper Group and, until realized through the substantial reduction of the Company's net investment, had been included in the "Accumulated Other Comprehensive Loss" component of Stockholders' Equity.

(20)Segment Information

The Company operates principally in the business of publishing, printing and distribution of newspapers and magazines and holds investments principally in companies that operate in the same business as the Company. The Chicago Group is located in the United States. The Community Group includes the results of The Jerusalem Post and, until August 2001, the last remaining United States community newspaper property, when it was sold. The U.K. Newspaper Group's operations include The Daily Telegraph, The Sunday Telegraph, The Weekly Telegraph, telegraph.co.uk, and The Spectator and Apollo magazines (collectively known as the "Telegraph Group"). Subsequent to December 31, 2003, the Company sold the Telegraph Group and The Jerusalem Post (Note 28(c)). The Canadian Newspaper Group includes the operations of Hollinger Canadian Publishing Holdings Co. ("HCPH Co."), Hollinger L.P. and, until August 31, 2001, National Post. On September 1, 2001, the Company sold its 50% interest in National Post.

Substantially all of the assets of the Investment and Corporate Group are held within the United States. Corporate overhead costs are included in the Investment and Corporate Group.

Segmented results and other financial data are as follows:

| | Year Ended December 31, 2003 | | | | | |
|---|---|---|---|---|---|---|
| | Chicago Group | Community Group | U.K. Newspaper Group | Canadian Newspaper Group | Investment and Corporate Group | Total |
| | (In thousands) | | | | | |
| Total operating revenues | $450,789 | 10,397 | 519,475 | 80,542 | -- | $1,061,203 |
| Depreciation and amortization | $ 35,698 | 1,345 | 14,433 | 1,556 | 1,821 | $ 54,853 |
| Operating income (loss) | $ 24,514 | (6,601) | 40,683 | (4,983) | (43,596) | $ 10,017 |
| Equity in earnings (losses) of affiliates | $ (1,854) | -- | (3,874) | 790 | (1,309) | $ (6,247) |
| Total assets | $541,765 | 25,712 | 597,963 | 275,889 | 358,850 | $1,800,179 |
| Capital expenditures | $ 7,289 | 658 | 4,728 | 1,731 | 294 | $ 14,700 |

HOLLINGER INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

| | Year Ended December 31, 2002 | | | | | |
|---|---|---|---|---|---|---|
| | Chicago Group | Community Group | U.K. Newspaper Group | Canadian Newspaper Group | Investment and Corporate Group | Total |
| | (In thousands) Restated Note 2 | | | | | |
| Total operating revenues | $441,778 | 13,231 | 481,527 | 69,626 | -- | $1,006,162 |
| Depreciation and amortization | $ 35,998 | 2,370 | 12,763 | 1,301 | 1,720 | $ 54,152 |
| Operating income (loss) | $ 38,598 | (5,218) | 48,079 | (2,137) | (19,215) | $ 60,107 |
| Equity in earnings (losses) of affiliates | $ (1,266) | -- | (98) | 359 | -- | $ (1,005) |
| Total assets | $557,924 | 28,898 | 569,645 | 237,764 | 791,541 | $2,185,772 |
| Capital expenditures | $ 15,500 | 5,022 | 6,051 | 2,275 | 54 | $ 28,902 |

| | Year Ended December 31, 2001 | | | | | |
|---|---|---|---|---|---|---|
| | Chicago Group | Community Group | U.K. Newspaper Group | Canadian Newspaper Group | Investment and Corporate Group | Total |
| | (In thousands) | | | | | |
| Total operating revenues | $442,884 | 19,115 | 486,374 | 197,948 | -- | $1,146,321 |
| Depreciation and amortization | $ 37,888 | 2,141 | 19,834 | 11,828 | 2,037 | $ 73,728 |
| Operating income (losses) | $ 4,962 | (4,487) | 27,850 | (45,954) | (18,354) | $ (35,983) |
| Equity in losses of affiliates | $ (3,381) | -- | (11,415) | (302) | -- | $ (15,098) |
| Capital expenditures | $ 12,080 | 299 | 17,065 | 2,844 | 12,163 | $ 44,451 |

(21)Financial Instruments

(a) Fair Values

The Company has entered into various types of financial instruments in the normal course of business.

For certain of these instruments, fair value estimates are made at a specific point in time, based on assumptions concerning the amount and timing of estimated future cash flows and assumed discount rates reflecting varying degrees of perceived risk and the country of origin. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, may not represent actual values of the financial instruments that could be realized in the future.

HOLLINGER INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

At December 31, 2003 and 2002, the comparison of the carrying value and the estimated fair value of the Company's financial instruments was as follows:

| | 2003 | | 2002 | |
|---|---|---|---|---|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| | (In thousands) | | | |
| Long-term debt (Note 10) | $527,328 | $496,689 | $1,080,903 | $1,034,963 |
| Interest rate swaps -- liability (Note 10) | (5,631) | (5,631) | -- | -- |
| Cross currency interest rate swaps -- liability (Note 10) | (32,453) | (32,453) | (9,161) | (9,161) |
| Foreign currency obligation -- asset (liability)(Notes 5 and 8) | 92,106 | 92,106 | (13,572) | (13,572) |

The fair value of the interest rate swaps and the cross-currency interest rate swaps is the estimated amount that the Company would pay or receive to terminate the agreements. The foreign currency obligation is in connection with the sale of participations in the CanWest Debentures (Note 5). The cross currency interest rate swaps are in connection with the Senior Credit Facility as described in Note 10 and below. The interest rate swaps are in connection with the 9% Senior Notes (Note 10). The carrying values of all other financial instruments at December 31, 2003 and 2002 approximate their estimated fair values.

(b) Derivative instruments

The Company may enter into various swap, option and forward contracts from time to time when management believes conditions warrant. Such contracts are limited to those that relate to the Company's actual exposure to commodity prices, interest rates and foreign currency risks. If, in management's view, the conditions that made such arrangements worthwhile no longer exist, the contracts may be closed. The forward exchange contract related to the Participation Trust as described in Note 5 was terminated on September 30, 2002. This contract was marked to market and the related gains and losses included in "Other income (expense), net".

On December 27, 2002, a United Kingdom subsidiary of the Company entered into two cross-currency interest rate swap transactions to hedge principal and interest payments on U.S. dollar borrowings under the Senior Credit Facility. The contracts had a total foreign currency notional value of $265.0 million, fixed at a rate of U.S. $1.5922 to  lb.1, converted the interest rate on such borrowing from floating to fixed, and expired as to $45.0 million on December 29, 2008 and as to $220.0 million on December 29, 2009.

During the third quarter of 2003, the terms of the cross-currency interest rate swaps were revised to reflect the $45.0 million principal repayment discussed in Note 10. The swaps have been revised so that interest was paid at 8.14% on a notional obligation of $5.3 million and 8.64% on a notional obligation of $214.7 million. The Company "marks-to-market" the value of the swaps on a quarterly basis.

On January 22, 2003 and February 6, 2003, Publishing entered into interest rate swap agreements to convert $150.0 million and $100.0 million, respectively, of the 9% Senior Notes issued in December 2002 to floating rates through December 15, 2010, subject to early termination notice.

On April 11, 2003 the Company entered into a cross-currency swap transaction to hedge the Canadian denominated proceeds expected to be received on the redemption of the CanWest Debentures (See Note 5). The contract had a total foreign currency obligation notional value of $187.4 million, fixed at a rate of US$0.6845 for each Cdn.$1.00 and expired as to Cdn.$273.8 million on May 13, 2003. Changes in the value of derivatives comprising the cross-currency swap amounted to a loss of $9.8 million, which is included in "Other income (expense), net."

Changes in the value of derivatives comprising the forward exchange contract and cross-currency interest rate swaps described above amounted to a loss in 2003 of $31.5 million, a loss in 2002 of $18.4 million and a gain in 2001 of $15.5 million. These changes are reported in "Other income (expense), net" on the Consolidated Statements of Operations. The change in the value of derivatives comprising the interest rate swap agreements amounted to a loss in 2003 of $5.6 million. This change is reported in "Interest expense" in the Consolidated Statement of Operations. The fair value of these contracts as of December 31, 2003 and 2002 is included in the Consolidated Balance Sheets in "Other liabilities".

(22)Commitments and Contingencies

(a)Litigation

Stockholder Derivative Litigation

On December 9, 2003, Cardinal Value Equity Partners, L.P., a stockholder of the Company, initiated a purported derivative action on behalf of the Company against certain current and former executive officers and directors, including Black and certain entities affiliated with them, and against the Company as a "nominal" defendant.

This action, which was filed in the Court of Chancery for the State of Delaware in and for New Castle County and is entitled Cardinal Value Equity Partners, L.P. v. Black, et al., asserts causes of action that include breach of fiduciary duty, misappropriation of corporate assets and self-dealing in connection with certain "non-competition" payments, the payment of allegedly excessive management and services fees, and other alleged misconduct. The plaintiff is seeking unspecified money damages. This action has been stayed since January 2004. It is not yet possible to determine the ultimate outcome of this action.

Stockholder Class Actions

In February and April 2004, three alleged stockholders of the Company (Teachers' Retirement System of Louisiana, Kenneth Mozingo, and Washington Area Carpenters Pension and Retirement Fund) initiated purported class actions suits in the United States District Court for the Northern District of Illinois against the Company, Black, certain former executive officers and certain current and former directors of the Company, Hollinger Inc., Ravelston and certain affiliated entities and KPMG LLP, the Company's independent registered public accounting firm. On July 9, 2004, the Court consolidated the three actions for pretrial purposes. The consolidated action is entitled In re Hollinger Inc. Securities Litigation, No. 04C-0834. Plaintiffs filed an amended consolidated class action complaint on August 2, 2004, and a second consolidated amended class action complaint on November 19, 2004. The named plaintiffs in the second consolidated amended class action complaint are Teachers' Retirement System of Louisiana, Washington Area Carpenters Pension and Retirement Fund, and E. Dean Carlson. They are purporting to sue on behalf of an alleged class consisting of themselves and all other purchasers of securities of the Company between and including August 13, 1999 and December 11, 2002. The second consolidated amended class action complaint asserts claims under federal and Illinois securities laws and claims of breach of fiduciary duty and aiding and abetting in breaches of fiduciary duty in connection with misleading disclosures and omissions regarding: certain "non-competition" payments, the payment of allegedly excessive management fees, allegedly inflated circulation figures at the Chicago Sun-Times, and other alleged misconduct. The complaint seeks unspecified money damages, rescission, and an injunction against future violations. This consolidated action is in a preliminary stage, and it is not yet possible to determine its ultimate outcome.

On September 7, 2004, a group allegedly composed of those who purchased stock in one or more of the defendant corporations, initiated purported class actions by issuing Statements of Claim in Saskatchewan and



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Ontario, Canada. The Saskatchewan claim, issued in that province's Court of Queen's Bench, and the Ontario claim, issued in that province's Superior Court of Justice, are identical in all material respects. The defendants include the Company, certain current and former directors and officers of the Company, Hollinger Inc., Ravelston and certain affiliated entities, Torys LLP, the Company's former legal counsel, and KPMG LLP. The plaintiffs allege, among other things, breach of fiduciary duty, violation of the Ontario Securities Act, 1988, S-42.2, and breaches of obligations under the Canadian Business Corporations Act, R.S.O. 1985, c. C.-44 and seek unspecified money damages. These actions are in preliminary stages and it is not yet possible to determine their ultimate outcome.

Tweedy Browne Litigation

On December 2, 2003, Tweedy, Browne Global Value Fund and Tweedy Browne (together, the "Tweedy Browne Plaintiffs"), stockholders of the Company, initiated an action against the Company in the Court of Chancery for the State of Delaware in and for Castle County to recover attorneys' fees and costs in connection with informal inquiries and other investigations performed by and on behalf of the Tweedy Browne Plaintiffs concerning conduct that subsequently has been and continues to be investigated by the Special Committee. The Tweedy Browne Plaintiffs are seeking an award of attorneys' fees "commensurate with the corporate benefits that have been or will be conferred on the Company as a result of the efforts undertaken by plaintiffs and their counsel." This action has been stayed since January 2004. This action is in a preliminary stage, and it is not yet possible to determine its ultimate outcome or a range of fees that may be awarded pursuant to this suit.

Litigation Involving Controlling Stockholder, Senior Management and Directors

On January 28, 2004, the Company, through the Special Committee, filed a civil complaint in the United States District Court for the Northern District of Illinois asserting breach of fiduciary duty and other claims against Hollinger Inc., Ravelston, Ravelston Management Inc. ("RMI"), Black, Radler and Boultbee, which complaint was first amended on May 7, 2004. The action is entitled Hollinger International Inc. v. Hollinger Inc., et al., Case No. 04C-0698. The amended complaint added certain other defendants, including Barbara Amiel Black ("Amiel Black") and Daniel Colson ("Colson"), sought approximately $484.5 million in damages, including approximately $103.9 million in pre-judgment interest, and also included claims under the Racketeer Influenced and Corrupt Organizations Act ("RICO"), which provides for a trebling of damages and attorneys' fees. On October 8, 2004, the court granted the defendants' motion to dismiss the RICO claims and also dismissed the remaining claims without prejudice on jurisdictional grounds. On October 29, 2004, the Company filed a second amended complaint seeking to recover approximately $542.0 million in damages, including prejudgment interest of approximately $117.0 million, and also punitive damages, on breach of fiduciary duty, unjust enrichment, conversion, fraud, and civil conspiracy claims asserted in connection with transactions described in the Report of the Special Committee, including unauthorized "non-competition" payments, excessive management fees, sham broker fees and investments and divestitures of Company assets. The second amended complaint also adds Richard N. Perle ("Perle"), a Director of the Company, as a defendant and eliminated as defendants certain companies affiliated with Black and Radler. The second amended complaint alleges that Perle breached his fiduciary duties while serving as a member of the executive committee of the Company's Board of Directors by, among other things, signing written consents purporting to authorize various related party transactions, without reading, evaluating or discussing those consents; without negotiating or evaluating the related party transactions he was approving; and without taking steps to ensure that those transactions were presented to and reviewed by the Company's audit committee. The Company is seeking to appeal the dismissal of the RICO claims. On December 13, 2004, defendants Hollinger Inc., Ravelston, RMI, Black, Radler, Boultbee, and Amiel Black moved to dismiss the second amended complaint for failure to join as parties the other companies affiliated with Black and Radler that had previously been named as defendants. Defendants assert that these companies are indispensable to the litigation but that their presence would deprive the court of jurisdiction. Black, Hollinger Inc., Colson and Perle also moved individually to dismiss the complaint on various grounds, including failure to state a claim for relief, lack of



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personal jurisdiction and res judicata. The motions are pending. This action is in a preliminary stage and it is not yet possible to determine its ultimate outcome.

Hollinger International Inc. v. Conrad M. Black, Hollinger Inc., and 504468 N.B. Inc.

On January 26, 2004, the Company filed a complaint against Black, Hollinger Inc. and an affiliated entity in the Court of Chancery of the State of Delaware in and for New Castle County. In this action, the Company sought relief declaring: (i) that a written consent by defendants purporting to abolish the Corporate Review Committee and to amend the Company's bylaws was invalid; (ii) that the Shareholders' Rights Plan ("SRP") adopted by the Corporate Review Committee on January 25, 2004 was valid; and (iii) that, under the proposed sale by Black of control of Hollinger Inc. to Press Holdings International Limited (the "Hollinger Sale"), the shares of Class B Common Stock held by Hollinger Inc. would convert to shares of Class A Common Stock. The Company's complaint also asserted claims that defendants breached their fiduciary duties to the Company and breached the terms of the agreement reached on November 15, 2003 (the "Restructuring Agreement") through their activities in connection with the Hollinger Sale and the purported bylaw amendments.

On February 3, 2004, defendants filed a counterclaim against the Company, members of the Company's Corporate Review Committee, and Richard C. Breeden ("Breeden"), advisor and counsel to the Special Committee. In their counterclaim, defendants sought declaratory relief declaring that their bylaw amendments were valid and that the SRP and other actions by the Corporate Review Committee were invalid. Defendants also asserted claims of breach of fiduciary duty, misrepresentation, tortious interference with the Hollinger Sale, breach of the Restructuring Agreement, and violation of the just compensation and due process provisions of the Fourteenth Amendment to the U.S. Constitution. In addition to declaratory and injunctive relief, defendants sought unspecified damages.

On March 4, 2004, the Court of Chancery entered an order and judgment declaring that Hollinger Inc.'s purported amendments to the Company's bylaws were invalid, that the Corporate Review Committee was and remained duly constituted, and that the SRP was valid. The Court of Chancery's order also dismissed defendants' breach of fiduciary duty, tortious interference, and Fourteenth Amendment counterclaims and preliminarily enjoined the defendants from taking any action to consummate any transaction in violation of the provisions of the Restructuring Agreement, including the Hollinger Sale and any other breaches of the Restructuring Agreement by defendants.

The Company subsequently moved for summary judgment on the remaining claims and to make the injunctive relief permanent. On June 28, 2004, the Court of Chancery entered an order and final judgment, granting summary judgment to the Company on its breach of fiduciary duty and breach of contract claims and dismissing defendants' remaining counterclaims. The order and final judgment required payments by defendants to the Company totaling $29.8 million in respect of amounts to be reimbursed to the Company pursuant to the Restructuring Agreement, and extended the previously entered injunctive relief through October 31, 2004. On July 16, 2004, defendants made the payments required under the order and final judgment, but have filed notices of appeal of the Court's rulings to the Delaware Supreme Court. The appeals are pending. It is not yet possible to determine the ultimate outcome of the appeals.

On October 29, 2004, the Company, Hollinger Inc. and Black entered into the Extension Agreement to voluntarily extend the injunction until the earlier of January 31, 2005 or the date of the completion of any distribution by the Company to its stockholders of a portion of the proceeds of the Company's sale of the Telegraph Group remaining as of October 26, 2004, net of taxes to be paid on the sale of the Telegraph Group and less amounts used to pay down the Company's indebtedness, through one or more of a dividend, a self-tender offer, or some other mechanism. On October 30, 2004, the court issued an order extending the injunction as provided in, and incorporating the other terms of, the Extension Agreement.

Hollinger Inc. v. Hollinger International Inc.

On July 1, 2004, Hollinger Inc. and 504468 N.B. Inc. filed an action in the Court of Chancery for the State of Delaware alleging that the Company violated 8 Del. Code $ 271 and engaged in inequitable conduct by not seeking stockholder approval of the proposed sale of the Telegraph Group. Plaintiffs sought preliminary injunctive relief to block the sale unless it was approved by the holders of a majority of the voting power of the Company's common stock, and an award of costs and attorneys' fees. The Court of Chancery denied Hollinger Inc.'s motion in an opinion issued on July 29, 2004. That same day, plaintiffs moved before the Chancery Court and Delaware Supreme Court for leave to file an interlocutory appeal and an injunction pending appeal. Both courts denied the motions and the matter is completed.

Black v. Hollinger International Inc., filed on March 18, 2004

On March 18, 2004, Black filed an action against the Company in the Court of Chancery of the State of Delaware seeking advancement of legal fees and expenses he purportedly incurred and continues to incur in connection with the SEC and Special Committee investigations and various litigations that he is involved in. In May 2004, the parties entered a stipulation resolving the matter. The Company agreed to pay half of Black's legal fees in certain actions in which he is a defendant, pursuant to itemized invoices submitted with sworn affidavits and subject to his undertaking that he will repay the amounts advanced to him if and to the extent it is ultimately determined that he is not entitled to indemnification under the terms of the Company's bylaws.

Black v. Hollinger International Inc., filed on April 5, 2004

On April 5, 2004, Black filed an action against the Company in the U.S. District Court for the Northern District of Illinois alleging that the Company breached its obligations to Black under three stock option plans. The complaint seeks (i) specific performance or damages for the alleged breaches, (ii) damages for the Company's alleged failure to issue to Black 145,000 and 1,218,750 shares of Class A Common Stock upon alleged exercises by Black of options on February 13, 2004 and April 2, 2004, respectively, and (iii) declaratory judgment that Black's removal as Chairman of the Company and from the Telegraph Group Limited did not constitute termination of employment under the 1997 Stock Option Plan and that his options must be treated equally with those of other executive officers and directors of the Company. The total damages sought are (i) the highest value of 145,000 shares of Class A Common Stock after February 13, 2004, plus prejudgment interest, and (2) the highest value of 1,218,750 shares of Class A Common Stock after April 2, 2004, less the option exercise price, plus prejudgment interest. On November 11, 2004, the Court dismissed the action without prejudice, granting Black leave to refile his claims as counterclaims in Hollinger International Inc. v. Hollinger Inc., et al., Case No. 04C-0698, which is described above under "-- Litigation Involving Controlling Stockholder, Senior Management and Directors."

Hollinger International Inc. v. Ravelston, RMI and Hollinger Inc.

On February 10, 2004, the Company commenced an action in the Ontario Superior Court of Justice (Commercial List) against Ravelston, RMI and Hollinger Inc. This action claimed access to and possession of the Company's books and records maintained at 10 Toronto Street, Toronto, Ontario, Canada. The parties negotiated and executed a Protocol dated March 25, 2004, providing for access and possession by the Company to the claimed records.

On March 5, 2004, a statement of defense and counterclaim was issued by Ravelston and RMI against the Company and two of its subsidiaries, Publishing and HCPH Co. The counterclaim seeks damages in the amount of approximately $174.3 million for alleged breaches of the services agreements between the parties and for alleged unjust enrichment and tortious interference with economic relations by reason of those breaches. On March 10, 2004, Hollinger Inc. filed a statement of defense and counterclaim against the



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Company seeking Cdn.$300.0 million, claiming that by the Company's refusal to pay its obligations under its services agreement with Ravelston, the Company intended to cause Ravelston to default in its obligations to Hollinger Inc. under a support agreement between Ravelston and Hollinger Inc., and intended to cause Hollinger Inc. to default on its obligations under its outstanding notes, with the resulting loss of its majority control of the Company.

On May 6, 2004, Ravelston served a motion for an anti-suit injunction, seeking to restrain the Company from continuing the Illinois litigation against it and from bringing any claims against Ravelston arising out of the management of the Company other than in Ontario. On May 28, 2004, the Company served a notice of cross-motion seeking a temporary stay of the Ravelston and Hollinger Inc. counterclaims pending final resolution of the proceedings in Illinois and Delaware. Ravelston's motion and the Company's cross-motion were heard on June 29-30, 2004 at the Ontario Superior Court of Justice, Commercial List. On August 11, 2004, the court denied Ravelston's motion and granted the Company's cross-motion. On August 18, 2004, Ravelston and Hollinger Inc. appealed to the Ontario Court of Appeal. The appeals are scheduled to be heard on February 22, 2005. On September 21, 2004, the Company served a motion on Hollinger Inc. and Ravelston, seeking to quash their appeals to the Ontario Court of Appeal for want of jurisdiction. On November 30, 2004, the appeals to the Ontario Court of Appeal were quashed. Ravelston and Hollinger Inc. were required to deliver notices of motion in support of a motion for leave to appeal to the Divisional Court by December 30, 2004. Ravelston delivered such a notice of motion on December 20, 2004, but Hollinger Inc. has not delivered such a notice and is therefore not proceeding with an appeal of the stay of its counterclaim. Ravelston's motion for leave has not yet been scheduled but will likely be heard some time in February of 2005.

Black v. Breeden, et al.

Five defamation actions have been brought by Black in the Ontario Superior Court of Justice against Breeden, Richard C. Breeden & Co., Gordon Paris, James Thompson, Richard Burt, Graham Savage and Raymond Seitz. The first case was filed on February 13, 2004; the second and third cases were filed on March 11, 2004; the fourth case was filed on June 15, 2004; and the fifth case was filed on October 6, 2004. The fifth case does not name James Thompson and Richard Burt as defendants but adds Paul B. Healy as a defendant. Damages in the amount of Cdn.$850.0 million are sought in the first and second case; damages in the amount of Cdn.$110.0 million are sought in the third and fourth case; and Cdn$1.0 billion in general damages and Cdn$100.0 million in punitive damages are sought in the fifth case. Black has agreed to a stay of these actions pending the determination of the proceedings and appeals of the cases pending before the Delaware Court of Chancery described above.

The defendants named in the five defamation actions have indemnity claims against the Company for all reasonable costs and expenses they incur in connection with these actions, including judgments, fines and settlement amounts. In addition, the Company is required to advance legal and other fees that the defendants may incur in relation to the defense of those actions.

The Company agreed to indemnify Breeden and Richard C. Breeden & Co. against all losses, damages, claims and liabilities they may become subject to, and reimburse reasonable costs and expenses as they are incurred, in connection with the services Breeden and Richard C. Breeden & Co. are providing in relation to the Special Committee's ongoing investigation.

United States Securities and Exchange Commission v. Hollinger International Inc.

On January 16, 2004, the Company consented to the entry of a partial final judgment and order of permanent injunction (the "Court Order") against the Company in an action brought by the SEC in the U.S. District Court for the Northern District of Illinois. The Court Order enjoins the Company from violating provisions of the Exchange Act, including the requirements to file accurate annual reports on Form 10-K and quarterly reports on Form 10-Q and keep accurate books and records. The Court Order requires the Company to have the previously appointed Special Committee complete its investigation and to permit the Special Committee to take whatever actions it, in its sole discretion, thinks necessary to fulfill its mandate. The Court Order also provides for the automatic appointment of Breeden as Special Monitor of the Company under certain circumstances, including the adoption of any resolution that discharges the Special Committee before it completes its work, diminishes or limits the powers of the Special Committee or narrows the scope of its investigations or review, or if any directors are removed prior to the end of their term, or there is a failure to nominate or re-elect any incumbent director (unless such director voluntarily decides not to seek nomination or re-election to the Board of Directors), or there is an election of any new person as a director unless such action is approved by 80% of the then incumbent directors. On January 26, 2004, Hollinger Inc. filed a motion to vacate certain parts of the Court Order that limit its rights as stockholder. The Court denied Hollinger Inc.'s motion on May 17, 2004.

The Company has received various subpoenas and requests from the SEC and other agencies seeking the production of documentation in connection with various investigations into the Company's governance, management and operations. The Company is cooperating fully with these investigations and is complying with these requests.

United States Securities and Exchange Commission v. Conrad M. Black, et al.

On November 15, 2004, the SEC filed an action in the United States District Court for the Northern District of Illinois against Black, Radler and Hollinger Inc. seeking injunctive, monetary and other equitable relief. In the action, the SEC alleges that the three defendants violated federal securities laws by engaging in a fraudulent and deceptive scheme to divert cash and assets from the Company and to conceal their self-dealing from the Company's public stockholders from at least 1999 through at least 2003. The SEC also alleges that Black, Radler and Hollinger Inc. were liable for the Company's violations of certain federal securities laws at least during this period.

The SEC alleges that the scheme used by Black, Radler and Hollinger Inc. included the misuse of so-called "non-competition" payments to divert $85.0 million from the Company to defendants and others; the sale of certain publications owned by the Company at below-market prices to a privately-held company controlled by Black and Radler; the investment of $2.5 million of the Company's funds in a venture capital fund with which Black and two other directors of the Company were affiliated; and Black's approval of a press release by the Company in November 2003 in which Black allegedly misled the investing public about his intention to devote his time to an effort to sell the Company assets for the benefit of all of the Company's shareholders and not to undermine that process by engaging in transactions for the benefit of himself and Hollinger Inc. The SEC further alleges that Black and Radler misrepresented and omitted to state material facts regarding related party transactions to the Company's Audit Committee and Board of Directors and in the Company's SEC filings and at the Company's stockholder meetings.

The SEC's complaint seeks: (i) disgorgement of ill-gotten gains by Black, Radler and Hollinger Inc. and unspecified civil penalties against each of them; (ii) an order enjoining Black and Radler from serving as an officer or director of any issuer required to file reports with the SEC; (iii) a voting trust upon the shares of the Company held directly or indirectly by Black and Hollinger Inc.; and (iv) an order enjoining Black, Radler and Hollinger Inc. from further violations of the federal securities laws.

The Chicago Sun-Times Circulation Cases

On June 15, 2004, the Company announced that the Audit Committee had initiated an internal review into practices that resulted in the overstatement of circulation figures for the Chicago Sun-Times. Following that announcement, a number of lawsuits were filed against the Company, among others defendants. Several of the suits are brought on behalf of a purported class composed of all persons who purchased advertising



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space in the Chicago Sun-Times during the period in which circulation figures were overstated. The complaints allege that the Chicago Sun-Times improperly overstated its circulation and that advertisers overpaid for advertising in the newspaper as a result. The complaints variously allege theories of recovery based on breach of contract, unjust enrichment, civil conspiracy, conversion, negligence, breach of fiduciary duty, common law and statutory fraud, and violations of the federal RICO statute. The complaints seek injunctive and declaratory relief, unspecified actual, treble, and punitive damages, interest, attorneys' fees and costs, and other relief.

A number of the actions were filed in the Circuit Court of Cook County, Illinois, including the following purported class action cases filed in the County Department, Chancery Division: Central Furniture, Inc. v. Hollinger International, Inc. and Chicago Sun-Times, Inc., No. 04 CH 9757; Ronald Freeman d/b/a Professional Weight Clinic Inc. v. Hollinger International, Inc. and Chicago Sun-Times, Inc., No. 04 CH 9763; Card & Party Mart II Ltd. v. Hollinger International Inc. and Chicago Sun-Times, Inc., No. 04 CH 9824; Geier Enterprises, Inc. v. Chicago Sun-Times, Inc. and Hollinger International Inc. No. 04 CH 10032; California Floor Coverings d/b/a Olympic Carpet v. Chicago Sun-Times, Inc., No. 04 CH 10048; BNB Land Venture, Inc. v. Chicago Sun-Times, Inc., Hollinger International Publishing Inc. and Docs 1-5, No. 04 CH 10284; Gleason & McMaster LLC v. Chicago Sun-Times, Inc. and Hollinger International Inc., No. 04 CH 10581; James Rolshouse & Assoc. PLLC v. Hollinger International Inc., Chicago Sun-Times, Inc. and The Sun-Times Co., No. 04 CH 11019; and Mark Triffler Oldsmobile, Inc. et al. v. Hollinger International Inc. and Chicago Sun-Times, Inc., 04 CH 12714. The above-stated cases were filed between June 15, 2004 and August 31, 2004, and an Amended Consolidated Complaint under the heading In re: Chicago Sun-Times Circulation Litigation was filed on October 12, 2004. The Amended Consolidated Complaint lists defendants Chicago Sun-Times, Inc. and Hollinger International Inc., and adds Midwest Suburban Publishing, Inc. Two additional purported class action cases are pending in the County Department, Chancery Division: International Profit Assocs., Inc., v. Chicago Sun-Times, Inc. and Hollinger International Inc., 04 CH 17964, filed October 29, 2004; and Business Pro Communications, Inc. v. Hollinger Inc., Hollinger International Inc. and The Sun-Times Co., 04 CH 19930, filed December 1, 2004. Additionally, the following individual actions were brought in the Circuit Court of Cook County: First Federal Auto Auction, Inc. v. Chicago Sun-Times, Inc., Hollinger International Inc. and F. David Radler, No. 04 L 7501, filed July 2, 2004; American Mattress, Inc. v. Hollinger International Inc. and Chicago Sun-Times, Inc., No. 04 L 7790, filed July 12, 2004; National Foundation for Abused and Neglected Children, Inc. v. Chicago Sun-Times, Inc., Hollinger International Inc. and F. David Radler, No. 04 L 7948, filed July 15, 2004; Joe Rizza Lincoln Mercury, Inc. et al. v. Chicago Sun-Times, Inc., 04 L 11657, filed October 14, 2004; Chicago Sun-Times, Inc. v. Oral Sekendur, 03 M1 170004, circulation-related claims filed October 12, 2004. One case was filed in the United States District Court for the Northern District of Illinois: AJE's the Salon, Inc. v. The Sun-Times, Co., Hollinger International Inc. and F. David Radler, 04 C 4317, filed June 28, 2004. The AJE's the Salon, Inc. case was voluntarily dismissed. The parties in the consolidated class action case have agreed to mediate in an attempt to settle the case and are conducting discovery. Motions to dismiss have been filed with respect to some of the cases and it is anticipated that similar motions will be filed in the balance of the pending cases. Overall, the cases are in preliminary stages and it is not yet possible to determine their ultimate outcome.

On October 5, 2004, the Company announced the results of the Audit Committee's internal review. The review of the Audit Committee determined that weekday and Sunday average circulation of the Chicago Sun-Times, as reported in the audit reports issued by the Audit Bureau of Circulations ("ABC") commencing in 1998, had been overstated. The Audit Committee found no overstatement of Saturday circulation data. The inflated circulation figures were submitted to ABC, which then reported these figures in its annual audit reports issued with respect to the Chicago Sun-Times.

The Chicago Sun-Times announced a plan intended to make restitution to its advertisers for losses associated with the overstatements in the ABC circulation figures. To cover the estimated cost of restitution and settlement of the related lawsuits, the Company recorded a pre-tax charge of approximately $24.1 million for 2003 and approximately $2.9 million for the first quarter of 2004. The Company will evaluate the adequacy of the accrual as negotiations with advertisers proceed. The impact of restitution on the ultimate outcome of the pending litigation is not possible to be determined at this time.

CanWest Arbitration

On December 19, 2003, CanWest commenced notices of arbitration against the Company and others with respect to disputes arising from CanWest's purchase of certain newspaper assets from the Company. CanWest claims the Company and certain of its direct subsidiaries owe CanWest approximately Cdn.$83.2 million. The Company believes that it has valid defenses to this claim, as well as significant counterclaims against CanWest. The arbitration is in preliminary stages, and it is not yet possible to determine its ultimate outcome.

CanWest and The National Post Company v. Hollinger Inc., Hollinger International Inc., the Ravelston Corporation Limited and Ravelston Management Inc.

On December 17, 2003, CanWest and The National Post Company brought an action in the Ontario Superior Court of Justice against the Company and others for approximately Cdn.$25.7 million plus interest in respect of issues arising from a letter agreement dated August 23, 2001 to transfer the Company's remaining 50% interest in the National Post to CanWest. In August 2004, The National Post Company obtained an order for partial summary judgment ordering the Company to pay The National Post Company Cdn.$22.5 million plus costs and interest. On November 30, 2004, the Company settled the appeal of the partial summary judgment by paying The National Post Company the amount of Cdn.$26.5 million. This amount includes payment of the Cdn.$22.5 million in principal plus interest and related costs. The Company had accrued the Cdn.$22.5 million plus interest to December 31, 2003 in these consolidated financial statements. The two remaining matters in this action consist of a claim for Cdn.$2.5 million for capital and operating requirements of The National Post Company and a claim for Cdn.$0.8 million for newsprint rebates. Exchange of documents and examinations for discovery in respect of these remaining matters is expected to proceed in early 2005.

Other Actions

The Company and members of the Special Committee have had a suit filed against them before the Ontario Superior Court of Justice by Boultbee, former Executive Vice-President with the Company whose position as an officer was terminated in November of 2003. In November 2003, the Special Committee found that Boultbee received approximately $0.6 million of "non-competition" payments that had not been appropriately authorized by the Company. The Company was unable to reach a satisfactory agreement with Boultbee for, among other things, repayment of these amounts and as a result, terminated his position as an officer of the Company. Boultbee is asserting claims for wrongful termination, indemnification for legal fees, breach of contract relating to stock options and loss of reputation, and is seeking approximately Cdn.$16.1 million from the defendants. The action is in its preliminary stages, and it is not yet possible to determine its ultimate outcome. On November 18, 2004, the Company and Boultbee resolved Boultbee's claim for advancement and indemnification of legal fees, as part of which Boultbee agreed to discontinue this portion of his claim. The Company is bringing a motion to stay this action until the litigation in Illinois involving the Company, Boultbee and others has been concluded. See "-- Litigation Involving Controlling Stockholder, Senior Management and Directors." Although the Company's motion documents have not yet been served, time has been reserved with the court for the hearing of this motion on April 25, 2005.

On November 3, 2004, Wells Fargo Bank Northwest, N.A. and Key Corporate Capital Inc. filed an action in the Supreme Court of the State of New York, in Albany County, against Sugra (Bermuda) Limited ("Sugra Bermuda"), which is a subsidiary of Publishing, and against Hollinger Inc. The action alleges that



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Sugra Bermuda defaulted under the terms of a 1995 aircraft lease agreement, and that Hollinger Inc. is a guarantor of Sugra Bermuda's obligations under the lease. Plaintiffs are seeking $5.1 million in damages, plus interest at the rate of 18 percent per annum and attorneys' fees. On December 20, 2004, Hollinger Inc. removed the action from state court to the United States District Court for the Northern District of New York. This action, which is entitled Wells Fargo Bank Northwest, N.A. v. Sugra (Bermuda) Limited and Hollinger Inc., No. 1:04-cv-01436-GLD-DRH (N.D.N.Y.), is in a preliminary stage, and it is not yet possible to determine its ultimate outcome.

During 2002, the largest customer of The Jerusalem Post, the Golden Pages, effectively terminated its agreement with The Jerusalem Post for publication of the Golden Pages by failing to submit orders as required. An action was commenced in the District Court of Tel Aviv by The Jerusalem Post in early 2003 alleging breach of contract. Although significant to The Jerusalem Post, the loss of revenue has not had a material impact on the Company's business, as a whole. With the completion of the sale of The Palestine Post Limited on December 15, 2004, the Company no longer has a claim or liability related to this action.

The Company becomes involved from time to time in various claims and lawsuits incidental to the ordinary course of business, including such matters as libel, defamation and privacy actions. In addition, the Company is involved from time to time in various governmental and administrative proceedings with respect to employee terminations and other labor matters, environmental compliance, tax and other matters.

Management believes that the outcome of any pending claims or proceedings described under "Other Actions" will not have a material adverse effect on the Company taken as a whole.

(b)Guarantees

In November 2002, the FASB issued FIN 45, which establishes and clarifies requirements for disclosure of most guarantees and the recognition of an initial liability for the fair value of obligations a guarantor assumes under guarantees. The initial liability recognition and measurement provisions are effective in respect of guarantees entered into or modified after December 31, 2002.

(i) Joint Ventures

The Telegraph had guaranteed the printing joint venture partners' share of equipment leasing obligations to third parties, which expired as of December 31, 2003 ($0.6 million at December 31, 2002). These obligations were guaranteed jointly and severally by each joint venture partner.

Land leased by the Telegraph under a head lease under which the property is held until July 2183 has been sublet to West Ferry Printers, one of the Company's printing joint ventures. The sublease is for a term of 34 years from 1987. Although the sublease has been consented to by the landlord, it has not released the Telegraph from its obligation under the lease and accordingly, the Telegraph is contingently liable for performance by West Ferry Printers. Annual rents under the lease are based on a percentage of the value of immoveable assets, currently lb.0.6 million per year. The Company no longer has any obligation under this lease following the disposition of the Telegraph Group (Note 28(c)).

At December 31, 2003, pursuant to a joint venture agreement in the U.K., the Company has agreed to guarantee up to lb.500,000, if required, in connection with borrowing by the joint venture. The Company was released from this guarantee upon completion of the sale of the Telegraph Group in 2004.

(ii) Dispositions

In connection with certain dispositions of assets and/or businesses (Note 3), the Company has provided customary representations and warranties whose terms range in duration and may not be explicitly defined.

The Company has also retained certain liabilities for events occurring prior to sale, relating to tax, environmental, litigation and other matters. Generally, the Company has indemnified the purchasers in the event that a third party asserts a claim against the purchaser that relates to a liability retained by the Company. These types of indemnification guarantees typically extend for a number of years.

The Company is unable to estimate the maximum potential liability for these indemnifications as the underlying agreements do not always specify a maximum amount and the amounts are dependent upon the outcome of future events, the nature and likelihood of which cannot be determined at this time.

Historically, the Company has not made any significant indemnification payments under such agreements and does not expect to in the future; accordingly no amount has been accrued in the accompanying consolidated financial statements with respect to these indemnification guarantees. The Company continues to monitor the conditions that are subject to guarantees and indemnifications to identify whether it is probable that a loss has occurred, and would recognize any such losses under any guarantees or indemnifications if and when those losses become probable and estimable.

(iii) Credit Facilities

Under its Senior Credit Facility, the Company agreed to indemnify its lenders under that facility against certain costs or losses resulting from changes in laws and regulations which would increase the lenders' costs or reduce the rate of return otherwise available to them in respect of the loans to the Company. The Company further agreed to indemnify certain lenders against existing loans to the extent that such loans impose an obligation for withholding tax or similar charge on interest, should such tax or charge not be recoverable by the lenders. These indemnifications generally extend for the term of the credit facilities and do not provide for any limit on the maximum potential liability.

As described in Note 10, the Company indemnified the lenders and their affiliates from and against all losses as a result of any obligations of any of the borrowers and guarantors under its Senior Credit Facility. Also as described in Note 10, the Company has guaranteed Publishing's 9% Senior Notes.

Subsequent to December 31, 2003, all amounts borrowed under the Senior Credit Facility were repaid upon the closing of the sale of the Telegraph Group. (See Note 28(d).) The Company also made a tender offer for retirement of the 9% Senior Notes. (See Note 28(e)).

(iv) Participation Trust

In connection with the participation agreement described in Note 5, the Company agreed to indemnify the Participation Trust and its trustee in the event the participation agreement enabled the issuer of the CanWest Debentures to stop payments with respect to the debentures. Although the indemnity has not been capped, the Company estimates the liability is limited to the amount of participation interests sold, totaling $475.3 million, which includes accrued interest and debentures received as paid-in-kind interest, reduced by debentures redeemed in May 2003. As disclosed in Note 28(i), the Company concluded a transaction with CanWest on November 18, 2004 under which the Company received approximately $133.6 million. The Participation Trust has now been unwound and the Company no longer has any exposure under this guarantee.

(v) Other

The Company licenses some of the content it publishes for use by third parties. In doing so, the Company warrants that it is entitled to license that content and indemnifies the licensee against claims against improper use. The number or quantum of such claims cannot be reasonably estimated. Historically, claims of this nature have not been significant.

(vi) Letters of Credit

In connection with the Company's insurance program, letters of credit are required to support certain projected workers' compensation obligations. At December 31, 2003, letters of credit in the amount of $4.2 million ($2.8 million in 2002) were outstanding.

(c) Canadian Ownership Matters

Under the Canadian Income Tax Act ("ITA"), there are limits on the deductibility by advertisers of the cost of advertising in newspapers that are not considered Canadian-owned under the ITA. The status of certain of the Company's newspapers as Canadian-owned was affected by Black's renunciation of his Canadian citizenship in June 2001. Although the Company believes that it has a structure in place that meets the ITA Canadian ownership rules for at least a portion of the period since June 2001, that structure may be challenged by the Canadian income tax authorities. Should any challenge be successful, advertisers in Canada might seek compensation from the Company for any advertising costs disallowed as a deduction or otherwise look to a reduction of advertising rates for certain Canadian newspaper publications. The amount of exposure, if any, cannot presently be determined.

Additionally, one or more of the Company's Canadian subsidiaries has received funding under a Canadian governmental program that is intended to benefit entities that are Canadian owned or controlled. The Canadian government could seek the return of these funds as a result of Black's renunciation of his Canadian citizenship.

(23)Related-party Transactions

The following is a description of certain relationships and related party transactions for the three years ended December 31, 2003. Most of the findings of the Special Committee set forth in the Special Committee Report (the "Report") are the subject of ongoing litigation and are being disputed by the former executive officers and certain of the current and former directors of the Company who are the subject of the Report.

(a) On November 15, 2003, the Special Committee and the Audit Committee disclosed to the Board of Directors the preliminary results of their investigations. The Committees determined that a total of $32.2 million in payments characterized as "non-competition" payments were made by the Company without appropriate authorization by either the Audit Committee or the full Board of Directors. According to the Report, of the total unauthorized payments, approximately $16.6 million was paid to Hollinger Inc. in 1999 and 2000, approximately $7.2 million was paid to each of Black and Radler in 2000 and 2001, and $0.6 million was paid to each of Boultbee and Atkinson in 2000 and 2001. As a consequence of these findings, the Special Committee then entered into discussions with Black that culminated in the Company and Black signing the Restructuring Agreement. The Restructuring Agreement provides for, among other things, restitution by Hollinger Inc., Black, Radler, Boultbee and Atkinson to the Company of the full amount of the unauthorized payments, plus interest.

As of December 31, 2003, the Company had received $0.8 million from Radler and $0.4 million from Atkinson in accordance with the Restructuring Agreement. Subsequent to December 31, 2003, the Company has received $30.3 million, excluding interest, from Hollinger Inc., Black, Radler and Atkinson. These amounts received after December 31, 2003, including interest to December 31, 2003, have been included in "Amounts due from related parties, net" and "Other income (expense), net" and "Interest and dividend income." These repayments are described further in Note 28(a).

(b) The Company had a services agreement with Ravelston, pursuant to which Ravelston provided advisory, consultative, procurement and administrative services to the Company. This services agreement was assigned on July 5, 2002 to RMI. The Company and its subsidiaries expensed fees from Ravelston and RMI, totaling $23.9 million, $23.7 million and $29.0 million for 2003, 2002, and 2001, respectively, pursuant to these agreements.

Moffat Management Inc. and Black-Amiel Management Inc. had separate services agreements with the Company. The Company expensed $2.1 million, $1.9 million and $1.7 million in 2003, 2002, and 2001, respectively, in fees under these agreements.

The Restructuring Agreement provides for the termination of these agreements in accordance with their terms, effective June 1, 2004, and for the negotiation of the management fee payable thereunder for the period from January 1, 2004 until June 1, 2004. In November 2003, in accordance with the terms of the Restructuring Agreement, the Company notified each of the parties to the Services agreements of the termination of the services agreements effective June 1, 2004. See Note 22(a).

Hollinger Inc. and its affiliates billed the Company for allocated airplane expenses amounting to nil, $2.3 million and $4.4 million in 2003, 2002, and 2001, respectively.

Net amounts due from related parties at December 31, 2003 totaling $11.9 million (2002 due to related parties -- $25.2 million) include $4.5 million (2002 -- $7.7 million) of amounts payable in respect of management fees.

During 2001, the Company made a bonus payment to Colson of approximately $1.1 million.

(c) On March 10, 2003, the Company repurchased for cancellation, from a wholly owned subsidiary of Hollinger Inc., 2,000,000 shares of the Company's Class A Common Stock at $8.25 per share for a total of $16.5 million. The Company also redeemed, from the same subsidiary of Hollinger Inc., pursuant to a redemption request, all of the 93,206 outstanding shares of Series E Redeemable Convertible Preferred Stock of the Company at the fixed redemption price of Cdn.$146.63 per share being a total of $9.3 million.

(d) On January 1, 2003, Canadian Classified Network ("CCN") was disposed of to Horizon Operations (Canada) Ltd. ("HOCL"), for cash consideration of approximately Cdn.$0.2 million. HOCL is controlled by Black and Radler. CCN places classified advertising in newspapers participating in a joint advertising group managed by CCN. Until disposed of, CCN was a division of HCPH Co. During the year ended December 31, 2003, the Company earned management fees of approximately Cdn.$0.1 million from CCN under a profit sharing arrangement whereby Hollinger L.P. is entitled to 50% of the profits of CCN. In addition, the Company received approximately Cdn.$0.1 million with respect to advertising related activities with CCN. This transaction was not approved by the Company's independent directors.

(e) On July 11, 2000, the Company loaned $36.8 million to a subsidiary of Hollinger Inc. to fund the cash purchase by Hollinger Inc. of HCPH Special Shares. The loan was originally payable on demand but on March 10, 2003, the due date for repayment was extended to no earlier than March 1, 2011. It has been classified as "Loan to affiliate" (a long-term asset) on the Consolidated Balance Sheet. Effective January 1, 2002, the interest rate was changed from 13.0% per annum to LIBOR plus 3.0% per annum, without review by or approval of the Company's independent directors. As of December 31, 2002, the balance, including accrued interest at the new unapproved rate, was $45.8 million. Payments for the above mentioned repurchase and redemption (Note 23(c)) were applied against this debt due from the Hollinger Inc. subsidiary resulting in a calculation of net outstanding debt due to the Company of approximately $20.4 million as of March 10, 2003, the date of the repayment. At December 31, 2003, $22.1 million of debt (including interest) remains outstanding, based on the promissory note the Hollinger Inc. subsidiary was required to sign on March 10, 2003, for the outstanding balance as then calculated, and based on the lower of two potentially applicable interest rates, as described below. The debt, since the date of the partial repayment, bears interest at 14.25% or, if paid in additional notes, 16.5% and is subordinated to the Hollinger Inc. Senior Secured Notes (so long as the Senior Secured Notes are outstanding), guaranteed by Ravelston, the controlling stockholder of Hollinger Inc., and secured by certain assets of Ravelston. Following the receipt of an independent fairness



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opinion and a review of all aspects of the transaction relating to the changes in the debt arrangements with Hollinger Inc., including the subordination of this remaining debt, by a committee of the Board of Directors of the Company, composed entirely of independent directors, the committee approved the new debt arrangements.

The Company previously reported that the committee of independent directors referred to above had agreed to a partial offset to the $20.4 million debt against amounts owed by the Company to RMI, a subsidiary of Ravelston, and further stated that the offset was effected April 30, 2003. The amounts contemplated in the partial offset are further described in Note 23(f). Although the former management of the Company maintained that it believed final approval had been given to the offset by the committee of independent directors, according to the Report, the committee had not given such approval. The committee of independent directors later agreed to approve the requested partial offset on certain terms and conditions, but these terms and conditions were not acceptable to Hollinger Inc. and Ravelston, and the offset was not completed.

Neither the Hollinger Inc. subsidiary nor Ravelston has complied with the terms of the new debt arrangements. Under the terms of the promissory note, the Hollinger Inc. subsidiary is permitted to make interest payments with additional notes if interest payments to the Company are prohibited under the indenture governing Hollinger Inc.'s 11 7/8% Senior Secured Notes. The Hollinger Inc. subsidiary made only partial cash interest payments on the note until August 2003, when it discontinued payments altogether. At this time, the Company cannot ascertain which interest rate is the appropriate one to apply to the debt. Although as set forth in the Report, the Special Committee believes interest should be accrued at the higher rate, to be conservative, the Company has accrued interest at the lower rate. At December 31, 2003, the Company calculates that based on the amount in the promissory note Hollinger Inc.'s subsidiary was required to sign and using the lower interest rate, unpaid interest amounts to $1.8 million. Ravelston was required to fund a cash collateral account to secure the Hollinger Inc. subsidiary's repayment obligation. Ravelston has funded approximately $0.1 million to this cash collateral account as of December 31, 2003. The Hollinger Inc. subsidiary's debt is guaranteed by Ravelston, secured by its receivables under Ravelston's management services agreement with CanWest.

The Company has not yet sought to collect on the Ravelston guarantee or attach the receivables. Instead, the Company has sued Hollinger Inc. and Ravelston seeking to rescind the loan entirely and have it repaid in full. The Company claims that Black, Radler, Boultbee and Hollinger Inc. and its subsidiary made material misrepresentations to the Audit Committee in order to obtain its approval for the loan in July 2000 and, therefore, the Company is entitled to rescind the loan. The Company seeks repayment of the entire loan balance, properly calculated without regard to the unauthorized interest rate reduction. (See Note 22(a).)

(f) On July 3, 2002, N.P. Holdings Company ("NP Holdings"), a subsidiary of the Company, was sold to RMI for $3.8 million (Cdn.$5.8 million). The Company, through the Special Committee, has sued RMI and others for breach of fiduciary duty and fraud in connection with the transaction (See Note 22(a)). Before the sale, NP Holdings had no significant assets or liabilities other than unutilized tax loss carryforwards. Prior management asserted that NP Holdings potentially had an obligation from a letter agreement executed by Hollinger Inc. purporting to obligate the Company to pay The National Post Company Cdn.$22.5 million in connection with the sale to CanWest of The National Post Company, which owned the Company's remaining 50% interest in the National Post newspaper. Immediately prior to the sale, prior management caused the Company to contribute Cdn.$22.5 million as equity to NP Holdings and then borrow that amount from NP Holdings by way of a demand promissory note bearing interest at the three month bankers acceptance rate plus 4%. The note is payable by the Company's subsidiary, HCPH Co., and was originally in favor of NP Holdings but was later assigned to RMI. Notwithstanding these transactions and absent consent from CanWest or the National Post Company to the assumption of the obligation by any party other than the Company, the Company was required to pay Cdn.$22.5 million plus interest on November 30, 2004 to satisfy a judgment obtained against the Company by the National Post Company for that amount. (See Note 22(a).)



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The Company has refused to honor the promissory note to RMI and will be seeking a declaration from RMI that it is not liable on the note. In addition, since the sale, the Company has learned that NP Holdings had greater loss carryforwards than the parties believed at the time of the sale. Therefore, the Company has requested that RMI pay a higher price in recognition of the greater value of NP Holdings, but the Company does not have a contractual right to receive any such additional amount.

(g) The Company's current Interim Chairman of the Board of Directors, President and Interim Chief Executive Officer, Gordon Paris, is a managing director of Berenson & Company. Berenson & Company acted as financial advisor to the Company in December 2002 and received a fee of approximately $1.0 million in connection with the placement of the Company's 9% Senior Notes.

(h) The Company has recorded $1.6 million of expenses on behalf of current and former executive officers and directors of the Company during the year ended December 31, 2003. The majority of these expenses relate to payments of fees for legal counsel representing current and former executive officers and directors of the Company in their dealings with the Special Committee, while conducting its investigations. Payments of such fees were made pursuant to indemnification provisions of the Company's Certificate of Incorporation and the Company's by-laws.

(i) During 2003, the Company billed Hollinger Inc. $1.2 million (2002 -- $0.8 million, 2001 -- nil) for use of its aircraft and applied the income against operating expenses.

(j) The Company owns an investment company, Hollinger Digital LLC ("Hollinger Digital"). Directors and officers of the Company are former directors and officers of Hollinger Digital, including Perle. Perle, who is a member of the Board of Directors, initiated the formation of Hollinger Digital with Black. Hollinger Digital was ostensibly created to make investments in new media companies on the Company's behalf. Perle received a salary of approximately $0.1 million in 2003, approximately $0.3 million in 2002 and approximately $0.3 million in 2001. In addition, during 2001, the Company made payments under the Digital Incentive Plan of approximately $0.3 million to Black, approximately $0.2 million to Radler and Perle, and approximately $0.1 million to each of Atkinson, Colson and Boultbee. No further payments under the Digital Incentive Plan were made in either 2003 or 2002.

(k)(i) The majority of Telegraph's printing is contracted to two 50% owned joint ventures. The joint ventures are accounted for as equity investments (Note 5). Expenses for printing conducted by these joint ventures are included in operating costs and expenses in the Consolidated Statements of Operations.

(ii) Telegraph owns a 50% interest in a joint venture established to undertake the sourcing of newsprint for the joint venturers. This joint venture arrangement replaces a similar arrangement terminated in 2001.

Purchases from the joint ventures for printing services and newsprint purchases are disclosed separately in the Consolidated Statements of Operations.

(l) On September 27, 2001, the Company redeemed Series E Preferred Stock held by Hollinger Inc. for cash consideration of $3.8 million (Note 13).

(m) On June 1, 2001, the Company converted all the Series C Preferred Stock held by Hollinger Inc. at the conversion ratio of 8.503 shares of Class A Common Stock per share of Series C Preferred Stock into 7,052,464 shares of Class A Common Stock. On September 5, 2001, the Company purchased from Hollinger Inc., for cancellation the 7,052,464 shares of Class A Common Stock for a total cost of $92.2 million (Note 14).



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(n) During 2001, in connection with the sales of properties described in Note 3, the Company paid Ravelston, Hollinger Inc., Black and three senior executives "non-competition" payments, purportedly in consideration for their execution of "non-competition" agreements.

(o) As described in Note 3, during the year ended December 31, 2001, the Company sold newspaper properties to certain related parties.

(p) Included in "Deferred financing costs and other assets" at December 31, 2003, is $3.4 million, owing to the Company from Bradford Publishing Co. ("Bradford"). Bradford is controlled by Black and Radler. Bradford granted a non-interest bearing note receivable to the Company in connection with a "non-competition" agreement entered into on the sale of certain operations to Bradford during 2000. This note is non-interest bearing, and accordingly, the Company established the amount receivable at the net present value at the time of the agreement. The remaining balance represents that net present value less any payments received through December 31, 2003. The note receivable is unsecured and due over the period to 2010, and subordinated to Bradford's lenders although, under an acceleration clause, it may be due immediately due to default.

(q) Included in "Deferred financing costs and other assets" at December 31, 2003, is $4.9 million owed by Horizon. The Company also has a receivable of approximately $0.5 million for interest on this note. Such amount represents the balance outstanding on a loan receivable granted by the Company in connection with the sale of certain operations to Horizon during 1999. The loan receivable is unsecured, bears interest at the lower of LIBOR plus 2% and 8% per annum and matures in 2007.

(r) The Company recorded management fees payable to Horizon of approximately $0.1 million and $0.2 million in 2003 and 2002, respectively, in connection with certain administrative services provided by Horizon.

(s) In 2003, the Company made an investment of $2.5 million in Trireme Associates LLC ("Trireme LLC") which is the general partner of Trireme Partners LP ("Trireme LP"), a venture capital fund. Trireme LLC, as general partner of Trireme LP, receives 20% of the profits of Trireme LP ("the Distribution") after repayment of invested capital. The remaining 80% of the profits of Trireme LP will be distributed to Trireme LLC and the limited partners of Trireme LP based upon their invested capital. Perle, a director of the Company, has an equity interest in Trireme LLC. In addition, Trireme Management LLC is the designated manager of Trireme LP. As Manager, Trireme Management LLC receives a management fee from Trireme LP. Perle is a member of management of Trireme Management LLC. Black and Dr. Henry A. Kissinger, directors of the Company, are former members of the Strategic Advisory Board of Trireme LP.

(t) In June 2001, the Company, through a non-profit organization of which it was a member, purchased the publication The National Interest, for approximately $0.1 million. The publication includes Black, and members of the Company's Board of Directors, Henry A. Kissinger and Perle, as its advisors. In each of 2003 and 2002, the Company contributed $0.1 million and in 2001 contributed $0.3 million to the non-profit organization which owned The National Interest. In 2003, the Company entered into discussions to withdraw as a member of this non-profit organization. In October 2004, the Company, with a final contribution of approximately $0.1 million, withdrew as a member of the non-profit organization which owned The National Interest.

(u) The Company had an informal agreement with Hollinger Inc. whereby Hollinger Inc. would pay the costs of computer equipment and related products and services at Hollinger Inc.'s corporate offices in Toronto, Canada in 2002 and the Company would pay the costs in 2003. The Company and Hollinger Inc. were to reconcile the spending and share the combined costs equally. Based upon the evaluation of the combined costs under this arrangement, the Company is owed approximately Cdn.$0.2 million by Hollinger Inc. Hollinger Inc. has not yet paid its share of the costs incurred and continues to retain possession of the computer and related equipment acquired by the Company.

(24)Income Taxes

Total income taxes for the years ended December 31, 2003, 2002 and 2001 were allocated as follows:

| | 2003 | 2002 Restated Note 2 | 2001 Restated Note 2 |
|---|---|---|---|
| | (In thousands) | | |
| Income taxes (benefit) allocated to: | | | |
| Earnings (loss) before income taxes, minority interest and cumulative effect of change in accounting principle | $121,638 | $ 50,132 | $(23,038) |
| Other comprehensive loss -- foreign currency translation adjustments | 1,526 | 2,374 | -- |
| Other comprehensive loss -- minimum pension liability adjustment | 101 | (15,852) | (7,573) |
| Other comprehensive income -- unrealized holding gains on marketable securities | 3,110 | 2,040 | 11,690 |
| | $126,375 | $ 38,694 | $(18,921) |

Income taxes (benefit) for the years shown below consists of:

| | Current | Deferred Restated Note 2 | Total Restated Note 2 |
|---|---|---|---|
| | (In thousands) | | |
| Year ended December 31, 2003: | | | |
| U.S. federal | $ (8,966) | $ 56,125 | $ 47,159 |
| Foreign | 83,887 | (17,691) | 66,196 |
| State and local | 4,753 | 3,530 | 8,283 |
| | $ 79,674 | $ 41,964 | $121,638 |
| Year ended December 31, 2002: | | | |
| U.S. federal | $(32,808) | $ 11,357 | $(21,451) |
| Foreign | 38,262 | 40,065 | 78,327 |
| State and local | (10,305) | 3,561 | (6,744) |
| | $ (4,851) | $ 54,983 | $ 50,132 |
| Year ended December 31, 2001: | | | |
| U.S. federal | $ 10,941 | $ (345) | $ 10,596 |
| Foreign | 20,859 | (48,425) | (27,566) |
| State and local | 998 | (7,066) | (6,068) |
| | $ 32,798 | $(55,836) | $(23,038) |

HOLLINGER INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

U.S. and foreign components of earnings (loss) before income taxes, minority interest and cumulative effect of change in accounting principle are presented below:

| | 2003 | 2002 | 2001 |
|---|---|---|---|
| | (In thousands) | | |
| | | Restated Note 2 | Restated Note 2 |
| U.S. | $17,484 | $(139,693) | $(191,042) |
| Foreign | 35,171 | (18,558) | (172,372) |
| | $52,655 | $(158,251) | $(363,414) |

Income tax expense (benefit) differed from the amounts computed by applying the U.S. federal income tax rate of 35% for 2003, 2002 and 2001 as a result of the following:

| | 2003 | 2002 | 2001 |
|---|---|---|---|
| | (In thousands) | | |
| | | Restated Note 2 | Restated Note 2 |
| Computed "expected" tax expense (benefit) | $ 18,429 | $(55,388) | $(127,195) |
| Impact of taxation at different foreign rates | 677 | (2,043) | (3,103) |
| U.S. state and local income tax expense (benefit), net of federal tax impact | 1,302 | (1,828) | (4,261) |
| Settlement of state tax matters, net of federal tax benefit | 4,082 | -- | -- |
| Tax impacts of the disposition and liquidation of Canadian operations, including book and tax basis differences, foreign exchange differences and related items | 1,545 | 38,880 | 5,081 |
| Provision for tax contingencies, principally related to potential non-deductibility of management fees | 61,442 | 5,176 | 22,235 |
| Interest on tax contingency accruals, net of federal tax benefit on a portion thereof | 46,738 | 40,157 | 8,960 |
| Items non-deductible or non-includible for income tax purposes | 2,962 | 2,415 | 2,351 |
| Exclusion from taxable income of net losses and interest related to Total Return Equity Swap | -- | 5,302 | 28,068 |
| U.S. income tax expense (benefit) on intercompany transactions involving foreign operations | (1,210) | (452) | 17,613 |
| Increase (decrease) in valuation allowance | (12,269) | 17,374 | 27,181 |
| Other | (2,060) | 539 | 32 |
| Total | $121,638 | $ 50,132 | $ (23,038) |

"Income taxes payable and other tax liabilities" presented as current liabilities in the Consolidated Balance Sheets are summarized as follows:

| | December 31, 2003 | December 31, 2002 |
|---|---|---|
| | (In thousands) | Restated Note 2 |
| Income taxes payable (recoverable) | $ 10,885 | $(13,059) |
| Other tax liabilities | 455,599 | 324,198 |
| | $466,484 | $311,139 |

"Deferred income taxes and other tax liabilities" presented as non-current liabilities in the Consolidated Balance Sheets are summarized as follows:

| | December 31, 2003 | December 31, 2002 |
|---|---|---|
| | (In thousands) | Restated Note 2 |
| Deferred tax liabilities | $ 142,922 | $ 106,611 |
| Other tax liabilities | 293,211 | 269,107 |
| Deferred tax assets, net of valuation allowance | (161,141) | (153,449) |
| | $ 274,992 | $ 222,269 |

The tax effects of temporary differences that give rise to the deferred tax assets and deferred tax liabilities are presented below:

| | December 31, 2003 | December 31, 2002 |
|---|---|---|
| | (In thousands) | Restated Note 2 |
| Deferred tax assets attributable to: | | |
| Accounts receivable, principally due to allowance for doubtful accounts | $ 2,766 | $ 2,500 |
| Accrued expenses | 25,178 | 10,683 |
| Post-retirement obligation | 20,931 | 15,613 |
| Investments | 26,697 | 24,086 |
| Net operating loss carryforwards | 9,955 | 14,143 |
| Claims for restitution | 58,127 | 70,701 |
| U.S. tax benefit related to disposition and liquidation of Canadian operations | 132,851 | 114,829 |
| Foreign exchange basis differences | -- | 16,819 |
| Other | 26,224 | 16,278 |
| Deferred tax assets | 302,729 | 285,652 |
| Less valuation allowance | (141,588) | (132,203) |
| Net deferred tax assets | $ 161,141 | $ 153,449 |

HOLLINGER INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

| | December 31, 2003 | December 31, 2002 |
|---|---|---|
| | (In thousands) | Restated Note 2 |
| Deferred tax liabilities attributable to: | | |
| Property, plant and equipment, principally due to differences in depreciation | $ 36,287 | $ 36,121 |
| Pension asset | 16,547 | 8,914 |
| Foreign exchange basis differences | 18,461 | -- |
| Long-term advances under printing contract | 12,031 | 12,842 |
| Deferred gain on exchange of assets | 41,829 | 36,096 |
| Other | 17,767 | 12,638 |
| Deferred tax liabilities | $142,922 | $106,611 |

The valuation allowance relates principally to the U.S. tax benefits relating to the disposition and liquidation of the Canadian operations. Management believes that it is more likely than not that such benefits will not be realized, due to the application of capital loss limitation rules and uncertainties as to the timing of future deductions. The valuation allowance also relates to the tax benefits of net operating loss carryforwards, which management does not expect will be utilized.

The "Other tax liabilities" presented in the tables above, aggregating $748.8 million at December 31, 2003 and $593.3 million at December 31, 2002, are comprised of accruals to cover contingent tax liabilities. A substantial portion of the accruals to cover contingent tax liabilities relate to the tax treatment of gains on the sale of a portion of the Company's non-U.S. operations. Strategies have been and may be implemented that may also defer and/or reduce these taxes, but the effects of these strategies have not been reflected in the accounts. The accruals to cover contingent tax liabilities also relate to management fees, "non-competition" payments and other items that have been deducted in arriving at taxable income, which deductions may be disallowed by taxing authorities. If those deductions were to be disallowed, the Company would be required to pay additional taxes and interest since the dates such taxes would have been paid had the deductions not been taken, and it may be subject to penalties.

At December 31, 2003, the Company had approximately $27.6 million of Canadian net operating loss carryforwards, which will expire in varying amounts through December 31, 2009.

Total income taxes paid during the years ended December 31, 2003, 2002 and 2001 amounted to $32.4 million, $8.7 million and $84.0 million, respectively.

## (25)Employee Benefit Plans

### Defined Contribution Plans

The Company sponsors six domestic defined contribution plans, three of which have provisions for Company contributions. For the years ended December 31, 2003, 2002 and 2001, the Company contributed $2.3 million, $2.1 million and $1.6 million, respectively. The Company sponsors five multi-employer and defined contribution plans in Canada and contributed $0.2 million in each of 2003, 2002 and 2001.

The Telegraph sponsors a defined contribution plan, The Telegraph Staff Pension Plan ("TSPP"), for the majority of its employees, as well as a defined contribution plan to provide pension benefits for senior executives, The Telegraph Executive Pension Scheme ("TEPS"). For 2003, 2002 and 2001, contributions to the defined contribution plan are included as part of the service cost of the defined benefit plan. Contributions to TSPP were $7.0 million, $6.7 million and $6.5 million for 2003, 2002 and 2001, respectively. Contributions to TEPS were $0.6 million in 2003 and $0.5 million for each of 2002 and 2001. The Telegraph plans' assets consist principally of U.K. and non-U.K. equities, unit trusts and bonds.

Defined Benefit Plans

The Company and subsidiaries have seven domestic and seven foreign single-employer defined benefit pension plans and previously contributed to various union-sponsored, collectively bargained domestic multi-employer pension plans. The Company's contributions to these plans for the years ended December 31, 2003, 2002 and 2001 were:

| | 2003 | 2002 | 2001 |
|---|---|---|---|
| | (In thousands) | | |
| Single-employer pension plans | $10,210 | $9,156 | $8,753 |
| Multi-employer pension plans | $ -- | $ -- | $1,251 |

The Telegraph has a defined benefit plan that was closed on July 1, 1991 and provides only benefits accrued up to that date. The plan was wound up on June 26, 1998. Increases to pension payments are discretionary and are awarded by the trustees, with the Telegraph's consent. Pension increases are funded by the Telegraph as and when awarded.

Single-Employer Pension Plans

The benefits under subsidiary companies' single-employer pension plans are based primarily on years of service and compensation levels. The Company funds the annual provision deductible for income tax purposes. The plans' assets consist principally of marketable equity securities and corporate and government debt securities.

The components of net period benefit costs for the years ended December 31, 2003, 2002 and 2001 are as follows:

| | 2003 | 2002 | 2001 |
|---|---|---|---|
| | (In thousands) | | |
| Service cost | $ 9,330 | $ 8,247 | $ 8,192 |
| Interest cost | 25,825 | 25,772 | 26,816 |
| Expected return on plan assets | (24,781) | (27,534) | (18,078) |
| Amortization of losses | 6,250 | 2,445 | 862 |
| Settlement loss | -- | -- | 1,832 |
| Amortization of transitional obligation | 111 | -- | -- |
| Amortization of prior service costs | 173 | 423 | 305 |
| Net periodic benefit cost | $ 16,908 | $ 9,353 | $ 19,929 |

HOLLINGER INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

The table below sets forth the reconciliation of the benefit obligation as of December 31, 2003 and 2002:

| | December 31, 2003 | December 31, 2002 |
|---|---|---|
| | (In thousands) | |
| Benefit obligation at the beginning of the year | $403,337 | $406,356 |
| Service cost | 9,330 | 8,247 |
| Interest cost | 25,825 | 25,772 |
| Participant contributions | 3,714 | 3,374 |
| Curtailment loss | 1,531 | -- |
| Net transfer in | 4,483 | -- |
| Currency translation differences | 59,359 | 11,445 |
| Actuarial loss (gain) | 22,356 | (14,441) |
| Benefits paid | (35,900) | (37,416) |
| Benefit obligation at the end of the year | 494,035 | 403,337 |
| Fair value of plan assets at the beginning of the year | 357,243 | 407,806 |
| Actual return on plan assets | 60,260 | (32,595) |
| Other, including currency translation differences | 55,635 | 6,918 |
| Employer contributions | 10,210 | 9,156 |
| Participant contributions | 3,714 | 3,374 |
| Net transfer in | 1,248 | -- |
| Benefits paid | (35,900) | (37,416) |
| Fair value of plan assets at the end of the year | 452,410 | 357,243 |
| Funded status | (41,625) | (46,094) |
| Unrecognized net actuarial loss | 101,168 | 106,164 |
| Unrecognized prior service cost | 2,414 | 1,528 |
| Currency translation differences | (17) | 74 |
| Unrecognized net transition obligation | 1,371 | 1,483 |
| Prepaid benefit cost | $ 63,311 | $ 63,155 |

The above prepaid benefit costs are classified on the Consolidated Balance Sheets as follows:

| | December 31, 2003 | December 31, 2002 |
|---|---|---|
| | (In thousands) | |
| Prepaid pension benefit | $ 88,705 | $ 63,146 |
| Accrued benefit liability, included in other liabilities | (58,457) | (30,945) |
| Intangible asset, included in deferred financing costs and other assets | 2,414 | 1,528 |
| Minimum pension liability adjustment, included in accumulated other comprehensive loss | 30,649 | 29,426 |
| | $ 63,311 | $ 63,155 |

At December 31, 2003, the Company has also included $39.2 million (2002 -- $38.8 million) in the minimum pension liability adjustment that is included in "Accumulated comprehensive loss", representing the Company's 50% share of West Ferry's minimum pension liability adjustment.

HOLLINGER INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

The minimum pension liability adjustment included in "Accumulated other comprehensive loss" is summarized as follows at December 31:

| | December 31, 2003 | December 31, 2002 |
|---|---|---|
| | (In thousands) | |
| Company pension plans | $30,649 | $29,426 |
| Joint venture pension plans | 39,163 | 38,789 |
| | 69,812 | 68,215 |
| Less -- Deferred tax benefits | 23,324 | 23,425 |
| Less -- Minority interest | 69 | 81 |
| | $46,419 | $44,709 |

Information for domestic pension plans with an accumulated benefit obligation in excess of plan assets as of December 31:

| | December 31, 2003 | December 31, 2002 |
|---|---|---|
| | (In thousands) | |
| Projected benefit obligation | $86,971 | $80,197 |
| Accumulated benefit obligation | $75,256 | $71,072 |
| Fair value of plan assets | $64,096 | $58,747 |

The increase in the minimum pension liability adjustment included in other comprehensive loss was $1.7 million, $27.7 million and $14.9 million for the years ended December 31, 2003, 2002 and 2001 respectively.

Assumptions

The ranges of assumptions were as follows:

| | 2003 | 2002 | 2001 |
|---|---|---|---|
| Discount rate | 5.4% - 7.0% | 5.6% - 7.0% | 6.0% - 8.0% |
| Expected return on plan assets | 5.2% - 8.25% | 5.6% - 8.25% | 6.0% - 9.0% |
| Compensation increase | 3.7% - 4.0% | 2.5% - 4.5% | 2.5% - 4.5% |

Weighted-average assumptions used to determine domestic plan benefit obligations at December 31:

| | Pension Benefits 2003 | Pension Benefits 2002 |
|---|---|---|
| Discount rate | 6.25% | 6.75% |
| Rate of compensation increase | 1.41% | 1.38% |

Weighted-average assumptions used to determine domestic plan net periodic benefit cost for the years ended December 31:

| | Pension Benefits 2003 | Pension Benefits 2002 | Pension Benefits 2001 |
|---|---|---|---|
| Discount rate | 6.25% | 6.75% | 7.50% |
| Expected long-term return on plan assets | 8.25% | 8.25% | 9.00% |
| Rate of compensation increase | 1.41% | 1.38% | 3.87% |

HOLLINGER INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

The Company used a building block approach to determine its current 5.25% assumption of the long-term expected rate of return on pension plan assets. Based on historical market studies, the Company's long-term expected returns for equity and fixed income securities approximate 6% and 5.75%, respectively. The Company's current target asset allocation for pension plan assets is 50% in equity securities and 50% in fixed income securities and other.

Pension Plan Assets

The Company's domestic pension plan weighted-average asset allocations at December 31, 2003 and 2002, by asset category are as follows:

| | Plan Assets at December 31, | |
|---|---|---|
| Asset Category | 2003 | 2002 |
| Equity securities | 55.8% | 43.8% |
| Debt securities | 27.9% | 31.9% |
| Other | 16.3% | 24.3% |
| Total | 100.0% | 100.0% |

The domestic defined benefit plans' (the "Plans") pension investment objectives have been designed to provide a long-term investment return greater than the actuarial assumption and maximize investment return commensurate with appropriate levels of risk.

The Plans' strategies are predicated on the Plans' investment objectives noted above. Risk is intended to be minimized through the use of diverse asset classes, which will stabilize the portfolio and thereby reduce the level of volatility for each level of expected return.

Investments funds are selected on the basis of:

*Historically competitive investment return and risks;

*Stability and financial soundness of companies offering funds;

*Desirability of offering funds run by different managers; and

*Manager's investment philosophy and style.

The Plans' fund manager reviews the investment funds quarterly for consistency of style and competitive investment performance.

The Company's other pension plans are for its foreign subsidiaries. Under SFAS No. 132, the requirement to disclose weighted-average asset allocations by asset category is not applicable until the year ending December 31, 2004.

Contributions to Pension Plans

The Company expects to contribute $0.2 million to its domestic plans in 2004 and has no domestic post retirement benefit plan. Under SFAS 132, the Company is not required to disclose the expected contributions to its foreign pension plans or other post retirement benefit plans in 2003.

Post-retirement and Post-employment Benefits

The Company sponsors three foreign post-retirement plans that provide post-retirement benefits to certain employees. These and other benefits are accrued in accordance with SFAS No. 106, "Employers'

HOLLINGER INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

Accounting for Post-retirement Benefits Other than Pensions" ("SFAS No. 106"), and SFAS No. 112, "Employers' Accounting for Post-employment Benefits" ("SFAS No. 112").

The components of net periodic post-retirement benefit cost for the years ended December 31, 2003, 2002 and 2001 are as follows:

| | 2003 | 2002 | 2001 |
|---|---|---|---|
| | (In thousands) | | |
| Service cost | $ 77 | $ 85 | $ 120 |
| Interest cost | 1,354 | 1,783 | 1,916 |
| Amortization of losses (gains) | 160 | (318) | 15 |
| Settlement/ curtailment | -- | -- | (1,725) |
| Net periodic post-retirement benefit cost | $1,591 | $1,550 | $ 326 |

The table below sets forth the reconciliation of the accumulated post-retirement benefit obligation as of December 31, 2003 and 2002:

| | December 31, | |
|---|---|---|
| | 2003 | 2002 |
| | (In thousands) | |
| Accumulated post-retirement benefit obligation at the beginning of the year | $36,799 | $27,943 |
| Service cost | 77 | 85 |
| Interest cost | 1,354 | 1,783 |
| Actuarial losses | (8,498) | (150) |
| Benefits paid | (1,931) | (1,976) |
| Other, including currency translation differences | 7,435 | 9,114 |
| Accumulated post-retirement benefit obligation at the end of the year | $35,236 | $36,799 |

The fair value of the plan assets was $2.7 million at December 31, 2003 and $2.7 million at December 31, 2002.

The table below sets forth the plan's funded status reconciled to the amounts recognized in the Consolidated Balance Sheets:

| | December 31, | |
|---|---|---|
| | 2003 | 2002 |
| | (In thousands) | |
| Unfunded status | $32,492 | $34,131 |
| Unrecognized net loss | 7,029 | (1,484) |
| Accrued post-retirement benefit cost, included in other liabilities | $39,521 | $32,647 |

The weighted average discount rate used in determining the accumulated post-retirement benefit obligation was 5.75% and 6.25% for 2003 and 2002, respectively. The weighted average discount rate used in determining the net periodic benefit cost was 6.25% and 6.5% for 2003 and 2002, respectively. All benefits under the plan are paid for by the Company's contributions to the Plan.

| | 2003 | 2002 |
|---|---|---|
| Healthcare cost trend assumed next year | 10% | 10% |
| Rate to which the cost trend is assumed to decline (the ultimate trend rate) | 5% | 5% |
| Year that rate reaches ultimate trend rate | 2010 | 2005 |

Assumed health care cost trend rates have a significant effect on the amounts reported for heath care plans. If the health care cost trend rate was increased 1%, the accumulated post-retirement benefit obligation as of December 31, 2003 would have increased $1.6 million (2002 -- $1.8 million) and the effect of this change on the aggregate of service and interest cost for 2003 would have been an increase of $0.1 million (2002 -- $0.1 million). If the health care cost trend rate was decreased 1%, the accumulated post-retirement benefit obligation as of December 31, 2003 would have decreased by $1.4 million (2002 -- $1.6 million) and the effect of this change on the aggregate of service and interest cost for 2003 would have been a decrease of $0.1 million (2002 -- $0.1 million).

## (26)Supplemental Condensed Consolidating Financial Information

The 9% Senior Notes due 2010 and the 8.625% Senior Notes due 2005 are obligations of Publishing, a wholly-owned subsidiary of the Company. These obligations are guaranteed fully and unconditionally by the Company. No other subsidiary of the Company or of Publishing has guaranteed the securities.

Supplemental condensed consolidating financial information of the Company and Publishing is presented below. The Company's other directly owned subsidiary, Hollinger Telegraph New Media LLC, is minor and therefore has not been disclosed separately. The Company's and Publishing's investments in subsidiaries are presented using the equity method, and the Eliminations column reflects the elimination of investments in subsidiaries and intercompany balances and transactions, and the inclusion of assets and liabilities, revenue, expenses and cash flows of Publishing's subsidiaries.

HOLLINGER INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

| | Year Ended December 31, 2003 | | | |
|---|---|---|---|---|
| | Hollinger International Inc. | Publishing | Eliminations | Consolidated |
| | (In thousands) | | | |
| Operating revenues: | | | | |
| Advertising | $ -- | $ -- | $ 733,826 | $ 733,826 |
| Circulation | -- | -- | 277,264 | 277,264 |
| Job printing | -- | -- | 16,427 | 16,427 |
| Other | -- | -- | 33,686 | 33,686 |
| Total operating revenues | -- | -- | 1,061,203 | 1,061,203 |
| Operating costs and expenses: | | | | |
| Newsprint | -- | -- | 72,868 | 72,868 |
| Newsprint incurred through joint ventures | -- | -- | 75,402 | 75,402 |
| Compensation | 6,722 | 3,954 | 328,227 | 338,903 |
| Other operating costs | 10,703 | 36,338 | 412,452 | 459,493 |
| Other operating costs incurred through joint ventures | -- | -- | 49,667 | 49,667 |
| Depreciation | -- | 1,312 | 37,187 | 38,499 |
| Amortization | -- | -- | 16,354 | 16,354 |
| Total operating costs and expenses | 17,425 | 41,604 | 992,157 | 1,051,186 |
| Operating income (loss) | (17,425) | (41,604) | 69,046 | 10,017 |
| Other income (expense): | | | | |
| Interest expense | -- | (29,163) | (26,396) | (55,559) |
| Amortization of deferred financing costs | -- | (1,503) | (1,352) | (2,855) |
| Interest and dividend income | 10,334 | 25,796 | (10,719) | 25,411 |
| Other income (expense), net | (35,090) | (68,924) | 179,655 | 75,641 |
| Total other income (expense) | (24,756) | (73,794) | 141,188 | 42,638 |
| Earnings (loss) before income taxes and minority interest | (42,181) | (115,398) | 210,234 | 52,655 |
| Income taxes | 32,127 | 8,025 | 81,486 | 121,638 |
| Earnings (loss) before minority interest | (74,308) | (123,423) | 128,748 | (68,983) |
| Minority interest | -- | -- | 5,325 | 5,325 |
| Net earnings (loss) | $ (74,308) | $(123,423) | $ 123,423 | $ (74,308) |

# HOLLINGER INTERNATIONAL INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

Year Ended December 31, 2002

PublishingEliminationConsolidated

(In thousands)
Restated -- Note 2

| | Hollinger International Inc. | | | |
|---|---|---|---|---|
| **Operating revenues:** | | | | |
| Advertising | $ -- | $ -- | $ 710,849 | $ 710,849 |
| Circulation | -- | -- | 247,175 | 247,175 |
| Job printing | -- | -- | 16,669 | 16,669 |
| Other | -- | -- | 31,469 | 31,469 |
| Total operating revenues | -- | -- | 1,006,162 | 1,006,162 |
| **Operating costs and expenses:** | | | | |
| Newsprint | -- | -- | 86,935 | 86,935 |
| Newsprint incurred through joint ventures | -- | -- | 60,589 | 60,589 |
| Compensation | -- | 3,162 | 305,870 | 309,032 |
| Other operating costs | 420 | 22,881 | 365,369 | 388,670 |
| Other operating costs incurred through joint ventures | -- | -- | 46,677 | 46,677 |
| Depreciation | -- | 1,297 | 35,704 | 37,001 |
| Amortization | -- | -- | 17,151 | 17,151 |
| Total operating costs and expenses | 420 | 27,340 | 918,295 | 946,055 |
| Operating income (loss) | (420) | (27,340) | 87,867 | 60,107 |
| **Other income (expense):** | | | | |
| Interest expense | (1,209) | (53,121) | (4,442) | (58,772) |
| Amortization of deferred financing costs | -- | (5,585) | -- | (5,585) |
| Interest and dividend income | 1,375 | 1,918 | 15,489 | 18,782 |
| Other income (expense), net | (250,885) | (136,660) | 214,762 | (172,783) |
| Total other income (expense) | (250,719) | (193,448) | 225,809 | (218,358) |
| Earnings (loss) before income taxes, minority interest, and cumulative effect of change in accounting principle | (251,139) | (220,788) | 313,676 | (158,251) |
| Income taxes (benefit) | (20,510) | (30,545) | 101,187 | 50,132 |
| Earnings (loss) before minority interest and cumulative effect of change in accounting principle | (230,629) | (190,243) | 212,489 | (208,383) |
| Minority interest | -- | -- | 2,167 | 2,167 |
| Earnings (loss) before cumulative effect of change in accounting principle | (230,629) | (190,243) | 210,322 | (210,550) |
| Cumulative effect of change in accounting principle | -- | -- | (20,079) | (20,079) |
| Net earnings (loss) | $(230,629) | $(190,243) | $ 190,243 | $ (230,629) |

HOLLINGER INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

| | Year Ended December 31, 2001 | | | |
|---|---|---|---|---|
| | Hollinger International Inc. | Publishing | Eliminations | Consolidated |
| | (In thousands) Restated -- Note 2 | | | |
| Operating revenues: | | | | |
| Advertising | $ -- | $ -- | $ 804,462 | $ 804,462 |
| Circulation | -- | -- | 278,321 | 278,321 |
| Job printing | -- | -- | 25,092 | 25,092 |
| Other | -- | -- | 38,446 | 38,446 |
| Total operating revenues | -- | -- | 1,146,321 | 1,146,321 |
| Operating costs and expenses: | | | | |
| Newsprint | -- | -- | 127,025 | 127,025 |
| Newsprint incurred through joint ventures | -- | -- | 77,399 | 77,399 |
| Compensation | (1,369) | 4,133 | 358,912 | 361,676 |
| Other operating costs | 400 | 20,465 | 473,138 | 494,003 |
| Other operating costs incurred through joint ventures | -- | -- | 48,473 | 48,473 |
| Depreciation | -- | 1,269 | 36,699 | 37,968 |
| Amortization | -- | -- | 35,760 | 35,760 |
| Total operating costs and expenses | (969) | 25,867 | 1,157,406 | 1,182,304 |
| Operating income (loss) | 969 | (25,867) | (11,085) | (35,983) |
| Other income (expense): | | | | |
| Interest expense | (3,401) | (72,312) | (2,926) | (78,639) |
| Amortization of deferred financing costs | (2,835) | (7,532) | -- | (10,367) |
| Interest and dividend income | 22,024 | 418 | 42,451 | 64,893 |
| Other income (expense), net | (346,785) | (171,972) | 215,439 | (303,318) |
| Total other income (expense) | (330,997) | (251,398) | 254,964 | (327,431) |
| Earnings (loss) before income taxes and minority interest | (330,028) | (277,265) | 243,879 | (363,414) |
| Income taxes (benefit) | (3,455) | (28,180) | 8,597 | (23,038) |
| Earnings (loss) before minority interest | (326,573) | (249,085) | 235,282 | (340,376) |
| Recovery of minority interest | -- | -- | (13,803) | (13,803) |
| Net earnings (loss) | $ (326,573) | $(249,085) | $ 249,085 | $ (326,573) |

HOLLINGER INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

| | As of December 31, 2003 | | | |
|---|---|---|---|---|
| | Hollinger International Inc. | Publishing | Eliminations | Consolidated |
| | (In thousands) | | | |
| **Assets** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $ 33,928 | $ 26,727 | $ 73,839 | $ 134,494 |
| Accounts receivable, net | 267 | 86 | 238,381 | 238,734 |
| Amounts due from related parties, net | 37,424 | 257,989 | (283,525) | 11,888 |
| Intercompany accounts receivable | 16,365 | 180,137 | (196,502) | -- |
| Inventories | -- | -- | 10,821 | 10,821 |
| Escrow deposits and restricted cash | -- | -- | 16,718 | 16,718 |
| Other current assets | 15 | 2,543 | 28,720 | 31,278 |
| Total current assets | 87,999 | 467,482 | (111,548) | 443,933 |
| Loan to affiliate | 22,131 | -- | -- | 22,131 |
| Investments | 220,947 | 1,280,811 | (1,389,786) | 111,972 |
| Advances under printing contracts and notes receivable -- joint ventures | -- | -- | 47,393 | 47,393 |
| Property, plant and equipment, net of accumulated depreciation | -- | 907 | 264,452 | 265,359 |
| Intangible assets, net of accumulated amortization | -- | -- | 107,490 | 107,490 |
| Goodwill | -- | -- | 577,300 | 577,300 |
| Prepaid pension benefit | -- | -- | 88,705 | 88,705 |
| Deferred financing costs and other assets | 69,746 | 13,547 | 52,603 | 135,896 |
| | $ 400,823 | $1,762,747 | $ (363,391) | $ 1,800,179 |
| **Liabilities and Stockholders' Equity** | | | | |
| Current liabilities: | | | | |
| Current installments of long-term debt | $ -- | $ -- | $ 6,725 | $ 6,725 |
| Senior subordinated notes | -- | -- | -- | -- |
| Accounts payable and accrued expenses | 8,398 | 7,311 | 242,103 | 257,812 |
| Accounts payable -- joint ventures | -- | -- | 16,375 | 16,375 |
| Amounts due to related parties, net | 293,516 | 1,052,561 | (1,346,077) | -- |
| Income taxes payable (recoverable) and other tax liabilities | 57,448 | (53,121) | 462,157 | 466,484 |
| Deferred revenue | -- | -- | 50,851 | 50,851 |
| Total current liabilities | 359,362 | 1,006,751 | (567,866) | 798,247 |
| Long-term debt, less current installments | -- | 310,713 | 211,834 | 522,547 |
| Deferred income taxes and other tax liabilities | 4,685 | 108,283 | 162,024 | 274,992 |
| Other liabilities | -- | -- | 139,362 | 139,362 |
| Total liabilities | 364,047 | 1,425,747 | (54,646) | 1,735,148 |
| Minority interest | -- | -- | 28,255 | 28,255 |
| Redeemable preferred stock | -- | 138,309 | (138,309) | -- |
| Total stockholders' equity | 36,776 | 198,691 | (198,691) | 36,776 |
| | $ 400,823 | $1,762,747 | $ (363,391) | $ 1,800,179 |

HOLLINGER INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

| | As of December 31, 2002 | | | |
|---|---|---|---|---|
| | Hollinger International Inc. | Publishing | Eliminations | Consolidated |
| | (In thousands) Restated - Note 2 | | | |
| **Assets** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $ 39,750 | $ 11,394 | $ 85,997 | $ 137,141 |
| Accounts receivable, net | 407 | 282 | 205,154 | 205,843 |
| Amounts due from related parties, net | 191 | 15,968 | (16,159) | -- |
| Intercompany accounts receivable | 8,921 | 358,950 | (367,871) | -- |
| Inventories | -- | -- | 10,194 | 10,194 |
| Escrow deposits and restricted cash | -- | 545,952 | -- | 545,952 |
| Other current assets | 7 | 56 | 18,295 | 18,358 |
| Total current assets | 49,276 | 932,602 | (64,390) | 917,488 |
| Loan to affiliate | 45,848 | -- | -- | 45,848 |
| Investments | 303,059 | 1,370,765 | (1,575,881) | 97,943 |
| Advances under printing contracts and notes receivable -- joint ventures | -- | -- | 50,591 | 50,591 |
| Property, plant and equipment, net of accumulated depreciation | -- | 4,891 | 294,795 | 299,686 |
| Intangible assets, net of accumulated amortization | -- | -- | 117,179 | 117,179 |
| Goodwill | -- | -- | 533,677 | 533,677 |
| Prepaid pension benefit | -- | -- | 63,146 | 63,146 |
| Deferred financing costs and other assets | 66 | 37,456 | 22,692 | 60,214 |
| | $ 398,249 | $2,345,714 | $ (558,191) | $ 2,185,772 |
| **Liabilities and Stockholders' Equity** | | | | |
| Current liabilities: | | | | |
| Current installments of long-term debt | $ -- | $ -- | $ 4,814 | $ 4,814 |
| Senior subordinated notes | -- | 504,906 | -- | 504,906 |
| Accounts payable and accrued expenses | 5,348 | 18,955 | 189,365 | 213,668 |
| Accounts payable -- joint ventures | -- | -- | 12,454 | 12,454 |
| Amounts due to related parties, net | 194,182 | 1,034,417 | (1,203,434) | 25,165 |
| Income taxes payable (recoverable) and other tax liabilities | 53,310 | (22,226) | 280,055 | 311,139 |
| Deferred revenue | -- | -- | 42,792 | 42,792 |
| Total current liabilities | 252,840 | 1,536,052 | (673,954) | 1,114,938 |
| Long-term debt, less current installments | -- | 305,082 | 269,576 | 574,658 |
| Deferred income taxes and other tax liabilities | (23,300) | 69,362 | 176,207 | 222,269 |
| Other liabilities | 10,276 | -- | 88,101 | 98,377 |
| Total liabilities | 239,816 | 1,910,496 | (140,070) | 2,010,242 |
| Minority interest | -- | -- | 17,097 | 17,097 |
| Redeemable preferred stock | 8,650 | 138,309 | (138,309) | 8,650 |
| Total stockholders' equity | 149,783 | 296,909 | (296,909) | 149,783 |
| | $ 398,249 | $2,345,714 | $ (558,191) | $ 2,185,772 |

HOLLINGER INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

| | Year Ended December 31, 2003 | | | |
|---|---|---|---|---|
| | Hollinger International Inc. | Publishing | Eliminations | Consolidated |
| | (In thousands) | | | |
| Cash flows from operating activities | | | | |
| Net earnings (loss) | $ (74,308) | $(123,423) | $ 123,423 | $ (74,308) |
| Items not involving cash: | | | | |
| Depreciation and amortization | -- | 1,312 | 53,541 | 54,853 |
| Gain on sale of investments | (613) | -- | (2,965) | (3,578) |
| Amortization of deferred financing costs | -- | 1,503 | 1,352 | 2,855 |
| Minority interest | -- | -- | 5,325 | 5,325 |
| Premium on debt extinguishments | -- | 19,657 | -- | 19,657 |
| Loss on sale of property, plant and equipment and publishing interests | -- | -- | 6,455 | 6,455 |
| Non-cash interest income | -- | -- | (8,110) | (8,110) |
| Other non-cash items | (15,602) | 96,327 | (89,634) | (8,909) |
| Changes in working capital, net | 7,319 | (42,347) | 141,641 | 106,613 |
| Cash provided by (used in) operating activities | (83,204) | (46,971) | 231,028 | 100,853 |
| Cash flows from investing activities: | | | | |
| Purchase of property, plant and equipment | -- | (106) | (14,594) | (14,700) |
| Additions to investments and other assets | (3,966) | (1,620) | (20,611) | (26,197) |
| Proceeds from disposal of investments and other assets | 1,612 | -- | 30,749 | 32,361 |
| Other | -- | -- | 7,954 | 7,954 |
| Cash provided by (used in) investing activities | (2,354) | (1,726) | 3,498 | (582) |
| Cash flows from financing activities: | | | | |
| Repayments of debt | -- | (524,563) | (51,011) | (575,574) |
| Escrow deposits and restricted cash | -- | 545,952 | (16,718) | 529,234 |
| Net proceeds from issuance of equity | 12,115 | -- | -- | 12,115 |
| Repurchase of common shares | (8,849) | -- | -- | (8,849) |
| Changes in borrowings with related parties | 93,873 | 39,471 | (182,397) | (49,053) |
| Dividends paid | (17,403) | -- | -- | (17,403) |
| Other | -- | 3,170 | (7,498) | (4,328) |
| Cash provided by (used in) financing activities | 79,736 | 64,030 | (257,624) | (113,858) |
| Effect of exchange rate changes on cash and cash equivalents | -- | -- | 10,940 | 10,940 |
| Net increase (decrease) in cash and cash equivalents | (5,822) | 15,333 | (12,158) | (2,647) |
| Cash and cash equivalents at beginning of year | 39,750 | 11,394 | 85,997 | 137,141 |
| Cash and cash equivalents at end of year | $ 33,928 | $ 26,727 | $ 73,839 | $ 134,494 |

HOLLINGER INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

| | Year Ended December 31, 2002 | | | |
|---|---|---|---|---|
| | Hollinger International Inc. | Publishing | Eliminations | Consolidated |
| | (In thousands) Restated -- Note 2 | | | |
| Cash flows from operating activities | | | | |
| Net earnings (loss) | $ (230,629) | $(190,243) | $ 190,243 | $ (230,629) |
| Items not involving cash: | | | | |
| Depreciation and amortization | -- | 1,297 | 52,855 | 54,152 |
| Amortization of deferred financing costs | -- | 5,585 | -- | 5,585 |
| Minority interest | -- | -- | 2,167 | 2,167 |
| Premium on debt extinguishments | -- | 27,126 | -- | 27,126 |
| Gain on sale of property, plant and equipment and publishing interests | -- | -- | (5,334) | (5,334) |
| Write-down of investments | 13,225 | 10,000 | 17,311 | 40,536 |
| Non-cash interest income | -- | -- | (5,888) | (5,888) |
| Loss on Total Return Equity Swap | 9,106 | -- | -- | 9,106 |
| Cumulative effect of change in accounting principle | -- | -- | 20,079 | 20,079 |
| Other non-cash items | 288,638 | 140,890 | (304,504) | 125,024 |
| Changes in working capital, net | (79,684) | (29,022) | 123,225 | 14,519 |
| Cash provided by (used in) operating activities | 656 | (34,367) | 90,154 | 56,443 |
| Cash flows from investing activities: | | | | |
| Purchases of property, plant and equipment | -- | (1,542) | (27,360) | (28,902) |
| Additions to investments and other assets | (1,145) | -- | (10,256) | (11,401) |
| Proceeds from disposal of investments and other assets | -- | 602,200 | (591,193) | 11,007 |
| Other | -- | -- | 1,869 | 1,869 |
| Cash provided by (used in) investing activities | (1,145) | 600,658 | (626,940) | (27,427) |
| Cash flows from financing activities: | | | | |
| Proceeds from issuance of notes | -- | 300,000 | -- | 300,000 |
| Repayments of debt | (50,000) | (317,138) | (3,643) | (370,781) |
| Proceeds from bank and other debt | 50,000 | -- | 265,000 | 315,000 |
| Escrow deposits and restricted cash | 7,548 | (540,952) | -- | (533,404) |
| Proceeds on issuance of common shares | 4,247 | -- | -- | 4,247 |
| Proceeds on issuance of preferred shares | -- | 138,309 | (138,309) | -- |
| Cash settlement of Total Return Equity Swap | (100,000) | -- | -- | (100,000) |
| Changes in borrowings with related parties | 91,568 | (124,134) | 58,864 | 26,298 |
| Dividends and distributions paid by subsidiaries to minority stockholders | -- | -- | (917) | (917) |
| Dividends paid | (28,762) | (100,000) | 100,000 | (28,762) |
| Other | 1,391 | (12,315) | (5,630) | (16,554) |
| Cash provided by (used in) financing activities | (24,008) | (656,230) | 275,365 | (404,873) |
| Effect of exchange rate changes on cash and cash equivalents | -- | -- | 7,719 | 7,719 |
| Net decrease in cash and cash equivalents | (24,497) | (89,939) | (253,702) | (368,138) |
| Cash and cash equivalents at beginning of year | 64,247 | 101,333 | 339,699 | 505,279 |
| Cash and cash equivalents at end of year | $ 39,750 | $ 11,394 | $ 85,997 | $ 137,141 |

HOLLINGER INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

| | Year Ended December 31, 2001 | | | |
|---|---|---|---|---|
| | Hollinger International Inc. | Publishing | Eliminations | Consolidated |
| | (In thousands) Restated -- Note 2 | | | |
| Cash flows from operating activities | | | | |
| Net earnings (loss) | $ (326,573) | $(249,085) | $ 249,085 | $ (326,573) |
| Items not involving cash: | | | | |
| Depreciation and amortization | -- | 1,269 | 72,459 | 73,728 |
| Amortization of deferred financing costs | 2,835 | 7,532 | -- | 10,367 |
| Minority interest | -- | -- | (13,803) | (13,803) |
| Loss (gain) on sale of investments | (7,125) | (56) | 154,394 | 147,213 |
| Gain on sale of property, plant and equipment and publishing interests | -- | -- | (71) | (71) |
| Write-down of investments | 22,045 | -- | 25,992 | 48,037 |
| Non-cash interest income | -- | -- | (43,821) | (43,821) |
| Loss on Total Return Equity Swap | 42,845 | -- | -- | 42,845 |
| Other non-cash items | 267,143 | 232,246 | (527,891) | (28,502) |
| Changes in working capital, net | 756 | (7,830) | (40,631) | (47,705) |
| Cash provided by (used in) operating activities | 1,926 | (15,924) | (124,287) | (138,285) |
| Cash flows from investing activities: | | | | |
| Purchase of property, plant and equipment | -- | (237) | (44,214) | (44,451) |
| Additions to investments and other assets | (334,042) | (56,478) | 345,326 | (45,194) |
| Proceeds from disposal of investments and other assets | 318,935 | 527 | 520,937 | 840,399 |
| Other | -- | -- | 5,982 | 5,982 |
| Cash provided by (used in) investing activities | (15,107) | (56,188) | 828,031 | 756,736 |
| Cash flows from financing activities: | | | | |
| Repayments of debt | (88,000) | -- | (5,469) | (93,469) |
| Proceeds from bank and other debt | 88,000 | -- | 3,574 | 91,574 |
| Net proceeds on issuance of common equity | 6,863 | -- | -- | 6,863 |
| Repurchase of common shares, redemption of preferred | (143,055) | -- | -- | (143,055) |
| Changes in borrowings with related parties | 281,082 | 169,795 | (460,366) | (9,489) |
| Escrow deposits and restricted cash | (7,548) | (5,000) | -- | (12,548) |
| Dividends and distributions paid by subsidiaries to minority stockholders | -- | -- | (53,673) | (53,673) |
| Dividends paid | (53,157) | (14,400) | 14,400 | (53,157) |
| Other | (8,866) | 724 | 3,832 | (4,310) |
| Cash provided by (used in) financing activities | 75,319 | 151,119 | (497,702) | (271,264) |
| Effect of exchange rate changes on cash and cash equivalents | -- | -- | (9,438) | (9,438) |
| Net increase in cash and cash equivalents | 62,138 | 79,007 | 196,604 | 337,749 |
| Cash and cash equivalents at beginning of year | 2,109 | 22,326 | 143,095 | 167,530 |
| Cash and cash equivalents at end of year | $ 64,247 | $ 101,333 | $ 339,699 | $ 505,279 |

(27)Quarterly Financial Data (Unaudited)

Quarterly financial data for the years ended December 31, 2003 and 2002 is as follows:

| | 2003(1) | | | |
|---|---|---|---|---|
| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
| | Restated Note 2 (In thousands, except per share data) | | | |
| Total operating revenues | $ 260,347 | $264,384 | $253,127 | $283,345 |
| Total operating income (loss) | 13,483 | 18,503 | 4,491 | (26,460) |
| Net income (loss) | 1,214 | 22,362 | (8,134) | (89,750) |
| Basic net earnings (loss) per share | 0.01 | 0.26 | (0.09) | (1.03) |
| Diluted net earnings (loss) per share | 0.01 | 0.26 | (0.09) | (1.03) |

| | 2002(1) | | | |
|---|---|---|---|---|
| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
| | Restated Note 2 (In thousands, except per share data) | | | |
| Total operating revenues | $246,963 | $250,777 | $244,419 | $ 264,003 |
| Total operating income | 17,699 | 17,236 | 7,868 | 17,304 |
| Loss before cumulative effect of change in accounting principle | (64,937) | (4,098) | (33,274) | (108,241) |
| Cumulative effect of change in accounting principle | (20,079) | -- | -- | -- |
| Net loss | (85,016) | (4,098) | (33,274) | (108,241) |
| Basic loss per share | (0.89) | (0.04) | (0.35) | (1.13) |
| Diluted loss per share | (0.89) | (0.04) | (0.35) | (1.13) |

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(1) The Company has restated the results of all quarters of 2002 and the first three quarters of 2003 to reflect the restatements disclosed in Note 2.

(28)Subsequent Events

(a) Repayment of Unauthorized "Non-competition" Payments -- The Company has received the following amounts, excluding interest, from Hollinger Inc., Black, Radler and Atkinson subsequent to December 31, 2003 in accordance with the Restructuring Agreement.

| | (In thousands) |
|---|---|
| Hollinger Inc. | $ 16,550 |
| Conrad Black | 7,197 |
| David Radler | 6,348 |
| Peter Atkinson | 252 |
| | $ 30,347 |

Of these amounts, $23.7 million paid by Hollinger Inc. and Black is the subject of an appeal by Hollinger Inc. and Black to the Delaware Supreme Court and $0.3 million paid by Atkinson is in escrow pending the approval of the terms of his settlement by the Delaware Chancery Court. (See 28(g) below.)

(b) Shareholder Rights Plan -- On February 27, 2004, the Company paid a dividend of one preferred share purchase right (a "Right") for each share of Class A Common Stock and Class B Common Stock held of record at the close of business on February 5, 2004. Each Right, if and when exercisable, entitles its holder to purchase from the Company one one-thousandth of a share of a new series of preferred stock at an exercise price of $50.00.

The shareholder rights plan provides that the Rights will separate from the Class A Common Stock and Class B Common Stock and become exercisable only if a person or group beneficially acquires, directly or indirectly, 20% or more of the outstanding stockholder voting power of the Company without the approval of the Company's directors, or if a person or group announces a tender offer which if consummated would result in such person or group beneficially owning 20% or more of such voting power. The directors of the Company may redeem the Rights at $0.001 per Right at any time prior to the separation of the Rights from the Class A Common Stock and Class B Common Stock.

Under most circumstances involving an acquisition by a person or group of 20% or more of the stockholder voting power of the Company, each Right will entitle its holder (other than such person or group), in lieu of purchasing preferred stock, the right to purchase 10 shares of Class A Common Stock of the Company at a 50% discount. In addition, in the event of certain business combinations following such an acquisition, each Right will entitle its holder to purchase the common stock of an acquirer of the Company at a 50% discount.

(c) Strategic Process -- As announced in November of 2003, the Company engaged Lazard to manage a process to evaluate various strategic alternatives for the Company (the "Strategic Process"). These alternatives included selling the Company as a whole or selling off individual assets such as the Chicago Newspaper Group, the U.K. Newspaper Group, the Canadian Newspaper Group or The Jerusalem Post.

Lazard organized and managed the process during which time the Company collected several offers for the various properties. Based upon the offers received by June 2004, the Company narrowed the scope of the strategic review and decided that the Company, at that time, would only pursue the sale of the Telegraph Group.

The Company closed the sale of the Telegraph Group on July 30, 2004 for approximately $1.3 billion (based on US$1.8145 =  lb.1) of cash proceeds.

As part of the Strategic Process, on December 15, 2004, the Company announced it had completed the sale of The Palestine Post Limited, the publisher of The Jerusalem Post, The Jerusalem Report and related publications. The transaction involved the sale by the Company of its debt and equity interests in The Palestine Post Limited for $13.2 million.

(d) Repayment of Senior Credit Facility -- During the Company's third fiscal quarter in 2004, and concurrent with the closing of the sale of the Telegraph Group, the Company repaid, in full, all amounts outstanding under its Senior Credit Facility and terminated all derivatives related to that facility. The Company incurred charges of approximately $2.1 million for premiums and fees related to the early repayment of the facility and $32.3 million related to the early termination of the derivative contracts.

(e) Retirement of 9% Senior Notes -- In June of 2004, the Company commenced a tender offer and consent solicitation to retire all of the 9% Senior Notes. The Company amended this offer in July of 2004. The offer closed on July 30, 2004. As of August 2, 2004, 97% of the outstanding 9% Senior Notes were tendered for retirement. The cost of the early retirement of the 9% Senior Notes was approximately $50.7 million, consisting of a premium for early retirement and related fees, and was incurred during the third quarter of 2004. The Company cancelled the interest rate swaps on the 9% Senior Notes on July 30, 2004 and recorded a cost of $10.5 million for the early termination of these swaps during the third quarter of 2004. The Company has since purchased and retired an additional $3.4 million in principal amount of the 9% Senior Notes. The 9% Senior Notes outstanding at September 30, 2004 total approximately $6.0 million.

(f) Disposition of Interest in Trump Joint Venture -- On June 21, 2004, the Company entered into an agreement to sell its 50% interest in the real estate joint venture that was established by the Company and an entity affiliated with Mr. Donald Trump for the development of the property on which a portion of the Chicago Sun-Times operations was then situated. Immediately prior to the sale of the interest in the joint venture, the Company contributed to the joint venture, its property in downtown Chicago where the Chicago Sun-Times had conducted its editorial, pre-press, marketing, sales and administrative activities. Under the terms of the agreement the Company received $4.0 million in cash upon signing of the sales agreement, and the balance of approximately $66.7 million, net of closing costs and adjustments, was received in cash on closing. This transaction closed on October 15, 2004.

The Chicago Sun-Times has entered into an operating lease for new office space. The new lease is for 15 years with an average annual expense of approximately $3.4 million. The Chicago Sun-Times relocated to its new offices early in the fourth quarter of 2004.

(g) Settlement with Atkinson -- Although Atkinson was not a party to the Restructuring Agreement, he agreed to pay the amount identified as attributable to him in the Restructuring Agreement. On April 27, 2004, the Company reached a settlement with a former director and officer of the Company, Atkinson. The terms of the settlement are subject to approval by the Delaware Chancery Court in the December 2003 derivative action. Under the settlement with the Company, Atkinson agreed to pay the Company all the proceeds of the "non-competition" and Hollinger Digital payments he received plus interest, which totals approximately $2.8 million. The total amount of $2.8 million includes the amounts identified as attributable to Atkinson in the Restructuring Agreement. Prior to the end of December 2003, Atkinson paid the Company $0.4 million. Atkinson exercised his vested options and the option proceeds of $4.0 million were deposited into an escrow account. Upon the Delaware Chancery Court's approval of the settlement agreement, the Company will receive $2.4 million. Included in the $2.4 million in escrow is approximately $0.3 million, which has been included as received (See Note 28(a) above). This amount represents the balance, before interest, identified as attributable to Atkinson at December 31, 2003 in the Restructuring Agreement.

(h) Hollinger L.P. Tender Offer -- On August 6, 2004, the Toronto Stock Exchange ("TSX") suspended the listing of the units of Hollinger L.P. because the general partner of Hollinger L.P. does not have at least two independent directors, as required by TSX listing requirements. On August 5, 2004, the Company expressed an interest in pursuing a tender offer for the units of Hollinger L.P. not held by affiliates of the Company. An independent committee of the general partner of Hollinger L.P., consisting of the sole independent director of the general partner, was formed and it retained independent legal counsel and financial advisors. Continuing liquidity for minority unit holders during the tender offer process has been provided through a listing of the units on a junior board of the TSX Venture Exchange. On December 10, 2004, it was announced that the Company would not pursue the tender offer until such time as Hollinger L.P. is current in its financial statement filings.

(i) Participation Trust -- On October 7, 2004, the Company and Hollinger L.P. entered into a Facilitation Agreement (the "Facilitation Agreement") with CanWest, pursuant to which the parties agreed to redeem the CanWest Debentures and dissolve the Trust. CanWest exchanged the Trust Notes for new debentures issued by CanWest (the "CanWest Exchange Offer"). In the Facilitation Agreement, the Company agreed, among other things, to sell to CanWest for cash all of the CanWest Debentures beneficially owned by the Company. The Company's obligation to sell the CanWest Debentures to the Issuer, and CanWest's obligation to purchase the CanWest Debentures from the Company, was conditioned upon the closing of the CanWest Exchange Offer. The CanWest Exchange Offer was subject to a number of conditions, including that at least two-thirds of the outstanding principal amount of Trust Notes be tendered in the CanWest Exchange Offer. On October 28, 2004, CanWest announced that holders of substantially more than 66 2/3% in aggregate principal amount of the Trust Notes had agreed in writing to tender their Trust Notes in the CanWest Exchange Offer. The CanWest Exchange Offer closed on November 18, 2004. The Company



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and Hollinger L.P. received approximately $133.6 million in respect of CanWest Debentures beneficially owned and residual interests in the Participation Trust attributable to foreign currency exchange. The Participation Trust has now been unwound, and the Company's requirement to maintain cash to satisfy the needs of the Participation Trust has been satisfied. Accordingly, the restrictions on the $16.7 million of cash identified as "Escrow deposits and restricted cash" on the Consolidated Balance Sheet as of December 31, 2003, have been removed.

(j) Declaration of Special and Regular Dividend -- On December 16, 2004, from the proceeds of the sale of the Telegraph Group, the Board of Directors declared a Special Dividend (the "Special Dividend") of $2.50 per share payable on the Company's Class A and Class B Common Stock on January 18, 2005 to holders of record of such shares on January 3, 2005, in an aggregate amount of approximately $227.0 million, this being the first tranche of a total amount of $500.0 million which the Board of Directors determined was in the best interest of the Company and its stockholders to be distributed to stockholders. The Board of Directors intends to distribute approximately $273.0 million of the proceeds from the sale of the Telegraph Group, this being the second tranche of the $500.0 million distribution, in the form of a tender offer for its shares of Class A and Class B Common Stock. The Board of Directors expects to make a final determination about whether to proceed with a tender offer during the first quarter of 2005. Alternatively, the Board may consider a second special cash dividend to complete the distribution, instead of a tender offer. There can be no assurance that the second distribution will be made or, if made, whether it will be in the form of a tender offer or a dividend, and if a tender offer, as to the price or form such offer will take. The Board of Directors believes that following the Special Dividend and the second distribution, the Company will have sufficient cash to fund its operations and obligations and to avail itself of strategic opportunities. Following the Special Dividend, it is expected that the outstanding grants under the Company's stock incentive plans will be appropriately adjusted to take into account this return of cash to existing stockholders.

On December 16, 2004, the Board of Directors also declared a regular quarterly dividend in the amount of $0.05 per share, payable on the Company's Class A and Class B Common Stock on January 18, 2005 to shareholders of record on January 3, 2005.

EXHIBIT 3.1

# RESTATED CERTIFICATE OF INCORPORATION OF HOLLINGER INTERNATIONAL INC.

FIRST. The name of the corporation is Hollinger International Inc. (the "Corporation"). The name under which the Corporation was originally incorporated is Hollinger U.S. Holdings, Inc. The Corporation's original Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on December 28, 1990.

SECOND. The Corporation previously amended and restated its Certificate of Incorporation on May 10, 1994 (as then amended and restated, the "Original Restated Certificate of Incorporation").

THIRD. This Restated Certificate of Incorporation was duly adopted by the Board of Directors of the Corporation (the "Board") in accordance with the provisions of Section 245 of the General Corporation Law of the State of Delaware and only restates and integrates and does not further amend the provisions of the Original Restated Certificate of Incorporation as heretofore amended or supplemented. There is no discrepancy between those provisions and the provisions of this Restated Certificate of Incorporation.

FOURTH. The Original Restated Certificate of Incorporation, as heretofore amended and supplemented, is hereby restated to read in full as follows:

## ARTICLE I

The name of the Corporation is Hollinger International Inc.

## ARTICLE II

The address of the registered office of the Corporation in the State of Delaware is 2711 Centerville Road, Suite 400, City of Wilmington 19808, County of New Castle, and the name of its registered agent at such address is Corporation Service Company.

## ARTICLE III

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the general Corporation Law of the State of Delaware.

## ARTICLE IV

A. Authorized Capitalization. The total number of all shares of capital stock which the Corporation shall have the authority to issue is 320,000,000 shares consisting of: (1) 250,000,000 shares of Class A Common Stock, with a par value of $.01 per share; (2) 50,000,000 shares of Class B Common Stock, with a par value of $.01 per share; and (3) 20,000,000 shares of Preferred Stock, with a par value of $.01 per share. The number of authorized shares of Class A Common Stock or Class B Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) if the increase or decrease is approved by the holders of a majority of the voting power of all of the then outstanding shares of stock entitled to vote in any general election of directors, voting together as a single class but without the separate vote of the holders of any other class of stock. Attached to this Restated Certificate of Incorporation as Exhibits 1 and 2, respectively, are the Certificate of Designations of the Corporation's Series Z Preferred, as filed on February 27, 2004, and the Certificate of Correction of Certificate of Designation of the Corporation's Series Z Preferred Stock, as filed on May 28, 2004.

B. Preferred Stock. The Corporation's Board of Directors is hereby expressly authorized to provide by resolution or resolutions from time to time for the issue of the Preferred Stock in one or more series, the shares of each of which series may have such voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereon, as shall be permitted under the General Corporation Law of the State of Delaware and as shall be stated in the resolution or resolutions providing for the issue of such stock adopted by the Board of Directors pursuant to the authority expressly vested in the Board of Directors hereby.

C. Common Stock.

(1) Voting. Except as otherwise required by the General Corporation Law of the State of Delaware or this paragraph C(1), the holders of shares of Class A Common Stock shall vote together with the holders of shares of Class B Common Stock as a single class, provided that on all matters that may be submitted to a vote of the stockholders (a) the holders of Class A Common Stock shall have one vote for each share of Class A Common Stock and (b) the holders of Class B Common Stock shall have ten votes for each share of Class B Common Stock.

(2) Dividends. Subject to the limitations imposed by the General Corporation Law of the State of Delaware, the Board of Directors of the Corporation may declare a dividend on (a) the Class A Common Stock provided that a concurrent and equivalent dividend is declared on the Class B Common Stock and (b) the Class B Common Stock provided that a concurrent and equivalent dividend is declared on the Class A Common Stock. Dividends payable in shares of Class A Common Stock may be paid only on shares of Class A Common Stock and dividends payable in Class B Common Stock may be paid only on shares of Class B Common Stock. If a dividend payable in Class A Common Stock is made on the Class A Common Stock, the Corporation must also make a simultaneous and proportionate dividend on the Class B Common Stock in shares of the Class B Common Stock. If a dividend payable in Class B Common Stock is made on Class B Common Stock, the Corporation must also make a

simultaneous and proportionate dividend on the Class A Common Stock in shares of Class A Common Stock.

(3) Liquidation. Except as otherwise required by any series of Preferred Stock designated by the Board of Directors, in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, after distribution in full of the preferential amounts to be distributed to the holders of any series of Preferred Stock, the remaining assets of the Corporation shall be distributed ratably among the holders of the Class A Common Stock and the holders of the Class B Common Stock in proportion to the number of shares of Class A Common Stock and Class B Common Stock held by each holder.

D. Common Stock Combinations and Subdivisions. The Class A Common Stock shall not be combined or subdivided unless at the same time there is a proportionate combination or subdivision of the Class B Common Stock. If the Class B Common Stock is combined or subdivided, a proportionate combination or subdivision of the Class A Common Stock shall be made at the same time.

E. Conversion of Class B Common Stock.

(1) Optional Conversion.

(a) Each holder of record of Class B Common Stock may, in such holder's sole discretion and at such holder's option, convert any whole number or all of such holder's shares of Class B Common Stock into fully paid and nonassessable shares of Class A Common Stock at the ratio (subject to adjustment as hereinafter provided) of one share of Class A Common Stock for each share of Class B Common Stock surrendered by the holder for conversion. Any such conversion may be effected by a holder of Class B Common Stock upon the surrender of the certificate or certificates representing the shares of Class B Common Stock to be converted, duly endorsed or assigned in blank, at the principal executive office of the Corporation or the office of any transfer agent for the Class B Common Stock, accompanied by a written notice to the Corporation that the holder elects to convert all or a specified number of shares of Class B Common Stock and stating the name or names (with addresses) in which the certificate or certificates for such shares of Class A Common Stock are to be issued. Promptly thereafter, the Corporation shall deliver to such holder a certificate or certificates for the number of shares of Class A Common Stock to which the holder is entitled under the terms of this paragraph E(1). Such conversion shall be deemed to have been made at the close of business on the date of surrender and the person or persons entitled to receive the shares of Class A Common Stock issuable on any conversion shall be treated for all purposes as the record holder or holders of such shares of Class A Common Stock on that date.

(b) The number of shares of Class A Common Stock into which the shares of Class B Common stock may be converted shall be subject to adjustment from time to time in the event of any capital reorganization, reclassification of stock of the Corporation, consolidation or merger of the Corporation with or into another corporation, or sale or conveyance of all or substantially all of the assets of the Corporation to another corporation or other entity or person. Each share of Class B Common Stock shall thereafter be convertible into such kind and amount of securities or other assets, or both, as are issuable or distributable in respect of the number of shares of Class A Common Stock into which each share of Class B Common Stock might have been converted immediately prior to such reorganization, reclassification, consolidation, merger, sale or conveyance.

(2) Transferability and Convertibility of Class B Common Stock.

(a) If a share of Class B Common Stock held (i) by Hollinger Inc. or any Subsidiary (as defined below) or Affiliate (as defined below) of Hollinger Inc. is to be sold, transferred or disposed of to a third party which is not a Subsidiary or Affiliate of Hollinger Inc. other than in a Permitted Transaction (as defined below), or (ii) by any Permitted Transferee (as defined below) of Hollinger Inc. or any Subsidiary or Affiliate of such Permitted Transferee is to be sold, transferred or disposed of to a third party which is not a Subsidiary or Affiliate of such Permitted Transferee other than in a Permitted Transaction, each such share of Class B Common Stock shall be converted automatically into one fully paid and nonassessable share of Class A Common Stock immediately prior to the date and time of transfer to such third party.

(b) Notwithstanding anything to the contrary set forth herein, any holder of Class B Common Stock may pledge his or its shares of Class B Common Stock to a pledgee pursuant to a bona fide pledge of such shares as collateral security for indebtedness due to the pledgee, provided that such shares shall not be transferred to or registered in the name of the pledgee and shall remain subject to the provisions of this paragraph E(2). In such event the pledged shares shall not be converted automatically into Class A Common Stock; provided, however, that any such pledged shares of Class B Common Stock that became subject to any foreclosure, realization or other similar action by the pledgee may only be transferred to a Permitted Transferee of the pledgor or shall otherwise be converted automatically into shares of Class A Common Stock.

(c) Upon the conversion of each such share of Class B Common Stock into Class A Common Stock immediately prior to the date and time of transfer to a third party in circumstances described in subparagraph (a) above (a "Conversion Date"), the holder of the certificate or certificates evidencing the Class B Common Stock so converted shall deliver to office of the transfer agent for the Class B Common Stock, the certificate or certificates for the converted shares, duly endorsed or assigned in blank, accompanied by written notice stating the name or names (with addresses) in which the certificate or certificates for shares of Class A Common Stock are to be issued and the Corporation shall issue and deliver to such holder the certificate or certificates for the number of shares of Class A Common Stock to which the holder is entitled under the terms of this paragraph E(2). The person in whose name the certificate or certificates for Class A Common Stock are to be issued shall be deemed to have become a stockholder of record on the applicable Conversion Date unless the transfer books of the Corporation are closed on that date, in which event he shall be deemed to have become a stockholder of record on the next succeeding date on which the transfer books are open, but the number of shares of Class A Common Stock into which a share of Class B Common Stock shall be converted shall be calculated on the Conversion Date.

(d) For purposes of this paragraph E(2), the following terms shall have the meanings set forth below:

(i) "Affiliate" of Hollinger Inc. or a Permitted Transferee shall mean any person directly or indirectly controlling or controlled by or under direct or indirect control of or with, Hollinger Inc., or such Permitted Transferee, as the case may be; provided, however, that for the purposes of this paragraph E(2), (A) Hollinger Inc. shall not be deemed to be an affiliate of the Company, and (B) the surviving, continuing or resulting corporation or entity in any merger, amalgamation, consolidation or other business combination involving Hollinger Inc. or any Permitted Transferee shall be deemed to be an "Affiliate" of Hollinger Inc. or the Permitted Transferee, as the case may be. "Control," "controlling" and "controlled" shall mean the power, direct or indirect, of Hollinger Inc. or a Permitted Transferee, or any person directly or indirectly controlling or controlled by or under direct or indirect control of or with Hollinger Inc. or such Permitted Transferee, as the case may be, to direct the business and affairs of another generally whether by share ownership, agreement or otherwise.

(ii) "Offer" shall mean a bona fide tender offer made by a third party (which is not a Subsidiary or Affiliate of Hollinger Inc.) for all of the outstanding shares of Class A Common Stock which bona fide tender offer is subject to or otherwise shall comply with the requirements of Sections 14 (d) and 14(e) of the Securities Exchange Act of 1934, as amended and the regulations promulgated thereunder.

(iii) "Permitted Transaction" shall mean a transaction with respect to the Class B Common Stock between Hollinger Inc. or a subsequent Permitted Transferee, or a Subsidiary or Affiliate of Hollinger Inc. or a subsequent Permitted Transferee, and a third party (other than a Subsidiary or Affiliate of Hollinger Inc. or a subsequent Permitted Transferee) in which or as part of which such third party purchaser or transferee makes an offer to purchase all of the outstanding shares of Class A Common Stock from the holders thereof for an amount in cash or other consideration (but only if such consideration is also the applicable consideration being offered to the record holder of the Class B Common Stock) equal to the amount per share to be received by the record holder of Class B Common Stock in a manner which complies with applicable securities and other laws, and such Offer is consummated simultaneously with the consummation of the Permitted Transaction between Hollinger Inc. or a subsequent Permitted Transferee, or a Subsidiary or Affiliate of Hollinger Inc. or a subsequent Permitted Transferee, and such third party.

(iv) "Permitted Transferee" shall mean any third party purchaser or transferee of the Class B Common Stock who purchases or obtains the Class B Common Stock in a Permitted Transaction.

(v) "Subsidiary" shall mean any corporation, partnership, person or other entity of which more than 50% of the voting power of the capital stock of such corporation, partnership, person or entity is held directly or indirectly by Hollinger Inc. or a Permitted Transferee.

(3) Reservation of Shares. The Corporation shall, at all times, reserve and keep available out of the authorized and unissued shares of Class A Common Stock, solely for the purpose of effecting the conversion of the outstanding Class B Common Stock, such number of shares of Class A Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding Class B Common Stock. If, at any time, the number of authorized and unissued shares of Class A Common Stock shall not be sufficient to effect such conversion, the Corporation shall take such corporate action as may be necessary to increase the number of authorized and unissued shares of Class A Common Stock to such number as shall be sufficient for such purposes.

(4) Reclassification and Recapitalization. Upon the effective date of the Original Restated Certificate of Incorporation, each issued share of the capital stock of the Corporation theretofore designated as "Common Stock," par value $1.00 per share, shall, without any action on the part of the holder thereof, be reclassified and changed so that the designation thereof shall be changed from "Common Stock" to "Class B Common Stock," par value $.01 per share, and the Corporation shall be recapitalized so that the outstanding shares of such class of stock, together with $44.5 million in intercompany indebtedness owed by the Corporation to Hollinger Inc. and the interest of Hollinger Inc. in The Palestine Post Limited, shall be converted into and represent 14,990,000 shares of Class B Common Stock as redesignated, with each share of Class B Common Stock having a par value of $.01 per share.

ARTICLE V

The period of existence of the Corporation shall be perpetual.

ARTICLE VI

In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to adopt, amend or repeal the By-laws of the Corporation.

ARTICLE VII

Meetings of stockholders may be held within or without the State of Delaware as the By-laws may provide. The books of the Corporation may be kept (subject to any provision contained in the statutes) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the By-laws of the Corporation. Elections of directors need not be by written ballot unless the By-laws of the Corporation shall so provide.

ARTICLE VIII

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Restated Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

ARTICLE IX

(a) The personal liability of the directors of the Corporation is hereby eliminated to the fullest extent permitted by Section 102(b)(7) of the General Corporation Law of the State of Delaware, as the same may be amended and supplemented. Without limiting the generality of the foregoing, no director shall be personally liable to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit.

(b) The Corporation shall indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any person who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "proceeding") by reason of the fact that he, or a person for whom he is the legal representative, is or was a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or non-profit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses reasonably incurred by such person. The Corporation shall be required to indemnify a person in connection with a proceeding initiated by such person only if the proceeding was authorized by the Board of Directors of the Corporation. The rights to indemnification and advancement of expenses conferred by this Article shall be presumed to have been relied upon by directors and officers of the Corporation in serving or continuing to serve the Corporation and shall be enforceable as contract rights. Said rights shall not be exclusive of any other rights to which those seeking indemnification may otherwise be entitled. The Corporation may enter into contracts to provide such persons with specific rights to indemnification, which contracts may confer rights and protections to the maximum extent permitted by the Delaware General Corporation Law. The Corporation may create trust funds, grant security interests, obtain letters of credit, or use other means to ensure payment of such amounts as may be necessary to perform the obligations provided for in this Article or in any such contract.

(c) Any repeal or modification of this Article IX by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification with respect to acts or omissions occurring prior to such repeal or modification.\

IN WITNESS WHEREOF, Hollinger International Inc. has caused this Restated Certificate of Incorporation to be signed and attested this 30th day of December, 2004.

HOLLINGER INTERNATIONAL INC.

By:/s/ Gordon A. Paris
-------------------------
Name: Gordon A. Paris
Title:Interim President &
Chief Executive Officer

Attest:

/s/ James R. Van Horn
-----------------------
Name: James R. Van Horn
Title:Vice President, General Counsel &
Secretary

EXHIBIT 1

CERTIFICATE OF DESIGNATIONS

OF

SERIES Z PREFERRED STOCK

OF

HOLLINGER INTERNATIONAL INC.

(Pursuant to Section 151 of the Delaware General Corporation Law)

Hollinger International Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (hereinafter called the "Corporation"), hereby certifies that the following resolution was adopted by the Corporate Review Committee of the Board of Directors, a duly authorized committee of the Board vested with full power and authority of the Board (with certain limited exceptions) under Section 141(c)(2) of the General Corporation Law (the "Committee") as required by Section 151 of the General Corporation Law at a meeting duly called and held on January 23, 2004 and continued on January 25, 2004:

RESOLVED, that pursuant to the authority granted to and vested in the Committee in accordance with the provisions of the Restated Certificate of Incorporation of the Corporation, resolutions passed by the Board of Directors of the Corporation and Delaware law, the Committee hereby creates a series of Preferred Stock, par value $0.01 per share, of the Corporation, and hereby states the designation and number of shares, and fixes the relative rights, preferences, and limitations thereof (in addition to the provisions set forth in the Restated Certificate of Incorporation which are applicable to the Preferred Stock of all classes and series) as follows:

SECTION 1. DESIGNATION AND AMOUNT. The shares of such series shall be designated as "Series Z Preferred Stock" (the "Series Z Preferred Stock") and the number of shares constituting the Series Z Preferred Stock shall be 100,000. Such number of shares may be increased or decreased by resolution of the Committee; provided, that no decrease shall reduce the number of shares of Series Z Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights and warrants and upon the conversion of any outstanding securities issued by the Corporation convertible into Series Z Preferred Stock.

SECTION 2. DIVIDENDS AND DISTRIBUTIONS.

(A) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any similar stock) ranking prior and superior to the Series Z Preferred Stock with respect to dividends, the holders of shares of Series Z Preferred

SECTION 3. VOTING RIGHTS. The holders of shares of Series Z Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series Z Preferred Stock shall entitle the holder thereof to 1000 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series Z Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein, in any other Certificate of Designations creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series Z Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) Except as set forth herein, or as otherwise provided by law, holders of Series Z Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

SECTION 4. CERTAIN RESTRICTIONS.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series Z Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series Z Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series Z Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series Z Preferred Stock, except dividends paid ratably on the Series Z Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series Z Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series Z Preferred Stock; or

(iv) redeem or purchase or otherwise acquire for consideration any shares of Series Z Preferred Stock, or any shares of stock ranking on a parity with the Series Z Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Committee) to all holders of such shares upon such terms as the Committee, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective Series Z classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

SECTION 5. REACQUIRED SHARES. Any shares of Series Z Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Amended and Restated Certificate of Incorporation of the Corporation, or in any other Certificate of Designations creating a series of Preferred Stock or any similar stock or as otherwise required by law.

SECTION 6. LIQUIDATION, DISSOLUTION OR WINDING UP. Upon any liquidation, dissolution or winding up of the Corporation (which shall not include any transaction covered by Section 7), no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series Z Preferred Stock unless, prior thereto, the holders of shares of Series Z Preferred Stock shall have received $1000 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of shares of Series Z Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment set forth in Section 8, equal to 1000 times the aggregate amount to be distributed per share to holders of shares of Common Stock, or (2) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series Z Preferred Stock, except distributions made ratably on the Series Z Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up.

SECTION 7. CONSOLIDATION, MERGER, ETC. In case the Corporation shall enter into any consolidation, merger, combination, exchange or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series Z Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment set forth in Section 8, equal to 1000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged.

SECTION 8. EFFECT OF COMMON STOCK SPLITS, ETC. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series Z Preferred Stock were entitled immediately prior to such event under Sections 2, 6 or 7 shall be adjusted by multiplying each such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

SECTION 9. NO REDEMPTION. The shares of Series Z Preferred Stock shall not be redeemable.

SECTION 10. RANK. The Series Z Preferred Stock shall rank junior to all other series of Preferred Stock of the Corporation as to the payment of dividends and as to the distribution of assets upon liquidation, dissolution or winding up, unless the terms of any such series shall provide otherwise, and shall rank senior to the Common Stock as to such matters.

SECTION 11. AMENDMENT. The Amended and Restated Certificate of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series Z Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series Z Preferred Stock, voting together as a single class.

IN WITNESS WHEREOF, this Certificate of Designations is executed on behalf of the Corporation by its President and Chief Executive Officer and attested by its Assistant Secretary this 27th day of February 2004.

HOLLINGER INTERNATIONAL INC.

By: /s/ Gordon A. Paris

---

Name: Gordon A. Paris
Title: President and Chief Executive Officer

Attest:

/s/ Linda Loye

---

Name: Linda Loye
Title: Assistant Secretary

EXHIBIT 2

CERTIFICATE OF CORRECTION OF

Certificate of Designations

of

The Series Z Preferred Stock

of

Hollinger International Inc.

Hollinger International Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware.

DOES HEREBY CERTIFY THAT:

1. The name of the corporation (hereinafter called the "Corporation") is Hollinger International Inc.

2. The Certificate of Designations of the Series Z Preferred Stock of the Corporation, which was filed by the Secretary of State of Delaware on February 27, 2004, is hereby corrected, pursuant to Section 103 of the General Corporation Law of the State of Delaware.

3. The inaccuracy to be corrected in said instrument is as follows:

"SECTION 2. DIVIDENDS AND DISTRIBUTIONS.

(A) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any similar stock) ranking prior and superior to the Series Z Preferred Stock with respect to dividends, the holders of shares of Series Z Preferred"

4. The portion of the instrument in corrected form is as follows:

"SECTION 2. DIVIDENDS AND DISTRIBUTIONS.

(A) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any similar stock) ranking prior and superior to the Series Z Preferred Stock with respect to dividends, the holders of shares of Series Z Preferred Stock, in preference to the holders of Class A Common Stock, par value $0.01 per share (the "Class A Common Stock"), of the Corporation and the Class B Common Stock, par value $0.01 per share (the "Class B Common Stock") and together with the Class A Common Stock, the "Common Stock"), and of any other junior stock, shall be entitled to receive, when, as and if declared by the Committee out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series Z Preferred Stock, in an amount per share (rounded to the nearest cent), subject to the provisions for adjustment set forth in Section 8 equal to the greater of (a) $10 or (b) subject to the provision for adjustment hereinafter set forth, 1000 times the aggregate per share amount of all cash dividends, and 1000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series Z Preferred Stock.

(B) If a dividend is declared on the Common Stock, the Corporation shall declare a dividend or distribution on the Series Z Preferred Stock as provided in paragraph (A) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $10 per share on the Series Z Preferred Stock shall nevertheless be declared and shall be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series Z Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series Z Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series Z Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Committee may fix a record date for the determination of holders of shares of Series Z Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof."

IN WITNESS WHEREOF, said Corporation has caused this certificate to be signed by Gordon A. Paris, its President and Chief Executive Officer and attested by Linda Loye, its Assistant Secretary, this 28th day of May, 2004.

HOLLINGER INTERNATIONAL INC.

By: /s/ Gordon A. Paris
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Name: Gordon A. Paris
Tile: President and Chief
Executive Officer

Attest:

/s/ Linda Loye
------------------------------
Name: Linda Loye
Title: Assistant Secretary

Exhibit 3.2

# AMENDED AND RESTATED

# BY-LAWS

# OF

# AMERICAN PUBLISHING COMPANY

(Adopted as of May __, 1994)

AMENDED AND RESTATED
BY-LAWS
OF
AMERICAN PUBLISHING COMPANY

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# AMENDED AND RESTATED
# BY-LAWS
# OF
# AMERICAN PUBLISHING COMPANY

## ARTICLE I

## MEETINGS OF STOCKHOLDERS

Section 1.1. Place of Meetings. Meetings of the stockholders shall be held at such place within or without the State of Delaware as shall be designated by the Board of Directors or the person or persons calling the meeting.

Section 1.2. Annual Meetings. The annual meeting of the stockholders for the election of directors and the transaction of such other business as may properly come before the meeting shall be held after the close of the Corporation's fiscal year (beginning in 1995) on such date and at such time as shall be designated by the Board of Directors.

Section 1.3. Special Meetings. Special meetings of the stockholders for any purpose or purposes may be called at any time by (a) the Board of Directors, (b) a duly designated committee of the Board of Directors that has been granted the power and authority to call special meetings as provided in a resolution of the Board of Directors or (c) the Chairman of the Board or the President of the Corporation. Special meetings may not be called by any other person, persons or committee.

Section 1.4. Notice of Meetings. Whenever stockholders are required or permitted to take action at a meeting, a written notice of the meeting shall be given which shall state the place, date, and time of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by law or in the Certificate or Incorporation, the written notice or any stockholders' meeting shall be given not less than ten (10) days nor more than sixty (60) days before the date of the meeting. If mailed, such notice will be deemed to be given when deposited in the mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the corporation.

Section 1.5. Adjournments. Any meeting of stockholders, annual or special, may be adjourned from time to time to be reconvened at the same or some other place. Except as provided below, no notice need be given of the reconvening of any such adjourned meeting if the time and place thereof are announced and a quorum is present at the meeting at which the adjournment is taken. At the reconvened meeting the corporation may transact any business which might have been transacted at the adjourned meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the reconvened meeting, a notice of the reconvened meeting shall be given to each stockholder entitled to vote at such meeting.

Section 1.6. Quorum. Except as otherwise provided by law or in the Certificate of Incorporation, at each meeting of stockholders the presence in person or by proxy of the holders of outstanding shares of stock that have one-third of the votes that could be cast by the holders of all outstanding shares of stock entitled to vote at the meeting shall be necessary and sufficient to constitute a quorum. In the absence of a quorum, the stockholders who are present may by a majority vote of the shares present adjourn the meeting from time to time in the manner provided in Section 1.5 until a quorum shall attend. Shares of its own stock held by the Corporation or another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held, directly or indirectly, by the Corporation, shall neither be entitled to vote nor be counted for quorum purposes, except that the Corporation may vote stock, including its own stock, held by it in a fiduciary capacity.

Section 1.7. Organization. Meetings of stockholders shall be presided over by one of the persons holding the following offices in the following order of priority: the Chairman of the Board, the Deputy Chairman of the Board, a Vice Chairman of the Board, if any, the President, a vice President, a chairman designated by the Board of Directors or a chairman chosen at the meeting. The Secretary shall act as secretary of the meeting, but in his absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

Section 1.8. Voting; Proxies. Each stockholder shall be entitled to the voting rights set forth with respect to the equity securities held by such stockholder in the Certificate of Incorporation. Each stockholder entitled to vote at a meeting of stockholders or to express consent to corporate action in writing without a meeting may authorize another person or other persons to act for him by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy expressly provides for a longer period. A duly executed proxy shall be deemed to be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy which is not irrevocable by attending a meeting and voting in person or by filing an instrument in writing revoking the proxy or another duly executed proxy bearing a later date with the Secretary of the Corporation before a vote takes place at a meeting. If a quorum is present, directors shall be elected by a plurality of the votes cast of the shares present in person or by proxy at the meeting and entitled to vote on the election of directors. All other elections and questions shall, unless otherwise provided by law or in the Certificate of Incorporation, be approved and adopted by an affirmative vote of a majority in voting interest of shares present in person or by proxy at the meeting and entitled to vote on the subject matter thereof. All elections of directors shall be by written ballot. Voting at a meeting of stockholders on any matter other than the election of directors need not be by written ballot and shall not be conducted by inspectors of election unless so requested by the holders of outstanding shares of stock that have a majority of the votes that could be cast in person or by proxy at such meeting. Except as otherwise provided in the Certificate of Incorporation, where a separate vote by a class or classes of stock is required on any issue, the holders of one-third in voting interest of such class or classes, present in person or by proxy, shall constitute a quorum entitled to take action with respect to such issue and the affirmative vote of the holders of a majority in voting interest of such class or classes present in person or any proxy at a meeting shall be the act of such class.

Section 1.9. Fixing Date for Determination of Stockholders of Record. In order that the Corporation may determine the stockholders entitled to notice of and to vote at any meeting of stockholders, or to express consent to corporate action in writing without a meeting, or to receive payment of any dividend or other distribution or any allotment of rights, or to exercise any rights in respect of any change, conversion or exchange of stock, or to take any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors and which record date: (a) in the case of a determination of stockholders entitled to notice of and to vote at any meeting of stockholders, shall, unless otherwise required by law, not be more than sixty (60) nor less than ten (10) days before the date of such meeting; (b) in the case of determination of stockholders entitled to express consent to corporate action in writing without a meeting, shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors; and (c) in the case of any other action, shall not be more than sixty (60) days prior to such other action. If no record date is fixed by the Board of Directors: (a) the record date for determining stockholders entitled to notice of and to vote at a meeting of stockholders shall be the close of business on the day preceding the day on which notice is given, or, if notice is waived, at the close of business on the day preceding the day on which the meeting is held; (b) the record data for determining stockholders entitled to express consent to corporate action in writing without a meeting, (i) when no prior action by the Board of Directors is required by law, shall be the first date on which a signed consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which the proceeding of meetings of the stockholders are recorded, or (ii) if prior action by the Board of Directors is required by law, shall be the close of business on the day on which the Board of Directors adopts the resolution taking such prior action; and (c) the record data for determining stockholders for any other purpose shall be the close of business on the day on which the Board of Directors adopts the resolution relating thereto. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the reconvened meeting.

Section 1.10. List of Stockholders Entitled to Vote. The Secretary shall cause to be prepared, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to examination by any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at the principal place of business of the Corporation or a place within the city where the meeting is to be held, which place, in any case, shall be specified in the notice of the meeting, or, if no place is so specified, at the place where the meeting is to be held. The list shall also be produced and available at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present.

Section 1.11. Consent of Stockholders in Lieu of Meeting. Any action required by law or these By-laws to be taken at any annual or special meeting of stockholders of the Corporation, or any action which may be taken at any annual or special meeting of the stockholders, may be taken without a meetings, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Every such written consent shall bear the date of signature of each stockholder who signs the consent, and no written consent shall be effective to take the corporate action referred to therein unless, within sixty (60) days of the earliest dated consent delivered in the manner required in this Section 1.11 to the Corporation, written consents signed by a sufficient number of holders to take action are delivered to the Corporation. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not so consented in writing.

## ARTICLE II

## DIRECTORS

Section 2.1. Power of Directors. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors, which shall exercise all powers that may be exercised or performed by the Corporation and that are not by statute, the Certificate of Incorporation or these By-laws directed to be exercised or performed by the stockholders.

Section 2.2. Number. Except as otherwise provided in the Certificate of Incorporation, the Board of Directors shall consist of one or more members, the number thereof to be determined from time to time by resolution of the Board of Directors. Directors need not be stockholders of the Corporation.

Section 2.3. Election; Resignation; Removal; Vacancies. The Board of Directors shall be elected by the stockholders at the annual meeting of the stockholders. Each director shall hold office for a term of one year or until his successor is elected and qualified or until his earlier resignation or removal. Any director may resign at any time upon written notice to the Corporation. Any director or the entire Board of Directors may be removed, with or without cause, by the holders of outstanding shares of stock having a majority in voting interest then entitled to vote at an election of directors. Any newly created directorship or any vacancy occurring in the Board of Directors for any cause may be filled by a majority of the remaining members of the Board of Directors then in office, even if such majority is less than a quorum and each director so elected shall hold office until the expiration of the term of office of the director whom he has replaced or until his successor is elected and qualified or until his earlier resignation or removal. The occurrence of a vacancy which is not filled within ninety (90) days after the occurrence of such vacancy by action of the Board of Directors or the stockholders shall constitute a determination by the Board of Directors that the number of directors is to be reduced so as to eliminate such vacancy, unless the Board of Directors shall specify otherwise. When one or more directors shall resign from the Board of Directors, effective as of a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office until the expiration of the term of office of the director whom he has replaced or until his successor is elected and qualified or until his earlier resignation or removal.

Section 2.4. Regular Meetings. Regular meetings of the Board of Directors may be held at such places, within or without the State of Delaware, and at such times as the Board of Directors may from time to time determine, and no notice shall be required to be given of any regular meeting.

Section 2.5. Special Meetings. Special meetings of the Board of Directors may be held at any time or place, within or without the State of Delaware, whenever called by the Chairman of the Board, the President or any member of the Board of Directors. Notice by letter, telegram or oral message of a special meeting of the Board of Directors shall be given by the person of persons calling the meeting at least twenty-four hours before the special meeting.

Section 2.6. Telephonic Meetings Permitted. Members of the Board of Directors, or any committee of the Board of Directors, may participate in a meeting of the Board of Directors or such committee by means of conference telephone or similar communications equipment so long as all persons participating in the meeting can hear each other. Participation in a meeting in accordance with this Section 2.6 shall constitute presence in person at such meeting.

Section 2.7. Quorum; Vote Required for Action. At all meetings of the Board of Directors one-third of the total number of directors shall constitute a quorum for the transaction of business. Except where the Certificate of Incorporation otherwise provides, the vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 2.8. Organization. Meetings of the Board of Directors shall be presided over by one of the persons holding the following offices in the following order of priority: the Chairman of the Board, the Deputy Chairman of the Board, a Vice Chairman of the Board, if any, the President, a Vice President or a chairman chosen at the meeting. The Secretary shall act as secretary of the meeting, but in his absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

Section 2.9. Informal Action by Directors. Any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board of Directors or such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or such committee.

Section 2.10. Committees. The Board of Directors may, by resolution passed by a majority of the whole Board of Directors, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of such committee. In the absence or disqualification of any member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not be or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at such meeting in the place of any such absent or disqualified member. Any committee, to the extent permitted by law and to the extent provided in a resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation between meetings of the entire Board of Directors, except that no such committee shall have power or authority (a) in reference to amending the Certificate of Incorporation (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the Board of Directors as provided by law, fix the designations and any of the preferences or rights of such shares relating to voting, dividends, redemption, dissolution, distribution of assets, or the conversion of such shares into, or the exchange of such shares for, shares of any other class or classes of stock or any other series of the same class of stock of the Corporation, or fix the number of shares of any series of stock or authorize the increase or decrease of the number of shares of any such series),

(b) to adopt or recommend to the stockholders an agreement of merger or consolidation, (c) to recommend to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, a dissolution of the Corporation or a revocation of a dissolution, (d) to amend these By-laws or recommend to the stockholders any amendments to these By-laws, (e) to declare a dividend, (f) to authorize the issuance of stock, (g) to change the number of directors or fill any vacancy on the Board of Directors or any committee thereof, (h) to prescribe or change the time or place of any regular meeting of the Board of Directors or (i) to approve a plan of merger not requiring stockholder approval.

Section 2.11. Committee Procedure. The Board of Directors may establish reasonable rules and regulations for the conduct of the proceedings of any committee and may appoint a chairman of such committee who need not be a member thereof and a secretary of such committee who need not be a member thereof. To the extent that the Board of Directors shall not exercised such powers, they may be exercised by such committee, subject always to the power of the Board of Directors to change such action.

Section 2.12. Committee Meetings. Each committee shall meet at the call of its chairman or any two regular members of such committee upon twenty-four hours' notice by letter, telegram or oral message to each member of such committee. The presence of members (regular or alternate) of any committee equal in number to a majority of members of such committee shall constitute a quorum for the transaction of business, and the vote of a majority of members present at any meeting at which a quorum is present shall be the act of such committee.

Section 2.13. Committee Reports. At each regular meeting of the Board of Directors, each committee shall report the substance of all action taken by such committee since the date of its last report to the Board of Directors. Each report shall be filed with the minutes of the meeting of the Board of Directors to which it is presented as part of the corporate records.

Section 2.14. Term of Committees. Each committee of the Board of Directors shall serve at the pleasure of the Board of Directors.

## ARTICLE III

## OFFICERS

Section 3.1. Enumeration. The Board of Directors shall elect a Chief Executive Officer, a Chairman of the Board, a President and a Secretary, and it may, if it so determines, choose a Deputy Chairman of the Board, one or more Vice Chairman, one or more Vice Presidents, one or more Assistant Secretaries, a Treasurer and one or more Assistant Treasurers. The Chairman of the Board, the Deputy Chairman and any Vice Chairman shall be a member of the Board of Directors. Each such officer shall hold office until the first meeting of the Board of Directors after the annual meeting of stockholders next succeeding his election or until his successor is elected and qualified or until his earlier resignation or removal. Any officer may resign at any time upon written notice to the Corporation. The Board of Directors may remove any officer with or without cause at any time, but such removal shall be without prejudice to the contractual rights, if any, of such officer against the Corporation. Any number of offices may be held by the same person, except that the President may not be the Secretary of the Corporation. Any vacancy occurring in any office of the Corporation by reason of death, resignation or removal or any other reason may be filled for the unexpired portion of its term by the Board of Directors at any regular or special meeting. The Board of Directors may require any officer, agent or employee of the Corporation to post a bond or provide other security for the due and faithful performance of his duties.

Section 3.2. Chief Executive Officer. The President of the Corporation shall be the Chief Executive Officer unless the Board of Directors shall at any time elect a Chairman of the Board and shall specify by resolution that the Chairman of the Board, rather than the President, shall be the Chief Executive Officer of the Corporation. The officer so designated shall be the Chief Executive Officer until further specification by the Board. The Chief Executive Officer shall be the chief executive officer and general manager of the Corporation and shall have general and active charge and control over the business and affairs of the Corporation, subject to the Board of Directors.

Section 3.3. Chairman of the Board. The Chairman of the Board shall preside at meetings of the Board of Directors. If the Chairman of the Board shall be the Chief Executive Officer, the Chairman of the Board shall have the powers and perform the duties of the Chief Executive Officer. If the Chairman of the Board shall not be the Chief Executive Officer, the Chairman of the Board shall have such powers and perform such duties as shall from time to time be specified by the Board of

Directors or delegated to the Chairman of the Board by the Chief Executive Officer. In the absence of the Chairman of the Board, the Deputy Chairman, if any, shall preside at meetings of the Board of Directors.

Section 3.4. President. If the President shall be the Chief Executive Officer, the President shall have the powers and perform the duties of the Chief Executive Officer. If the President shall not be the Chief Executive Officer, the President shall have all of the powers and perform all of the duties of the Chief Executive Officer during the absence or inability to act of the Chief Executive officer, and shall have such other powers and perform such other duties as shall from time to time be specified by the Board of Directors or delegated to the President by the Chief Executive Officer. The President may sign all certificates for shares of the capital stock of the Corporation and may, together with the Secretary, execute on behalf of the Corporation any contract which has been approved, or pursuant to authority expressly delegated by, the Board of Directors.

Section 3.5. Vice President. The Vice President or, if there shall be more than one, the Vice Presidents, in the order of their seniority unless otherwise specified by the Board of Directors, shall have all of the powers and perform all of the duties of the President during the absence or inability to act of the President. Each Vice President shall also have such other powers and perform such other duties as shall from time to time be prescribed by the By-laws and by the Board of Directors or the President.

Section 3.6. Secretary. The Secretary shall record the proceedings of the meetings of the stockholders and directors in a book to be kept for that purpose, and shall give notice as required by statute or these By-laws of all such meetings. The Secretary shall have custody of the seal of the Corporation and of all books, records, and papers of the Corporation, except such person authorized to have custody and possession thereof by resolution of the Board of Directors. The Secretary may, together with the President, execute on behalf of the Corporation any contract which has been approved by, or pursuant to authority expressly delegated by, the Board of Directors. The Secretary shall also have such other powers and perform such other duties as are incident to the office of the secretary of a corporation or as shall from time to time be prescribed by, or pursuant to authority delegated by, the Board of Directors.

Section 3.7. Treasurer. The Treasurer, if any is elected, shall keep full and accurate accounts of the receipts and disbursement of the Corporation in books belonging to the Corporation, shall deposit all monies and other valuable effects of the Corporation in the name and to the credit of the

Corporation in such depositories as may be designated by the Board of Directors, and shall also have such other powers and perform such other duties as are incident to the office of the treasurer of a corporation or as shall from time to time be prescribed by, or pursuant to authority delegated by, the Board of Directors.

Section 3.8. Other Officers. The powers and duties of each other officer who may from time to time be chosen by the Board of Directors shall be as specified by, or pursuant to authority delegated by, the Board of Directors at the time of the appointment of such other officer or from time to time thereafter. In addition, each officer designated as an assistant officer shall assist in the performance of the duties of the officer to which he or she is assistant, and shall have the powers and perform the duties of such officer during the absence or inability to act of such officer.

Section 3.9. Additional Powers and Duties. The Board of Directors may from time to time by resolution increase or add to the powers and duties of any of the officers of the Corporation.

## ARTICLE IV

## INDEMNIFICATION

Section 4.1. Indemnification in Actions, Suits or Proceedings Other Than Those by or in the Right of the Corporation. Subject to Section 4.3, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation and is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. the termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

Section 4.2. Indemnification in Actions, Suits or Proceedings by or in the Right of the Corporation. Subject to Section 4.3, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation and is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation; except that no indemnification under this Section 4.2 shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 4.3. Authorization of Indemnification. Any indemnification under Sections 4.1 and 4.2 (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director or officer is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 4.1 or 4.2, as the case may be. Such determination shall be made (a) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, (b) if such a quorum is not obtainable, or, even if obtainable, if a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (c) by the stockholders. To the extent, however, that a director or officer of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding described in Section 4.1 or 4.2, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith, without the necessity of authorization in the specific case.

Section 4.4. Reliance. For purpose of any determination under Section 4.3, a person shall be deemed to have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal action or proceeding, to have had no reasonable cause to believe his conduct was unlawful, if his action was based on the records or books of account of the Corporation or Another Enterprise (as defined below), on information supplied to him by the officers of the Corporation or Another Enterprise in the course of their duties, on the advice of legal counsel for the Corporation or Another Enterprise or on information or records given or reports made to the Corporation or Another Enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Corporation or Another Enterprise, but the fact that his action was not so based or any of foregoing shall not result in it being deemed that he did not act in good faith or in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation or, with respect to any criminal action or proceeding, he had reasonable cause to believe his conduct was unlawful. The term "Another Enterprise" as used in this Section 4.4 shall mean any corporation (other than the Corporation), partnership, joint venture, trust other enterprise, which such person is or was serving at the request of the Corporation as a director, officer, employee or agent. The provisions of this Section 4.4 shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth in Section 4.1 or 4.2, as the case may be.

Section 4.5. Indemnification by a Court. Notwithstanding any contrary determination in the specific case under Section 4.3, and notwithstanding the absence of any determination thereunder, any director or officer may apply to any court of competent jurisdiction in the State of Delaware for indemnification to the extent otherwise provided under Sections 4.1 and 4.2. The basis of such indemnification by a court shall be a determination by such court that indemnification of the director or officer is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 4.1 or 4.2, as the case may be. Neither a contrary determination in the specific case under Section 4.3 nor the absence of any determination thereunder shall be a defense to such application or create a presumption that the director or officer seeking indemnification has not met any applicable standard of conduct. Any application for indemnification made to any court pursuant to this Section 4.5 shall be made in such manner and form as may be required by the applicable rules of such court or, in the absence thereof, by direction of the court to which such application is made. Notice of any application for indemnification pursuant to this Section 4.5 shall be given to the Corporation promptly upon the filing of such application. If successful, in whole or in part, the director or officer seeking indemnification shall also be entitled to be paid the expense of prosecuting such application.

Section 4.6. Expenses Payable in Advance. Expenses (including attorneys' fees) incurred by a director or officer in defending or investigating any threatened or pending civil criminal, administrative or investigative action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding, upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized in this Article IV if such an undertaking is required by the General Corporation Law of the State of Delaware.

Section 4.7. Non-exclusiveness and Advancement of Expenses. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article IV shall not be exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any by-law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, it being the policy of the Corporation that indemnification of the persons specified in Sections 4.1 and 4.2 shall be made to the fullest extent permitted by law. The provisions of this Article IV shall not be deemed to preclude the indemnification of any person who is not specified in Section 4.1 or 4.2 but whom the Corporation has the power or obligation to indemnify under the provisions of the General Corporation Law of the State of Delaware, including, without limitation, the provisions of subsection (h) of Section 145 thereof, or otherwise.

Section 4.8. Effectiveness. A finding that any provision of this Article IV is invalid or of limited application shall not affect any other provision of this Article IV nor shall a finding that any portion of any provision of this Article IV is invalid or of limited application affect the balance of such provision.

Section 4.9. Insurance . The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power or the obligation to indemnify him against such liability under the provisions of this Article IV.

Section 4.10. Indemnification Expenditures. The Board of Directors, without approval of the stockholders, shall have the power to borrow money on behalf to the Corporation, including the power to pledge the assets of the Corporation, from time to time to discharge the Corporation's obligations with respect to indemnification. the advancement and reimbursement of expenses, and the purchase and maintenance of insurance referred to in this Article IV.

Section 4.11. Certain Definitions. For purposes of this Article IV, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director or officer of the Corporation which imposes duties on, or involves services by, such director or officer with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article IV.

Section 4.12. Survival of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article IV shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 4.13. Limitation on Indemnification. Notwithstanding anything contained in this Article IV to the contrary, except for proceedings to enforce rights to indemnification (which shall be governed by section 4.5), the Corporation shall not be obligated to indemnify any director or officer in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of Directors of the Corporation.

Section 4.14. Repeal or Modification. Any repeal or modification of this Article IV shall not adversely affect any rights to indemnification and advancement of expenses of a director or officer or the Corporation existing pursuant to this Article IV with respect to any acts or omission occurring prior to such repeal or modification.

Section 4.15. Indemnification of Employees and Agents. The Corporation may, to the extent authorized from time to time by the Board of Directors, provide rights to indemnification and to the advancement of expenses to employees and agents of the Corporation similar to those conferred in this Article IV on directors and officers of the Corporation.

ARTICLE V

SHARES OF CAPITAL STOCK

Section 5.1. Issuance of Stock. Shares of capital stock of any class now or hereafter authorized, securities convertible into or exchangeable for such stock, or options or other rights to purchase such stock or securities may be issued or granted in accordance with authority granted by resolution of the Board of Directors.

Section 5.2. Stock Certificates. Any of or all the signatures on a certificate may be facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue. If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative, participating, optional and other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions on such preferences and rights shall be set forth in full or summarized on the face or back of the certificates which the Corporation shall issue to represent such class or series or stock; provided, that, except as otherwise provided by law, in lieu of the foregoing requirement there may be set forth on the face or back of the certificates which the Corporation shall issue to represent such class or series of stock a statement that the Corporation will furnish without charge to each stockholder who so requests a summary of the powers, designations, preferences and relative, participating, optional and other special rights of such class of stock or series thereof and the qualifications, limitations or restrictions on such preferences and rights.

Section 5.3. Transfer of Stock. Shares of capital stock of the Corporation shall be transferred only on the books of the Corporation which may be maintained by a transfer agent appointed by the Corporation, by the holder of record in person or by the holder's duly authorized representative, upon surrender to the Corporation or its transfer agent of the certificate for such shares duly endorsed for transfer, together with such other documents (if any) as may be required to effect such transfer.

Section 5.4. Lost, Stolen, Destroyed, or Mutilated Certificates. New stock certificates may be issued to replace certificates alleged to have been lost, stolen, destroyed, or mutilated, upon such terms and conditions, including proof of loss or destruction, and the giving of a satisfactory bond of indemnity, as the Board of Directors from time to time may determine.

Section 5.5. Regulations. The board of Directors shall have power and authority to make all such rules and regulations not inconsistent with these By-laws as it may deem expedient concerning the issue, transfer, and registration of shares of capital stock of the Corporation.

Section 5.6. Holder of Record. The Corporation shall be entitled to treat the holder of record of any share or shares of capital stock of the Corporation as the holder and owner in fact thereof for all purposes and shall not be bound to recognize any equitable or other claim to, or right, title, or interest in, such share or shares on the part of any other person, whether or not the Corporation shall have express or other notice thereof, except as otherwise provided by the laws of the State of Delaware.

## ARTICLE VI

## GENERAL PROVISIONS

Section 6.1. Corporate Seal. The Corporation may adopt a seal in such form as the Board of Directors shall from time to time determine.

Section 6.2. Fiscal Year. The fiscal year of the Corporation shall be designated by the Board of Directors from time to time.

Section 6.3. Execution of Documents. Any two (2) of the persons holding any one (1) or more of the following offices of the Corporation or any one (1) person holding any one (1) or more of the following offices and a Director of the Corporation, shall be authorized to execute documents on behalf of the

Corporation (both as principal signatories or one as principal signatory and the other as witness or to attest the signature of the other): Chairman of the Board, Deputy Chairman of the Board, Vice Chairman, President, Chief Executive Officer, Vice President, Secretary, Treasurer, Controller, Assistant Secretary and Assistant Treasurer. Any one (1) person holding any one (1) or more of the offices of Chairman of the Board, Deputy Chairman of the Board, Vice Chairman, President, Chief Executive Officer of Vice President of the Corporation shall be authorized to execute any of the following documents on behalf of the Corporation: deeds, mortgages, deeds of trusts, or other instruments of transfer or conveyance of real estate, letters of intent, acquisition agreements, loan documents, closing documents and other documents relating to business acquisitions or loan transactions that are duly approved by the Board of Directors of the Corporation or by the appropriate officers of the Corporation pursuant to authority delegated by the Board to such officers.

Section 6.4. Financial Reports. Financial statements or reports shall not be required to be sent to the stockholders of the Corporation, but may be so sent in the discretion of the Board of Directors, in which event the scope such statements or reports shall be within the discretion of the Board of Directors, and such statements or reports shall not be required to have been examined by or to be accompanied by an opinion of an accountant or firm of accountants.

Section 6.5. Waiver of Notice of Meetings of Stockholders, Directors and Committees. Any written waiver of notice, signed by the person entitled to notice, whether executed before or after the time for the meeting stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends such meeting for the express purpose of objecting, at the beginning of such meeting, to the transaction of any business because such meeting was not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors or members of a committee of directors need be specified in any written waiver of notice.

Section 6.6. Interested Directors; Quorum. No contract or transaction between the Corporation and one or more of its directors of officers, or between the Corporation and any other corporation, partnership, association or other organization in which one or more of its directors of officers are directors or officers, or have financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose, if: (a) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative vote of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (b) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (c) the contract or transaction is fair to the Corporation as of the time it is authorized, approved or ratified by the Board of Directors, a committee thereof or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee that authorizes the contract or transaction.

Section 6.7. Effect of by-laws. No provision in these By-laws shall vest any property right in any stockholder.

## ARTICLE VII

## AMENDMENTS

The authority to adopt, amend or repeal By-laws of the Corporation is expressly conferred upon the Board of Directors, which may take such action by the affirmative vote of a majority of the whole Board of Directors at any regular or special meeting duly convened after notice of that purpose, subject always to the power of the stockholders to adopt, amend or repeal the By-laws of the Corporation.

AMENDMENT ADOPTED
MAY 1, 1997

APPROVAL OF AMENDMENT OF BY-LAWS AND AMENDMENT OF AUTHORITY GRANTED TO EXECUTIVE COMMITTEE

WHEREAS, Hollinger International Inc. ("International") was incorporated prior to July 1, 1996; and

WHEREAS, in accordance with Section 141(c)(1) of the Delaware General Corporation Law, any corporation incorporated prior to July 1, 1996 may elect to be governed by the provisions of either Section 141(c)(1) or Section 141(c)(2) regarding committees of the Board of Directors; and

WHEREAS, the Board of Directors of International (the "Board of Directors") has determined that it is in the best interests of International to be governed by Section 141(c)(2), as such provision will enhance corporate flexibility and assist in corporate governance by permitting the delegation of broader powers to committees of the Board or Directors;

NOW, THEREFORE, BE IT RESOLVED, that International hereby elects to be governed by Section 141(c)(2) of the Delaware General Corporation Law.

RESOLVED, that the Executive Committee of the Board of Directors (the "Executive Committee"), when the Board of Directors is not in session, shall, to the fullest extent permitted by law, exercise all the powers and authority of the Board of Directors in the management of the business and affairs of international and shall have the power to authorize the seal of international to be affixed to all papers which may require it, but the Executive Committee shall not have the power or authority (a) to approve, adopt or recommend to the stockholders of international any action or matter expressly required by the Delaware General Corporation Law to be submitted to stockholders for approval, or (b) to adopt, amend or repeal any By-Law of International.

RESOLVED, that, pursuant to Article VII of international's Amended and Restated By-Laws (the "By-Laws"), the Board of Directors hereby amends the By-Laws as follows:

> Section 2.10 is deleted in its entirety and replaced with Section 2.10 as set forth below:
>
> Section 2.10. Committees. The Board of Directors may, by resolution passed by a majority of the whole Board of Directors, designate one or more committees, each committee to consist of

one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of such committee. In the absence or disqualification of a member of a committee, the member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member. Any committee, to the extent permitted by law and to the extent provided in a resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it, but no such committee shall have the power or authority (a) in reference to approving or adopting, or recommending to the stockholders, any action or matter expressly required by law to be submitted to stockholders for approval or (b) in reference to adopting, amending or repealing any By-Law of the Corporation.

RESOLVED, that any and all prior resolutions of the Board of Directors which may, or may be deemed to, limit the authority of the Executive Committee, shall, to the extent inconsistent with the foregoing resolution, be of no further force and effect.

RESOLVED, that the directors and officers of International be, and hereby are, authorized, empowered and directed to execute and deliver or cause to be executed and delivered any and all instruments, agreements, certificates or other documents, and to take or cause to be taken all such further action in the name and on behalf of international, and to incur all such fees and expenses, all as in their judgment they deem necessary or advisable in order to carry into effect the foregoing resolution.

AMENDMENT TO BY-LAWS
EFFECTIVE JANUARY 20, 2004

Section 2.12(a) of the Company's By-Laws has been stricken in its entirety and replaced with the following:

Section 2.12 Committee Meetings.

(a) Call of Meeting. Each committee (other than the Corporate Review Committee and any subcommittees thereof) shall meet at the call of its chairman or any two regular members of such committee upon twenty-four hours' notice by letter, telegram, facsimile, e-mail or oral message to each member of such committee. The Corporate Review Committee (and any subcommittees thereof) shall meet at the call of any member upon such prior notice requirements as may be approved by such committee or subcommittee, and any such notice may be delivered by letter, telegram, facsimile, e-mail or oral message.

EXHIBIT 10.1

CONFIDENTIAL

# STOCK PURCHASE AGREEMENT

BY AND AMONG

MIRKAEI TIKSHORET LTD.,

AMERICAN PUBLISHING HOLDINGS, INC.

AND

HOLLINGER INTERNATIONAL INC.

DATED AS OF NOVEMBER 16, 2004

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# STOCK PURCHASE AGREEMENT

This STOCK PURCHASE AGREEMENT (this "AGREEMENT") is made and entered into as of November 16, 2004, by and among Mirkaei Tikshoret Ltd., an Israeli corporation (the "BUYER"), American Publishing Holdings, Inc., a Delaware corporation (the "SELLER"), and Hollinger International Inc., a Delaware corporation ("HOLLINGER"), for the purchase and sale of shares of, as well as a certain capital note and certain inter-company indebtedness owed to the Seller by, The Palestine Post Limited, an Israeli corporation (the "COMPANY").

## RECITALS

(a) The Seller is the beneficial and record owner of 999 ordinary shares, nominal value NIS 100.05 per share, of the Company (the "SHARES"), which together with the one ordinary share, nominal value NIS 100.05, of the Company that is owned by Jerusalem Post Employees Holdings (1983) Ltd., an Israeli corporation, comprise all of the issued and outstanding shares of the Company.

(b) One ordinary share, nominal value NIS 100.05, of the Company is held by Jerusalem Post Employees Holdings (1983) Ltd., an Israeli corporation that has been struck from the Israeli Companies Register. This share of the Company may be acquired by the Buyer under Sections 341 and 342 of the Israeli Companies Law.

(c) The Seller is the beneficial owner of, and the sole creditor under, the Capital Note (as defined below).

(d) The Seller is the beneficial owner of, and the sole creditor under, the Inter-company Receivables (as defined below).

(e) The Seller wishes to sell to the Buyer, and the Buyer wishes to purchase from the Seller, all of the Shares upon the terms and subject to the conditions set forth in this Agreement (the "STOCK PURCHASE").

(f) The Seller wishes to sell and assign to the Buyer, and the Buyer wishes to purchase and assume from the Seller, the Capital Note upon the terms and subject to the conditions set forth in this Agreement (the "CAPITAL NOTE PURCHASE").

(g) The Seller wishes to sell and assign to the Buyer, and the Buyer wishes to purchase and assume from the Seller, the Inter-company Receivables upon the terms and subject to the conditions set forth in this Agreement (the "INTER-COMPANY RECEIVABLES PURCHASE" and together with the Stock Purchase and the Capital Note Purchase, the "PURCHASE").

(h) The parties to this Agreement desire to make certain representations, warranties, covenants and agreements in connection with the Purchase and also to prescribe certain conditions to the Purchase.

(i) The Seller is an indirect wholly-owned subsidiary of Hollinger.

Accordingly, in consideration of the mutual representations, warranties, covenants and agreements contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties to this Agreement agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Defined Terms.

(a) For all purposes of this Agreement, the terms set forth below shall have the respective meanings set forth in this Section 1.1:

"AFFILIATE" means, with respect to any Person, any other Person controlling, controlled by or under common control with such Person. The term "control" (including, with correlative meaning, the terms "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting or other securities, by contract or otherwise.

"ANTITRUST LAWS" means the Israeli Restrictive Trade Practices Law 5748-1988, the regulations promulgated thereunder and any case law relevant thereto.

"BUSINESS" means publishing, producing and distributing The Jerusalem Post and The Jerusalem Report in print and other media and related activities.

"BUSINESS DAY" means a day other than Saturday, Sunday or any day on which banks located in New York, New York, Toronto, Ontario, Canada or Tel Aviv, Israel are authorized or obligated by law to close.

"CAPITAL NOTE" means the Capital Note issued by the Company as of the date of this Agreement to the Seller in principal amount of $17,948,307.

"CONFIDENTIAL INFORMATION" means any confidential or proprietary information concerning the business and affairs of the Company and the Subsidiaries.

"CONFIDENTIALITY AGREEMENT" means the Confidentiality Agreement, dated June 18, 2004, by and between Hollinger and the Buyer.

"DISCLOSURE MATERIAL" means (i) all the information disclosed in this Agreement and the Seller's Disclosure Schedules and (ii) all other information made available to the Buyer in the virtual data room prior to the date of this Agreement.

"GOVERNMENTAL BODIES" means any Israeli or foreign governmental, regulatory or administrative body, authority, agency, court or tribunal.

"HOLLINGER GROUP" means Hollinger and all of its direct and indirect subsidiaries, other than the Company and the Subsidiaries.

"INTER-COMPANY RECEIVABLES" means all inter-company receivables owed by the Company to the Seller, which total $22,239,111 as of September 30, 2004, but which, for the avoidance of doubt, will also include any such inter-company receivables that arise between September 30, 2004 and the Closing.

"LAWS" means any law, statute, rule, regulation or code issued, enacted, promulgated or implemented by any Governmental Bodies.

"LEGAL PROCEEDINGS" means any action, suit, complaint, investigation or other civil, criminal or administrative proceeding.

"LIEN" means any lien, pledge, mortgage, security interest, charge, option, transfer restriction or other similar encumbrance.

"ORDERS" means any order, judgment, injunction, award, decree or writ handed down, adopted or imposed by any Governmental Bodies.

"PERSON" means any individual, corporation, partnership, limited liability company, limited liability partnership, firm, joint venture, association, trust, unincorporated organization or other entity.

(b) The following capitalized terms are defined in the following Sections of this Agreement:

| Term | Section |
|---|---|
| Agreement | Preamble |
| Buyer | Preamble |
| Buyer's Advisors | Section 5.9 |
| Capital Note Purchase | Recitals |
| Closing | Section 2.5 |
| Closing Date | Section 2.5 |
| Company | Preamble |
| Company Group | Section 5.2(a) |
| Company Ordinary Shares | Section 3.7(a) |
| Deposit | Section 2.1 |
| Enforceability Exceptions | Section 3.3 |
| Hollinger | Preamble |
| Inter-company Receivables Purchase | Recitals |
| NIS | Section 10.7 |
| Note Purchase Price | Section 2.3 |
| Purchase | Recitals |

| | |
|---|---|
| Purchase Price.......................................................... | Section 2.4 |
| Receivables Purchase Price.............................................. | Section 2.4 |
| Refund Reason........................................................... | Section 2.1 |
| Seller.................................................................. | Preamble |
| Seller's Disclosure Schedule............................................ | ARTICLE III |
| Shares.................................................................. | Recitals |
| Shares Purchase Price................................................... | Section 2.2 |
| Stock Purchase.......................................................... | Recitals |
| Subsidiaries............................................................ | Section 3.6(a) |


ARTICLE II.

DEPOSIT; PURCHASE AND SALE OF SHARES; PURCHASE PRICE

Section 2.1 Deposit. Concurrently with the execution of this Agreement, the Buyer has delivered to the Seller the amount of $1,000,000 (the "DEPOSIT") by wire transfer of immediately available funds. If the Purchase is consummated, then the Deposit shall be applied as partial payment of the Purchase Price. If this Agreement is terminated for any reason other than a Refund Reason, then the Deposit shall be retained by the Seller as liquidated damages. The parties to this Agreement agree that (a) it would be impractical and extremely difficult to ascertain the actual damages suffered by the Seller as a result of the failure of the Purchase to be consummated and (b) under the circumstances existing on the date of this Agreement, the liquidated damages provided for in this Section 2.1 represent a reasonable estimate of the damages that the Seller would incur as a result of such failure; provided that this provision shall not limit the Seller's rights to recover any additional damages. If this Agreement is terminated because of a Refund Reason, then the Seller shall return the Deposit to the Buyer promptly following such termination. For purposes of this Agreement, "REFUND REASON" means the termination of this Agreement by the Buyer pursuant to Section 9.1(b) of this Agreement.

Section 2.2 Sale and Purchase of Shares. At the Closing provided for in Section 2.5, and upon the terms and subject to the conditions set forth in this Agreement, the Seller shall, and Hollinger shall cause the Seller to, sell to the Buyer, and the Buyer shall purchase from the Seller, all of the Shares for an aggregate purchase price of $999 (the "SHARES PURCHASE PRICE"), to be paid in accordance with Section 2.6.

Section 2.3 Sale and Purchase of Capital Note. At the Closing provided for in Section 2.5, and upon the terms and subject to the conditions set forth in this Agreement, the Seller shall, and Hollinger shall cause the Seller to, sell and assign to the Buyer, and the Buyer shall purchase and assume from the Seller, the Capital Note for a purchase price of $1,000 (the "NOTE PURCHASE PRICE"), to be paid in accordance with Section 2.6.

Section 2.4 Sale and Purchase of Inter-company Receivables. At the Closing provided for in Section 2.5, and upon the terms and subject to the conditions set forth in this Agreement, the Seller shall, and Hollinger shall cause the Seller to, sell and assign to the Buyer, and the Buyer shall purchase and assume from the Seller, the Inter-company Receivables for a purchase price of $13,198,001 (the "RECEIVABLES PURCHASE PRICE" and together with the Share Purchase Price and the Note Purchase Price, the "PURCHASE PRICE"), to be paid in accordance with Section 2.6.

Section 2.5 Closing; Closing Date. The closing of the Purchase (the "CLOSING") shall take place at the offices of Herzog Fox & Neeman, Asia House, 4 Weizman Street, Tel Aviv, Israel at 10:00 a.m. local time, on December 23, 2004, subject to the conditions to closing set forth in Article VI and Article VII having been satisfied, or if later, two Business Days after the satisfaction on such conditions, or on such other time or date as the parties to this Agreement may mutually agree in writing. The date upon which the Closing occurs is referred to as the "CLOSING DATE".

Section 2.6 Deliveries and Actions at Closing.

(a) At the Closing, the Buyer shall deliver to the Seller an amount equal to the Purchase Price less the Deposit, in cash, by wire transfer of immediately available funds to the bank account designated in Section 2.6(a) of the Seller's Disclosure Schedule.

(b) At the Closing, the Seller shall, and Hollinger shall cause the Seller to, deliver to the Buyer:

(i) a share transfer form for the Shares duly executed by the Seller in favor of the Buyer (or as it shall otherwise in writing direct) accompanied by its share certificate;

(ii) a duly executed assignment of the Capital Note;

(iii) such waivers, consents or other documents as may be required to provide title to the Shares and to enable the Buyer or its nominees to become their registered holders;

(iv) a release, substantially in the form of Exhibit A, signed by Paul Healy; and

(v) resignation letters signed by each of the directors of the Company effective as of the Closing Date.

(c) At the Closing, the Seller shall cause the Company: (i) to record the transfer of the Shares to the Buyer on the Company's shareholders register; (ii) to deliver to the Buyer the Capital Note registered in the name of the Buyer; and (iii) to acknowledge the transfer of the Inter-company Receivables to the Buyer.

ARTICLE III

REPRESENTATIONS AND WARRANTIES
OF THE SELLER AND HOLLINGER

Except as set forth in the disclosure schedule prepared by the Seller which is being delivered to the Buyer concurrently herewith (the "SELLER'S DISCLOSURE SCHEDULE") or, with respect to Sections 3.5, 3.6, 3.7, 3.8 and 3.9 only, in the Disclosure Material, the Seller and Hollinger, jointly and severally, represent and warrant to the Buyer as follows:

Section 3.1 Title. The Seller owns beneficially and of record, free and clear of any Liens, and has full power and authority to convey free and clear of any Liens, the Shares. The Seller owns beneficially and of record, free and clear of any Liens, and has full power and authority to convey free and clear of any Liens, the Capital Note and the Inter-company Receivables. One ordinary share, nominal value NIS 100.05, of the Company, which represents the only outstanding share of the Company other than the Shares, is held by Jerusalem Post Employees Holdings (1983) Ltd., an Israeli corporation that has been struck from the Israeli Companies Register.

Section 3.2 Due Incorporation and Authority of the Seller and Hollinger. The Seller and Hollinger are each corporations, duly incorporated, validly existing and in good standing under the laws of the State of Delaware. The Seller and Hollinger each have all requisite corporate power and authority, and have taken all corporate actions required, to execute and deliver this Agreement and to perform its obligations hereunder. The execution and delivery of this Agreement by the Seller and Hollinger and the consummation by the Seller and Hollinger of the transactions contemplated hereby have been duly approved by the board of directors of the Seller and the Corporate Review Committee of the board of directors of Hollinger.

Section 3.3 Enforceability. This Agreement constitutes the legal, valid and binding obligation of the Seller and Hollinger and is enforceable against the Seller and Hollinger in accordance with its terms, subject to (i) bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or similar laws, (ii) laws of general applicability relating to or affecting creditors' rights and (iii) general equity principles (collectively, the "ENFORCEABILITY EXCEPTIONS").

Section 3.4 No Conflicts. The execution and delivery by the Seller and Hollinger of this Agreement, and the performance by the Seller and Hollinger of their respective obligations hereunder, will not: (a) conflict with or violate the organizational documents of the Seller or Hollinger; (b) conflict with or violate any applicable Laws; or (c) require the Seller, Hollinger, the Company or any of the Subsidiaries to obtain any consents of, or make any filings with, any Governmental Bodies, other than as set forth in Section 3.4 of the Seller's Disclosure Schedule.

Section 3.5 Due Incorporation of the Company. The Company is a corporation duly incorporated and validly existing under the laws of the State of Israel.

The Company has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted.

Section 3.6 Subsidiaries.

(a) Section 3.6(a) of the Seller's Disclosure Schedule sets forth the name and jurisdiction of incorporation of each corporation in which the Company directly or indirectly owns, or has the power to vote shares of, any capital stock having the voting power to elect a majority of the directors of such corporation (collectively, the "SUBSIDIARIES"). Except for the Subsidiaries, the Company does not, directly or indirectly, own any capital stock or other ownership interest of any other Person.

(b) Except as set forth in Section 3.6(b) of the Seller's Disclosure Schedule, each of the Subsidiaries is a corporation duly incorporated and validly existing under the laws of the State of Israel. Each of the Subsidiaries has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted.

Section 3.7 Capitalization.

(a) The Company is authorized to issue only 1,000 ordinary shares, nominal value NIS 100.50 per share, of the Company ("COMPANY ORDINARY SHARES"), of which 1,000 Company Ordinary Shares, 999 of which constitute the Shares, are issued and outstanding. All of the Shares are duly authorized, validly issued, fully paid and nonassessable. No other class or series of capital stock of the Company is authorized or outstanding. Neither the Company nor the Seller is a party to or bound by any outstanding subscriptions, options, warrants, calls or other similar commitments providing for the purchase or issuance of (i) any Company Ordinary Shares or other capital stock of the Company or (ii) any securities representing the right to purchase any Company Ordinary Shares or other capital stock of the Company.

(b) The authorized and outstanding shares of capital stock of each of the Subsidiaries are as set forth in Section 3.7(b) of the Seller's Disclosure Schedule. All of the outstanding shares of capital stock of the Subsidiaries are duly authorized, validly issued, fully paid and nonassessable. All shares of capital stock of each Subsidiary that are shown in Section 3.7(b) of the Seller's Disclosure Schedule as issued and outstanding are owned by the Company or another Subsidiary free and clear of any Liens. None of the Subsidiaries is a party to or bound by any outstanding subscriptions, options, warrants, calls or other similar commitments providing for the purchase or issuance of (i) any shares of capital stock of any Subsidiary or (ii) any securities representing the right to purchase any shares of capital stock of any Subsidiary.

Section 3.8 Brokers. Except for fees and commissions that will be paid by or on behalf of the Seller, no Person retained by or on behalf of the Seller or any of its Affiliates is entitled to any brokerage commissions, finders' fees or similar compensation in connection with the transactions contemplated hereby.

Section 3.9 Related Parties. Except with respect to any inter-company payables, receivables and contracts and arrangements to be eliminated or terminated pursuant to Section 5.2 or with respect to the Capital Note and the Inter-company Receivables, no member of the Hollinger Group (a) has any interest in any property used in or pertaining to the Business or (b) is a party to any Contract with, or has any claim or right against, any member of the Company Group.

Section 3.10 Prohibited Actions. Since September 30, 2004, neither the Company nor any Subsidiary has taken any action that would have been prohibited by Section 5.1(b) had such action been taken on or after the date hereof.

## ARTICLE IV

## REPRESENTATIONS AND WARRANTIES OF THE BUYER

The Buyer represents and warrants to the Seller as follows:

Section 4.1 Due Incorporation and Authority. The Buyer is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation. The Buyer has all requisite power and authority, and has taken all corporate actions required, to execute and deliver this Agreement and to perform its obligations hereunder.

Section 4.2 Enforceability. This Agreement constitutes the legal, valid and binding obligation of the Buyer and is enforceable against the Buyer in accordance with its terms, subject to the Enforceability Exceptions.

Section 4.3 Brokers. Except for fees and commissions that will be paid by the Buyer, no Person retained by or on behalf of the Buyer or any of its Affiliates is entitled to any brokerage commissions, finders' fees or similar compensation in connection with the transactions contemplated hereby.

Section 4.4 Purchase for Investment. The Buyer is purchasing the Shares, the Capital Note and the Inter-company Receivables for its own account for investment and not for resale or distribution in any transaction that would be in violation of the securities laws of the United States of America, any state thereof or the State of Israel. The Buyer is an "accredited investor" as defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933, as amended.

Section 4.5 Financial Ability. As of the date of this Agreement, the Buyer has, and as of the Closing Date, will have, sufficient cash in immediately available funds to pay the Purchase Price and all of its fees and expenses in order to consummate the transactions contemplated by this Agreement.

Section 4.6 Independent Investigation. The Buyer acknowledges that, prior to the date of this Agreement, the Buyer and its advisors have conducted a thorough business, financial, operational, legal, accounting, tax and environmental due diligence investigation with respect to the Company and the Subsidiaries and have carefully reviewed the Disclosure Material. The Buyer hereby acknowledges and affirms that: (a) it has made all such investigation and inspections of the condition, business, results of operations, properties, assets, liabilities and prospects of the Company and the Subsidiaries as it has deemed necessary or appropriate; (b) it has had the opportunity to request all information it has deemed relevant to the foregoing from the Company or the Seller and has received responses it deems adequate and sufficient to all such requests; (c) in making its decision to enter into this Agreement and to consummate the transactions contemplated hereby it has relied solely on (i) its own investigation, inspections, analyses and evaluation of the Company and the Subsidiaries and (ii) the representations, warranties, covenants and agreements of the Seller contained in this Agreement; and (d) the Seller is making no representations or warranties as to the accuracy or completeness of the Disclosure Material or as to any other matter not explicitly set forth in this Agreement.

## ARTICLE V

## COVENANTS AND AGREEMENTS

Section 5.1 Conduct of Business. The Seller and Hollinger agree that:

(a) Between the date of this Agreement and the Closing Date, except as (i) contemplated by this Agreement, (ii) set forth on Section 5.1(a) of the Seller's Disclosure Schedule or (iii) otherwise agreed by the Buyer (which agrees to respond promptly to any request for such agreement and not to unreasonably withhold or condition such agreement), the Seller and Hollinger shall cause the Company and the Subsidiaries to operate in the ordinary course of business consistent with past practice (including by paying all of their liabilities as they come due).

(b) Between the date of this Agreement and the Closing Date, except as otherwise agreed by the Buyer (which agrees to respond promptly to any request for such agreement and not to unreasonably withhold or condition such agreement), the Seller and Hollinger shall:

(i) not permit the Company or any of the Subsidiaries to amend their articles of association;

(ii) not permit the Company or any of the Subsidiaries to incur any indebtedness for borrowed money, other than from the Seller or any of the Seller's Affiliates consistent with past practice and provided such indebtedness is incorporated into the Inter-company Receivables or, if immaterial in amount, eliminated immediately prior to Closing;

(iii) not permit the Company or any of the Subsidiaries to issue, sell or pledge (A) any shares of capital stock or any other ownership interests or (B) any securities convertible or exchangeable into, or subscriptions, options, warrants, calls or other similar commitments to acquire, any such capital stock or other ownership interests;

(iv) not permit the Company or any of the Subsidiaries to declare, set aside or pay any dividend or distribution with respect to any shares of capital stock;

(v) not permit the Company or any of the Subsidiaries to sell or convey any of its material assets, including any printing press;

(vi) not permit the Company, and not require the Company, to repay any portion of the Capital Note or any other indebtedness or obligation to any member of the Hollinger Group;

(vii) not permit the Company or any of the Subsidiaries to (A) adopt, terminate or amend any of its employee benefit plans or (B) grant any material increase (other than increases required by applicable Laws, under any applicable contracts or consistent with past practice) in the compensation of employees of the Company or the Subsidiaries;

(viii) not amend any material existing employment agreement or service agreement to which the Company or any of the Subsidiaries is a party;

(ix) not enter into, or amend, any collective bargaining agreement to which the Company or any of the Subsidiaries is a party; or

(x) not enter into any agreement, commit or otherwise become obligated to do any of the foregoing.

(c) Nothing contained in this Agreement shall give the Buyer, directly or indirectly, rights to control or direct the operations of the Company or any of the Subsidiaries prior to the Closing. Prior to the Closing, the Company shall exercise, consistent with the terms and conditions of this Agreement, complete control and supervision of the operations of the Company and the Subsidiaries.

Section 5.2 Elimination of Inter-Company Arrangements & Accounts.

(a) With the exception of the Capital Note and the Inter-company Receivables, Hollinger shall cause all inter-company receivables, payables and loans then existing between the Company and the Subsidiaries (together, the "COMPANY GROUP"), on the one hand, and the Hollinger Group, on the other hand, to be eliminated effective immediately prior to the Closing.

(b) All contracts and arrangements for services between any member of the Company Group, on the one hand, and the Hollinger Group, on the other hand, shall be terminated without cost or obligation to the Company Group or the Buyer immediately prior to the Closing.

Section 5.3 Expenses. Except as otherwise specifically provided in this Agreement, the Buyer and the Seller shall bear their respective costs, fees and expenses incurred in connection with the preparation, execution and performance of this Agreement and the transactions contemplated hereby, including all costs, fees and expenses of agents, representatives, counsel and accountants. For the avoidance of doubt, the Seller shall bear (a) the cost of any income or capital gains taxes triggered by its sale of the Shares, the Capital Note and the Inter-company Receivables and (b) all legal costs, fees and expenses incurred by the Company in connection with the preparation, execution and performance of this Agreement and the transactions contemplated hereby. The Buyer shall be responsible for the payment of any stamp taxes in connection with the transactions contemplated hereby.

Section 5.4 Publicity. Except as may be required by applicable Laws or the applicable rules of any stock exchange or listing authority, the parties to this Agreement agree that no public announcement concerning this Agreement or the transactions contemplated hereby shall be made without advance approval thereof by both the Buyer and the Seller. If any public announcement is required by applicable Laws or the applicable rules of any stock exchange or listing authority to be made by any party to this Agreement, then prior to making such public announcement, such party will deliver a draft of such public announcement to the other party and shall afford the other party a reasonable opportunity to comment thereon.

Section 5.5 Preservation of Records. The Buyer, at its own expense, shall preserve and keep records held by the Company or the Subsidiaries relating to the Seller for a period of seven years from the Closing Date, during which time the Buyer shall make such records available to the Seller as the Seller may reasonably require.

Section 5.6 Further Assurances.

(a) Subject to the terms and conditions of this Agreement, prior to the Closing, each of the parties to this Agreement agrees to use its reasonable efforts to take or cause to be taken all action, and to do or cause to be done all things, reasonably necessary, proper or advisable to consummate the transactions contemplated by this Agreement promptly, including: (i) preparing and making any filings required under Antitrust Laws; (ii) contesting any Legal Proceedings relating to the transactions contemplated hereby; and (iii) executing any additional instruments necessary to consummate the transactions contemplated hereby.

(b) From time to time after the Closing, the Seller shall, at the cost and expense of the Buyer, execute and deliver such other instruments related hereto and take such other action as may be reasonably required to consummate the transactions contemplated hereby and to give effect to the intention of the parties hereunder.

Section 5.7 Board of Directors. The Seller shall procure that a meeting of the board of directors of the Company be held at the Closing Date, at which: (a) there shall be submitted and accepted the resignations of the outgoing directors; (b) the transfers of the Shares shall be approved for registration and new share certificates issued in favor of the Buyer or its nominees; and (c) new signatory rights of the Company, as approved by the Buyer, shall be adopted.

Section 5.8 Offer to Purchase Shares. The Seller agrees to consent to, within seven days of its receipt of, any written offer by the Buyer to purchase Company Ordinary Shares submitted, in accordance with Section 341 of the Israeli Companies Law, 5759-1999, on or after the execution of this Agreement.

Section 5.9 Access. Between the date of this Agreement and the Closing Date, the Seller and Hollinger will, and will cause the Company and the Subsidiaries to, (a) afford the Buyer and its representatives (collectively, "BUYER'S ADVISORS") reasonable access, at reasonable times and with advance notice, and in a manner so as not to unreasonably interfere with the normal business operations of the Company and the Subsidiaries, to the Company's and each Subsidiary's personnel, properties, contracts, books and records, and other documents and data, and (b) furnish the Buyer and Buyer's Advisors with copies of any such contracts, books and records, and other existing documents and data as Buyer may reasonably request.

Section 5.10 Confidentiality. From the Closing Date until the first anniversary of the Closing Date, no member of Hollinger Group nor any of their respective employees, agents or representatives will disclose to any third party any Confidential Information concerning the Business that such Person acquired prior to the Closing Date. Notwithstanding the foregoing, any Person may disclose any such Confidential Information as follows: (i) to such Person's Affiliates and its or its Affiliates' employees, lenders, counsel or accountants provided that Hollinger and the Seller shall cause such other Persons to maintain the confidentiality of the Confidential Information; (ii) to comply with any applicable Law or Order, provided that prior to making any such disclosure, the Person making the disclosure notifies the Buyer of any action of which it is aware which may result in disclosure and uses its commercially reasonable efforts to limit or prevent such disclosure (subject to being reimbursed therefor by the Buyer); (iii) to the extent that the Confidential Information is or becomes generally available to the public through no fault of the Person or its Affiliates making such disclosure; or (iv) in order to comply with any U.S. securities laws that may apply to such Person and/or its Affiliates.

## ARTICLE VI

## CONDITIONS PRECEDENT TO THE OBLIGATION OF THE BUYER TO CLOSE

The obligation of the Buyer to enter into and complete the Closing is subject to the fulfillment on or prior to the Closing Date of the following conditions, any one or more of which may be waived by the Buyer:

Section 6.1 Antitrust Filings. Any approvals required under the Antitrust Laws in connection with the transactions contemplated hereby shall have been obtained.

Section 6.2 No Orders. No Order shall have been issued or Legal Proceedings initiated by any Governmental Body to restrain or prohibit, or to obtain damages or a discovery order in respect of, this Agreement or the consummation of the transactions contemplated hereby.

Section 6.3 Additional Documents. The Seller shall have delivered (or stand ready to deliver) each of the documents required to be delivered by Seller pursuant to Section 2.6(b).

## ARTICLE VII

## CONDITIONS PRECEDENT TO THE OBLIGATION OF THE SELLER TO CLOSE

The obligation of the Seller to enter into and complete the Closing is subject to the fulfillment on or prior to the Closing Date of the following conditions, any one or more of which may be waived by the Seller:

Section 7.1 Antitrust Filings. Any approvals required under the Antitrust Laws in connection with the transactions contemplated hereby shall have been obtained.

Section 7.2 No Orders. No Order shall have been issued or Legal Proceedings initiated by any Governmental Body to restrain or prohibit, or to obtain damages or a discovery order in respect of, this Agreement or the consummation of the transactions contemplated hereby.

## ARTICLE VIII

## SURVIVAL

All representations and warranties in this Agreement will survive the Closing for a period of six months from the Closing Date, except that the representations and warranties in Sections 3.1, 3.2, 3.3 and 3.4 shall survive the Closing for a period of six years from the Closing Date.

## ARTICLE IX

## TERMINATION

Section 9.1 Termination. This Agreement may not be terminated prior to the Closing, except:

(a) by mutual agreement of the Buyer and the Seller;

(b) at the election of the Buyer, if the Seller has materially breached any of its material obligations contained in this Agreement, which breach has not been cured by the Seller within 30 days after the Seller's receipt of written notice of such breach from the Buyer;

(c) at the election of the Seller, if the Buyer has materially breached any of its material obligations contained in this Agreement, which breach has not been cured by the Buyer within 30 days after the Buyer's receipt of written notice of such breach from the Seller;

(d) at the election of either the Buyer or the Seller upon prior written notice, if any Governmental Body shall have issued an Order or taken any other final action restraining or prohibiting consummation of the transactions contemplated hereby and such Order is or shall have become non-appealable; or

(e) at the election of either the Buyer or the Seller upon prior written notice, if any of the conditions set forth in Article VI or Article VII, respectively, has not been fulfilled as of the close of business on May 31, 2005; provided, however, that the party whose conduct substantially results in the failure of such condition to be fulfilled may not be the terminating party.

Section 9.2 Survival After Termination. If this Agreement is terminated pursuant to Section 9.1 and the transactions contemplated hereby are not consummated, then:

(a) this Agreement shall become null and void and have no further force or effect, except that any such termination shall be without prejudice to the rights of any party on account of the non-satisfaction of the conditions set forth in Articles VI and VII resulting from the intentional or willful breach or violation of the covenants or agreements of another party under this Agreement;

(b) notwithstanding anything in this Agreement to the contrary, the provisions of Section 2.1, Section 5.3, Section 5.4, this Section 9.2 and Article X shall survive any termination of this Agreement; and

(c) the Buyer shall promptly return to the Seller all books and records and all other information furnished by the Seller, its agents, employees or representatives (including all copies, if any) and shall not use or disclose the information contained in such books and records for any purpose or make such information available to any other Person.

## ARTICLE X

## MISCELLANEOUS

Section 10.1 Consent to Jurisdiction; Service of Process; Waiver of Jury Trial.

(a) Any controversy or claim arising out of or relating to this Agreement shall be finally settled by arbitration, before a single arbitrator, administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules. Any award or portion thereof rendered by the arbitrator in accordance with this Section 10.1 shall be final and binding on the parties to this Agreement, who hereby waive all rights of appeal or challenge to such to the extent they are permitted to do so. The parties to this Agreement further agree that any judgment or award hereunder shall be entered in a court of competent jurisdiction and application may be made to such court or to any court of competent jurisdiction wherever situated for enforcement of any judgment or award and the entry of whatever orders that are necessary for such enforcement. The place of arbitration shall be New York, New York. The language of the arbitration shall be English. This Section 10.1 shall be treated and construed as an arbitration agreement for purposes of the Israeli Arbitration Law, 5728-1968.

(b) Any and all service of process and any other notice in any such claim shall be effective against any party to this Agreement if given personally or by registered or certified mail, return receipt requested, or by any other means of mail that requires a signed receipt, postage prepaid, mailed to such party as provided in Section 10.2. Nothing herein contained shall be deemed to affect the right of any party to serve process in any manner permitted by law.

(c) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY THAT MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY.

(d) EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (i) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE WAIVER IN SECTION 10.1(c), (ii) SUCH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF SUCH WAIVER, (iii) SUCH PARTY MAKES SUCH WAIVER VOLUNTARILY AND (iv) SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS, AGREEMENTS AND CERTIFICATIONS IN SECTION 10.1(c) AND THIS SECTION 10.1(d).

Section 10.2 Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be deemed to have been duly given (i) on the day of delivery if delivered in person, or if delivered by facsimile upon confirmation of receipt, (ii) on the first Business Day following the date of dispatch if delivered by an internationally recognized express courier service, or (iii) on the tenth Business Day following the date of mailing if delivered by registered or certified mail, return receipt requested, postage prepaid. All notices hereunder shall be delivered as set forth below, or pursuant to such other instructions as may be designated by notice given in accordance with this Section 10.2 by the party to receive such notice:

(a) if to the Buyer, to:

Mirkaei Tikshoret Ltd.
15 Maslavita Street
Tel Aviv 67010
Israel
Attention: Eyal Golan
Facsimile: +972-3-561-0887

with a copy to:

Danziger, Klagsbald, Rosen & Co., Law Offices
Gibor Sport Building, 24th Floor
7 Menachem Begin Street
Ramat Gan 52521
Israel
Attention: Ori Rosen, Adv.
Facsimile: +972-3-611-0707

and

Kaye Scholer LLP
425 Park Avenue
New York, NY 10022-3598
Attention: Joel Greenberg, Esq.
Facsimile: (212) 836-8689

(b) if to the Seller or Hollinger, to:

Hollinger International Inc.
712 Fifth Avenue, 18th Floor
New York, NY 10019
Attention: Gordon A. Paris
Facsimile: (212) 974-0978

with a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019-6064
Attention: Judith R. Thoyer, Esq.
Facsimile: (212) 757-3990

and

Herzog Fox & Neeman
Asia House, 4 Weizmann Street
Tel Aviv 64239
Israel
Attention: Alan Sacks, Adv.
Facsimile: +972-3-696-6464

Section 10.3 Entire Agreement. This Agreement, together with the Confidentiality Agreement and any other collateral agreements executed in connection with the consummation of the transactions contemplated hereby, contain the entire agreement among the parties with respect to the Purchase and supersede all prior agreements, written or oral, with respect thereto.

Section 10.4 Waivers and Amendments. This Agreement may be amended, superseded, canceled, renewed or extended, and the terms hereof may be waived, only by a written instrument signed by the Buyer, the Seller and Hollinger or, in the case of a waiver, by the party waiving compliance. No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party of any such right, power or privilege, nor any single or partial exercise of any such right, power or privilege, preclude any further exercise thereof or the exercise of any other such right, power or privilege.

Section 10.5 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Israel without regard to any conflict of laws rules thereof that might indicate the application of the laws of any other jurisdiction.

Section 10.6 Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. This Agreement is not assignable by any party without the prior written consent of the other party.

Section 10.7 Usage. All pronouns and any variations thereof refer to the masculine, feminine or neuter, singular or plural, as the context may require. All terms defined in this Agreement in their singular or plural forms have correlative meanings when used herein in their plural or singular forms, respectively. Unless otherwise expressly provided, the words "include," "includes" and "including" do not limit the preceding words or terms and shall be deemed to be followed by the words "without limitation." Any reference in this Agreement to "Dollars" or "$" shall mean U.S. dollars. Any reference in this Agreement to "NIS" shall mean New Israeli Shekels.

Section 10.8 Articles and Sections. All references herein to Articles and Sections shall be deemed references to such parts of this Agreement, unless the context shall otherwise require. The Article and Section headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

Section 10.9 Interpretation. The parties acknowledge and agree that (a) each party and its counsel reviewed and negotiated the terms and provisions of this Agreement and have contributed to its revision, (b) the rule of construction to the effect that any ambiguities are resolved against the drafting party shall not be employed in the interpretation of this Agreement, and (c) the terms and provisions of this Agreement shall be construed fairly as to all parties, regardless of which party was generally responsible for the preparation of this Agreement. Any statute, regulation or other law defined or referred to herein (or in any agreement or instrument that is referred to herein) means such statute, regulation or other law as, from time to time, may be amended, modified or supplemented, including (in the case of statutes) by succession of comparable successor statutes. References to a Person also refer to its predecessors and permitted successors and assigns.

Section 10.10 Severability of Provisions. If any provision or any portion of any provision of this Agreement shall be held invalid or unenforceable, the remaining portion of such provision and the remaining provisions of this Agreement shall not be affected thereby. If the application of any provision or any portion of any provision of this Agreement to any Person or circumstance shall be held invalid or unenforceable, the application of such provision or portion of such provision to Persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby.

Section 10.11 No Personal Liability. This Agreement shall not create or be deemed to create or permit any personal liability or obligation on the part of any officer, director, employee, agent, representative or investor of any party hereto.

Section 10.12 No Third Party Beneficiaries. No provision of this Agreement is intended to, or shall, confer any third party beneficiary or other rights or remedies upon any Person other than the parties hereto.

Section 10.13 Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts together shall constitute one and the same instrument. Each counterpart may consist of a number of copies hereof each signed by less than all, but together signed by all, of the parties hereto.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

BUYER:

MIRKAEI TIKSHORET LTD.

By: /s/ Eyal Golan
-------------------------------
Name: Eyal Golan
Title: Managing Director

SELLER:

AMERICAN PUBLISHING HOLDINGS, INC.

By: /s/ Gordon A. Paris
-------------------------------
Name: Gordon A. Paris
Title: President

HOLLINGER:

HOLLINGER INTERNATIONAL INC.

By: /s/ Gordon A. Paris
-------------------------------
Name: Gordon A. Paris
Title: President and Chief Executive Officer

EXHIBIT A

FORM OF RELEASE

This Release is made as of _____, 2004 by______ (the "undersigned"), in favor of Mirkaei Tikshoret Ltd., an Israeli corporation ("MTL"), The Palestine Post Limited, an Israeli corporation (the "Company"), and the Company's subsidiaries.

The undersigned, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, hereby agrees as follows:

The undersigned hereby releases and forever discharges MTL, the Company and each of the Company's subsidiaries, and each of their respective individual, joint or mutual, past, present and future directors, officers and employees (individually, a "Releasee" and collectively, "Releasees") from any and all claims, demands, actions, proceedings, causes of action, orders, judgments, obligations, contracts, agreements, debts and liabilities whatsoever, whether known or unknown, suspected or unsuspected, both at law and in equity, which the undersigned now has, have ever had or may hereafter have against the respective Releasees arising on or prior to the date hereof or on account of or arising out of any matter, cause or event occurring on or prior to the date hereof, including, but not limited to, any rights to indemnification or reimbursement from the Company or any of its subsidiaries, whether pursuant to their respective organizational documents, contract or otherwise.

The undersigned hereby irrevocably covenants to refrain from, directly or indirectly, asserting any claim or demand, or commencing, instituting or causing to be commenced, any proceeding of any kind against any Releasee, based upon any matters purported to be released hereby.

Without in any way limiting any of the rights and remedies otherwise available to any Releasee, the undersigned shall indemnify and hold harmless each Releasee from and against any loss, liability, claim, damage (including incidental and consequential damages) or expense (including costs of investigation and defense and reasonable attorney's fees), whether or not involving third party claims, arising directly or indirectly from or in connection with the assertion by or on behalf of the undersigned of any claim or other matter purported to be released pursuant to this Release.

If any provision of this Release is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Release will remain in full force and effect. Any provision of this Release held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

This Release may not be changed except in a writing signed by the person(s) against whose interest such change shall operate. This release shall be governed by and construed under the laws of the State of New York without regard to principles of conflicts of law.

All words used in this Release will be construed to be of such gender or number as the circumstances require.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Release as of this ___day of ______, 2004.

_________________________________
[Name of Releasor]

EXHIBIT 10.2

EXECUTION COPY

# FACILITATION AGREEMENT

This Facilitation Agreement (this "Agreement") is made by and between HOLLINGER INTERNATIONAL INC. and HOLLINGER CANADIAN NEWSPAPERS, LIMITED PARTNERSHIP (together, on a joint and several basis, "Hollinger") and 3815668 CANADA INC. (the "Issuer") and acknowledged and agreed as to Sections 3(b) and 4 hereof by HOLLINGER CANADIAN PUBLISHING HOLDINGS CO. (formerly Southam Inc.)and HCN PUBLICATIONS COMPANY (together with Hollinger, the "Hollinger Parties") and agreed as to Sections 3(a) and 3(b) hereof by CANWEST GLOBAL COMMUNICATIONS CORP. ("CanWest"), as of October 7, 2004.

## RECITALS

WHEREAS, Hollinger Participation Trust (the "Trust") issued 12 1/8% Senior Notes due 2010 (the "Trust Notes") under an Amended and Restated Trust Agreement dated as of August 24, 2001 and a Supplemental Trust Agreement dated as of December 7, 2001, each between Hollinger International Inc. and First Union Trust Company, National Association, as trustee (collectively, as amended and supplemented from time to time, the "Trust Agreement");

WHEREAS, the Participation Agreement dated as of August 17, 2001 by and among Hollinger and the Trust was amended and restated by the Amended and Restated Participation Agreement dated as of November 30, 2001 by and among Hollinger and the Trust (as amended and supplemented from time to time, the "Participation Agreement") and the Trust owns the participation interest (the "Participation Interest") granted by the Participation Agreement in, as of the date hereof, CDN$785,179,588 aggregate principal amount of the Fixed Rate Subordinated Debentures due 2010 (the "Old Notes) issued by the Issuer pursuant to an indenture dated November 15, 2000 among the parties thereto (as amended and supplemented from time to time, the "Old Notes Indenture");

WHEREAS, the Issuer proposes to effect, through an affiliate, an exchange offer and consent solicitation (the "Exchange Offer") in which the Issuer's affiliate will offer to exchange for the Trust Notes new securities of the Issuer that will, upon amalgamation of the Issuer and CanWest Media Inc. become obligations of the resulting entity (which will also be named CanWest Media Inc.), upon the date of their first issuance (the "New Notes") and references herein to the "Issuer" include the entity resulting from such amalgamation, as the context requires;

WHEREAS, the Issuer proposes to issue and sell additional New Notes in order to fund the payments to Hollinger described in Section 3(a) hereof;

WHEREAS, pursuant to the Exchange Offer, the Issuer proposes to solicit from the holders of the Trust Notes consents to certain proposed amendments to the Trust Agreement (the "Proposed Trust Amendments") and instructions to consent to certain proposed amendments to the Old Notes and the Old Notes Indenture (the "Proposed Indenture

Amendments" and together with the instructions and the Proposed Trust Amendments, the "Proposed Amendments and Instructions");

WHEREAS, the Proposed Amendments and Instructions will also include an instruction to the trustee under the Trust Agreement (the "Trust Trustee") to cause the conversion of the Participation Interest into ownership of the related Old Notes by the Trust, and to cause the dissolution, winding up and liquidation of the Trust and, if the Exchange Offer is consummated, the Issuer intends to cause its affiliate to instruct the Trust Trustee to take any actions necessary to complete the distribution of the Trust's assets, the termination of the Trust, and other transactions related thereto, including the monetization of the Trust's assets by sale of the Old Notes to the Issuer for consideration sufficient to result in the payments contemplated by this Agreement (the actions described in this recital, collectively, being the "Plan"), as a result of which Hollinger and the Issuer will each derive certain economic benefits;

WHEREAS, the Issuer and Hollinger wish to memorialize their mutual understanding as to the terms upon which the Trust will be wound up if the Exchange Offer is consummated and to provide for Hollinger's facilitation of the successful consummation of the Proposed Amendments and Instructions and the Plan;

NOW, in consideration of the following and for other good and valuable consideration, the parties hereby agree as follows:

1. Representations and Warranties.

(a) Hollinger hereby represents and warrants that:

(i) it has provided to the Issuer, between September 23, 2004 and the date hereof, full, complete and accurate copies of (x) the Trust Agreement and any and all amendments thereto, (y) the Participation Agreement and any and all amendments thereto and (z) any and all other written understandings relating to either such agreement to which it is a party;

(ii) to its knowledge (having inquired of the officers currently employed by Hollinger that have responsibility for dealing with the Trust and the Trust Trustee, inquired of the Trust Trustee, and reviewed relevant Hollinger files) there is no unpaid liability of, or claim against, the Trust other than the claims of the holders of the Trust Notes pursuant to the terms thereof;

(iii) to its knowledge (having inquired of the officers currently employed by Hollinger that have responsibility for dealing with the Trust and the Trust Trustee and reviewed relevant Hollinger files) the Trust has no Trust property other than the Participation Interest and its right to receive payments in respect of shortfalls resulting from currency differentials under Section 9.01 of the Trust Agreement;

(iv) to its knowledge (having inquired of the officers currently employed by Hollinger that have responsibility for dealing with the Trust and the Trust Trustee and reviewed relevant Hollinger files) no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Trust or any of its property is pending or threatened,

(v) it is, and will be on the settlement date of the Exchange Offer (the "Settlement Date") immediately prior to transfer of the Old Notes to the Trust in accordance with the Plan, the sole legal and beneficial owner (subject to the Participation Interest) of, and has good title to, the entire CDN$871,873,305 principal amount outstanding of the Old Notes, free and clear of (I) any mortgage, pledge, lien, security interest, charge, hypothecation, or other encumbrance, security agreement, security arrangement or adverse claim against title of any kind, (II) purchase or option agreement or put arrangement, (III) subordination agreement or arrangement or (IV) agreement to create or effect any of the foregoing and its ownership of the Old Notes is not subject to any prior sale, transfer, assignment or participation by Hollinger, or any agreement by Hollinger to assign, convey, transfer or participate, in whole or in part, in each case other than the rights granted to the Trust under the Participation Agreement, and

(vi) no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator is pending or to the best of Hollinger's knowledge threatened against Hollinger that would materially adversely affect its ownership of the Old Notes or the transactions contemplated hereby.

(b) Each of Hollinger and the Issuer hereby represents and warrants that: (i) it has full power and authority and has taken all action necessary, to enter into and perform its obligations under this Agreement (and, in the case of Hollinger, the Participation Agreement); (ii) this Agreement (and, in the case of Hollinger, the Participation Agreement) has been duly and validly authorized, executed and delivered by it, constitutes its legal, valid and binding obligation and is enforceable against it in accordance with its terms (subject, as to the enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting creditors' rights generally from time to time in effect and to general principles of equity); and (iii) the execution, performance and delivery of this Agreement will not (and, in the case of Hollinger, execution, performance and delivery of the Participation Agreement has not and will not) result in it violating any applicable law or breaching or otherwise impairing any of its obligations.

The respective agreements, representations, warranties, indemnities and other statements of the parties hereto set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation made by or on behalf of any party hereto and will survive consummation of the Exchange Offer, Proposed Amendments and Instructions and Plan and delivery of the payments provided for in Section 3(a) hereof.

2. Undertakings by Hollinger. Hollinger hereby agrees to use its reasonable best efforts to facilitate the consummation of the Proposed Amendments and Instructions and the Plan, provided that (x) Hollinger shall not be required pursuant hereto (i) to undertake any action or effort that would violate law or the terms of the Trust Agreement or the Participation Agreement or (ii) to provide any opinions of counsel and (y) Hollinger may provide, in giving any instruction hereunder that would otherwise irrevocably prejudice its rights under the Old Notes, the Old Notes Indenture, the Participation Agreement or the Trust Agreement, that such instruction shall cease to have force and effect and be void ab initio should the Exchange Offer fail to be consummated within 120 days of the date hereof. Such efforts shall include, but are not limited to, the following:

(a) Hollinger shall take all actions reasonably requested by the Issuer to facilitate identification of the beneficial owners of the Trust Notes by the Issuer and its agents in connection with the Exchange Offer.

(b) Immediately upon receipt of all required instructions or consents (i) in respect of the Trust Agreement, from the Trust Note holders and (ii) in respect of the Old CanWest Indenture, from the Trust Trustee, Hollinger shall take all actions reasonably requested by the Issuer to amend the Trust Agreement, the Old Notes and the Old CanWest Indenture pursuant to the Proposed Amendments and Instructions on the expiration date of the Exchange Offer, without regard to any additional time or period allowed to complete such actions under the relevant agreements.

(c) Immediately upon receipt of instructions from the Trust Trustee on the Settlement Date that the Trust is invoking its right under the Participation Agreement to convert the Participation Interest into ownership of Old Notes by the Trust, Hollinger shall take all actions reasonably requested by the Issuer to transfer the Old Notes to the Trust on such date, without regard to any additional time or period allowed to complete such actions under the relevant agreements.

(d) Hollinger shall take all actions reasonably requested by the Issuer to facilitate the dissolution of the Trust, the winding up and liquidation of the Trust, the distribution of the Trust's assets and the termination of the Trust in accordance with the Plan and this Agreement.

(e) Hollinger shall take all actions reasonably requested by the Issuer to cause the trustee under the Old Notes Indenture (the "Indenture Trustee") and the Trust Trustee to communicate with and cooperate with the Issuer in the consummation of the Proposed Amendments and Instructions and the Plan.

(f) Subsequent to the date hereof, Hollinger shall not consent to any amendment (other than the Proposed Amendments and Instructions) to the Participation Agreement or the Trust Agreement without the prior written consent of the Issuer and shall provide to the Issuer a copy of any notice issued or received by Hollinger pursuant to the Participation Agreement or the Trust Agreement promptly upon issuance or receipt, provided that this provision shall cease to have further force and effect should the Exchange Offer fail to be consummated within 120 days of the date hereof.

(g) Hollinger shall take all other actions reasonably requested by the Issuer to facilitate consummation of the Proposed Amendments and Instructions and the Plan.

If the Exchange Offer fails to be consummated within 120 days of the date hereof, the Issuer and Hollinger shall cooperate and use reasonable best efforts to make effective any reversal of force and effect of a Hollinger instruction pursuant to the first sentence of this section.

The terms of the Proposed Trust Amendments and the Proposed Indenture Amendments will provide that they will become effective upon the acceptance of Trust Notes tendered in the Exchange Offer on the expiration date of the Exchange Offer but that their effect will be retroactively revoked if the Residual Amount and the Non-Participated Notes Purchase Amount are not paid on the Settlement Date.

3. Wind Up of Trust and Distributions to Hollinger.

(a) If the Exchange Offer is consummated, and the Trust is wound up as a result, the parties hereto agree, and CanWest agrees, that the resulting distribution by the Trust to Hollinger shall consist exclusively of a cash payment in the amount of the Residual Amount (as defined in Annex A). In addition, Hollinger agrees to sell to the Issuer, and the Issuer agrees to purchase, CDN$86,693,717 principal amount of Old Notes (consisting of the Old Notes that are not subject to the Participation Interest) for an aggregate cash purchase price in an amount determined as set forth in Annex A under the heading "Non-Participated Notes Purchase Amount", for settlement on the Settlement Date (if the Exchange Offer is consummated). Further, to the extent that Hollinger receives the Residual Amount (as defined in Annex A) in cash from the Trust, Hollinger agrees to pay the Reimbursement Amount (as defined in Annex A) in cash to the affiliate of the Issuer that acquires the Trust Notes in respect of a portion of such affiliate's cost in acquiring the Trust Notes.

(b) Upon the payment of the Residual Amount and the Non-Participated Notes Purchase Amount as described in Section 3(a), Hollinger hereby expressly waives and releases any other claims under the Trust Agreement, the Old Notes Indenture or the Old Notes, or arising out of the dissolution of the Trust, the winding up and liquidation of the Trust, the distribution of the Trust's assets or the termination of the Trust or consummation of the Plan, against the Trust, the Trust Trustee, the Indenture Trustee, the Issuer or any of their affiliates (including, but not limited to, CanWest), and agrees to remise, release and forever discharge the Issuer, its affiliates (including, but not limited to, CanWest) and the Trust, and their successors and assigns, of and from any claim, demand, action and cause of action, and liability of every kind and nature, for and on account of any and every matter whatsoever arising from the Trust Agreement, the Old Notes, the Old Notes Indenture and the Participation Agreement, or arising out of the dissolution of the Trust, the winding up and liquidation of the Trust, the distribution of the Trust's assets or the termination of the Trust or the consummation of the Plan; provided, however, that nothing contained in this Agreement is intended to affect any liability or responsibility under the Transaction Agreement dated July 30, 2000 between Hollinger, Hollinger Canadian Publishing Holdings Co. (formerly Southam Inc.), HCN Publications Company and CanWest Global Communications Corporation, for the avoidance of doubt, all existing claims thereunder, including for any adjustment of the Purchase Price (as defined in the Transaction Agreement), shall continue undisturbed and, to the extent previously payable through cancellation or issuance of Old Notes, be payable in cash. The parties agree that no adjustment to the principal amount outstanding of Old Notes shall be undertaken pursuant to the Transaction Agreement or Section 2.18 of the Old Notes Indenture subsequent to the date hereof.

If, as a result of the Proposed Amendments and Instructions being implemented, the Participation Interest is converted into ownership of Old Notes by the Trust and the Residual Amount and the Non-Participated Notes Purchase Amount are not paid to Hollinger within five business days thereafter, CanWest agrees to reimburse Hollinger for any damages to Hollinger directly resulting from (x) the reset of the interest rate applicable to the Old Notes caused by such conversion or (y) the release of the guarantee in respect of the Old Notes caused by such conversion.

(c) The Issuer is under no obligation to proceed with the Exchange Offer and if the Issuer proceeds with the Exchange Offer it may at any time and in its sole discretion, terminate, amend, extend or suspend the Exchange Offer, or waive any related condition.

4. Confidentiality. Each of the Hollinger Parties hereby agrees to keep confidential and not disclose to any third party (other than its attorneys and accountants upon their agreement to keep such matters confidential) or refer to publicly any non-public information provided to it by or on behalf of the Issuer or its affiliates relating to the Exchange Offer, the Proposed Amendments and Instructions or the Plan (the "Confidential Information"), including the contents of this Agreement, without the Issuer's prior written consent, not to be unreasonably withheld or delayed. Notwithstanding the foregoing, Hollinger may:

(a) immediately after the signing of this Agreement, publicly issue on one or more newswire services and file with the Canadian securities regulatory authorities a press release substantially in the form of Annex B attached hereto;

(b) file a brief summary of this Agreement (substantially in the form of Annex B hereto) with the U.S. Securities and Exchange Commission under cover of Form 8-K, which brief summary shall not include a copy of this Agreement;

(c) file a brief summary of this Agreement substantially in the form of Annex B attached hereto with the Canadian securities regulatory authorities as a "Material Change Report" on Form 51-102F3, which report shall not include a copy of this Agreement, but which shall include the press release referred to in paragraph (a) above;

(d) simultaneously with Hollinger's next filing with the U.S. Securities and Exchange Commission under cover of either Form 10-K or Form 10-Q, file a copy of this Agreement as an exhibit to such Form 10-K or Form 10-Q, along with a brief summary of this Agreement in such Form 10-K or Form 10-Q, which summary shall be substantially in the form of Annex B hereto;

(e) include disclosure substantially in the form of Annex B attached hereto in any disclosure document prepared in connection with, or in response to, any offer made to acquire units of Hollinger Canadian Newspapers, Limited Partnership; and

(f) disclose the Confidential Information, including providing a copy of this Agreement, as may be required or appropriate in response to any summons, subpoena, request from a regulatory body or otherwise in connection with any litigation, arbitration, governmental investigation or other court or similar proceeding or to comply with any applicable law, order, regulation, ruling, stock exchange rule, regulatory request or accounting disclosure rule or standard (including, without limitation, any securities law, regulation or rule) that is not provided for in the preceding clauses (each, a "Required Disclosure"), provided that Hollinger shall use its reasonable best efforts to notify the Issuer prior to making a Required Disclosure and shall cooperate with the Issuer in seeking an appropriate protective order or confidential treatment, where applicable.

Notwithstanding the foregoing, any restriction contained in this provision on disclosing copies of this Agreement or the terms set forth therein shall terminate upon the earlier to occur of (i) the filing by Hollinger of a copy of this Agreement with the U.S. Securities and Exchange Commission as an exhibit to Form 10-K or Form 10-Q by as contemplated in clause (iii) above, (ii) the filing of a copy of this Agreement by the Issuer or CanWest with the U.S. Securities and Exchange Commission or comparable Canadian securities regulatory authority or (iii) the Settlement Date.

5. Governing Law: THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED THEREIN.

6. Expenses: Each party hereto shall bear its own expenses in carrying out the terms hereof.

7. Counterparts: This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract.

Agreed and accepted as of the date first written above:

HOLLINGER INTERNATIONAL INC.

By: /s/ Robert T. Smith
-------------------------------------

HOLLINGER CANADIAN NEWSPAPERS,
LIMITED PARTNERSHIP,
By its general partner, Hollinger
Canadian Newspapers G.P.Inc.

By: /s/ Peter K. Lane
-------------------------------------

3815668 CANADA INC.

By: /s/ John McGuire, /s/ Richard Leipsic
-------------------------------------

Acknowledged and agreed as to Section 3(b) and 4 above:

HOLLINGER CANADIAN PUBLISHING
HOLDINGS CO.
(formerly Southam Inc.)

By: /s/ Peter K. Lane
-------------------------------------

HCN PUBLICATIONS COMPANY

By: /s/ Peter K. Lane
-------------------------------------

Acknowledged and agreed as to Section 3(a) and 3(b) above:

CANWEST GLOBAL COMMUNICATIONS CORP.

By: /s/ Richard Leipsic
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ANNEX A

NON-PARTICIPATED NOTES PURCHASE AMOUNT

The "Non-Participated Notes Purchase Amount" shall mean the U.S. dollar amount determined pursuant to the following formula:

D x NP

RESIDUAL AMOUNT

The "Residual Amount" shall mean the U.S. dollar amount determined pursuant to the following formula:

F - Z

REIMBURSEMENT AMOUNT

The "Reimbursement Amount" shall mean the U.S. dollar amount determined pursuant to the following formula:

(D x NP) + (F- Z) - A

Where:

- A equals 0.985 x (NP + FexG), where:

    - NP equals the accreted value (being par plus accrued interest) of the Non-Participated Notes (as defined below) as of the Settlement Date converted into U.S. dollars at the Spot Rate (as defined below);

    - FexG is equal to (40% x Z x ((1/0.6482) - the Spot Rate)) / the Spot Rate;

- B equals the aggregate U.S. dollar principal amount of New Notes delivered to tendering holders of the Trust Notes on the Settlement Date, plus the amount of U.S. dollars payable to non-tendering holders of Trust Notes by the Trust on the date of completion of winding-up of the Trust;

- C equals A + B;

- D equals (i) C divided by (ii) the accreted value (being par plus accrued interest) of all the Old Notes as of the Settlement Date converted into U.S. dollars at the Spot Rate;

- F equals (i) D multiplied by (ii) the accreted value (being par plus accrued interest) of the Participated Notes (as defined below) as of the Settlement Date converted into U.S. dollars at the Spot Rate; and

- Z equals the accreted value (being par plus accrued interest) in U.S. dollars of all the Trust Notes as of the Settlement Date.

For purposes of the above definitions, the following terms shall have the following meanings:

"Non-Participated Notes", means the aggregate principal amount of Old Notes that is not subject to the Participation Interest.

"Participated Notes", means the aggregate principal amount of Old Notes that is subject to the Participation Interest.

"Spot Rate" shall mean the noon rate of exchange as reported by the Bank of Canada expressed in Canadian dollars per U.S. dollar, for the date of the "withdrawal deadline" (as defined in the Offering Memorandum).

ANNEX B

In November 2000, Hollinger International Inc. ("Hollinger International") and Hollinger Canadian Newspapers, Limited Partnership ("HCNLP", and together with Hollinger International, "Hollinger"), received approximately Cdn $766.8 million aggregate principal amount of 12.125% Fixed Rate Subordinated Debentures due November 15, 2010 (the "CanWest Debentures") issued by a wholly-owned subsidiary of CanWest Global Communications Corp. ("CanWest") called 3815668 Canada Inc (the "Issuer"). The CanWest Debentures are guaranteed by CanWest and were issued to Hollinger in partial payment for the sale by Hollinger of certain Canadian newspaper and internet assets to CanWest. In 2001, Hollinger International and HCNLP sold participations in approximately Cdn. $757 million principal amount of the CanWest Debentures to a special purpose trust (the "Participation Trust"). Notes of the Participation Trust, denominated in U.S. dollars (the "Trust Notes"), were in turn issued and sold by the Participation Trust to third parties. As a result of the periodic interest payments on the CanWest Debentures made in kind and a partial redemption by the Issuer of the CanWest Debentures in 2003, as of July 31, 2004, there were outstanding approximately Cdn. $872 million aggregate principal amount of CanWest Debentures. Hollinger International and HCNLP are the record owners of all of these CanWest Debentures, but as of July 31, 2004, beneficially owned only approximately Cdn $5 million and Cdn $82 million principal amount respectively of CanWest Debentures, with the balance beneficially owned by the Participation Trust.

On October 7, 2004, Hollinger International and HCNLP entered into a Facilitation Agreement (the "Facilitation Agreement") with the Issuer and CanWest, which Facilitation Agreement is part of a larger transaction in which the Issuer proposes to offer to exchange the Trust Notes for new debentures to be issued by the Issuer (the "CanWest Exchange Offer"). The CanWest Exchange Offer is or will be subject to a number of conditions, including that at least two-thirds of the outstanding principal amount of Trust Notes be tendered in the CanWest Exchange Offer. The CanWest Exchange Offer will be commenced on or around October 7, 2004, and is expected to close on or around the 25th succeeding business day, subject to CanWest's right to extend, amend the terms of, or withdraw the CanWest Exchange Offer. In the Facilitation Agreement, Hollinger has agreed, among other things, (i) to use its reasonable best efforts to facilitate the CanWest Exchange Offer and (ii) to sell to the Issuer for cash all of the CanWest Debentures beneficially owned by Hollinger. Hollinger's obligation to sell the CanWest Debentures to the Issuer, and the Issuer's obligation to purchase the CanWest Debentures, is conditioned upon the closing of the CanWest Exchange Offer. There can be no assurance that this transaction will be completed. If it is completed, the specific amount received by Hollinger International and HCNLP will depend upon the prevailing exchange rate between the U.S. dollar and the Canadian dollar. Assuming an exchange rate of US $0.7922 per Cdn $1.00 (the "Assumed Rate"), upon completion, the cash proceeds to be received by Hollinger International will be approximately US $38 million and the cash proceeds to be received by HCNLP will be approximately US $78 million. This amount will increase if the

Canadian dollar becomes stronger than the Assumed Rate, and will decrease if the Canadian dollar becomes weaker than the Assumed Rate.

EXHIBIT 10.19

BUSINESS OPPORTUNITIES AGREEMENT
AS AMENDED AND RESTATED AS OF FEBRUARY 7, 1996

This Agreement (the "AGREEMENT") is made as of this 7th day of February, 1996 by and between HOLLINGER INTERNATIONAL INC., a Delaware corporation formerly named American Publishing Company (the "COMPANY"), and HOLLINGER INC., a corporation continued under the laws of Canada ("HOLLINGER").

WHEREAS, the Company and Hollinger, in connection with the initial public offering of the Company's Class A Common Stock in May 1994, entered into a Business Opportunities Agreement dated May 11, 1994 (the "1994 BUSINESS OPPORTUNITIES AGREEMENT"), whereby they stated their desire that the Company would be Hollinger's principal vehicle for engaging in the newspaper business in the United States and Israel and set forth certain principles governing the start-up, acquisition, development and operation of newspaper and other media business in the United States and Israel by the Company;

WHEREAS, on October 13, 1995, pursuant to the terms of a Share Exchange Agreement dated as of July 19, 1995 (the "SHARE EXCHANGE AGREEMENT"), the Company and Hollinger reorganized their international newspaper interests by means of the transfer to the Company of Hollinger's 58.4% indirect interest in The Telegraph plc, a corporation organized under the laws of England ("THE TELEGRAPH") (including The Telegraph's approximate 25% interest in John Fairfax Holdings Limited, an Australian newspaper and magazine publisher ("FAIRFAX")), an option to acquire an additional 5.2% of The Telegraph's ordinary shares from another shareholder, and Hollinger's direct and indirect 19.3% interest in Southam Inc., a Canadian newspaper and magazine publisher ("SOUTHAM"), in exchange for 33,610,754 shares of

Class A Common Stock of the Company and 739,500 shares of the Company's newly created, non-voting Series A Redeemable Convertible Preferred Stock (the "REORGANIZATION");

WHEREAS, pursuant to Section 5(d) of the Share Exchange Agreement, the Company and Hollinger amended and restated the 1994 Business Opportunities Agreement to reflect the objectives and effects of the Reorganization, effective October 13, 1995;

WHEREAS, on February 7, 1996 the Company completed an underwritten public offering of 14,000,000 shares of Class A Common Stock (plus an additional 2,100,000 shares subject to the Underwriters' overallotment option) (the "Offering") and, in connection with the Offering, the Company and Hollinger agreed that it would be appropriate to further amend and restate the Business Opportunities Agreement as provided herein, effective as of the date hereof;

WHEREAS, in accordance with the terms of the 1994 Business Opportunities Agreement, the Audit Committee of the Board of Directors of the Company has approved this Agreement as an amendment and restatement of the 1994 Business Opportunities Agreement;

WHEREAS, after giving effect to the Offering Hollinger owns approximately 66.5% of the total outstanding shares of both classes of the Company's Common Stock and 88.2% of the combined voting power of both classes of the Company's Common Stock;

WHEREAS, Hollinger's long-term business objective is to operate successfully in the Newspaper Business (as defined herein) and in the Media Business (as defined herein) in numerous geographic regions throughout the world, as market conditions and available resources permit;

WHEREAS, pursuant to the terms of that certain Co-operation Agreement dated June 23, 1992 between Hollinger and The Telegraph (the "CO-OPERATION AGREEMENT"), a copy of which is attached hereto as Annex A and which will remain in effect following the Reorganization, Hollinger has undertaken to restrict its activities and the activities of entities controlled by it in respect to Newspaper and Media Businesses carried on within the Telegraph Territory (as defined herein);

WHEREAS, the parties desire that the Company will be Hollinger's principal vehicle for engaging in the Newspaper Business and Related Media Businesses (as defined herein) in the United States, Israel and, through The Telegraph, in the Telegraph Territory and that in the normal course of its business the Company intends to seek additional newspaper and related media assets for acquisition and development in these areas;

WHEREAS, the parties also desire that, through its investment in Southam, the Company will engage in the Newspaper Business in Canada; and

WHEREAS, for their convenience and mutual benefit the parties hereto wish to set forth herein the principles governing the start-up, acquisition, development and operation of Newspaper and Media Businesses in the United States, Israel, the Telegraph Territory and Canada by the Company and Hollinger.

NOW, THEREFORE, for and in consideration of the recitals set forth above and the agreements, rights, obligations and covenants contained herein, the parties hereto, intending to be legally bound, hereby agree as follows:

ARTICLE I

DEFINITIONS

1.1 PARTICULAR TERMS. As used in this Agreement, the following terms shall have the meanings ascribed to them below:

(a) "AFFILIATE" shall mean for any Person, another Person directly or indirectly controlling, controlled by or under common control with such Person; provided, however, that for the purposes of this Agreement, neither the Company nor any Person controlled by the Company shall be deemed to be an Affiliate of Hollinger and neither Hollinger nor any Person who is controlled by Hollinger other than through its ownership of shares of the Company shall be deemed to be an Affiliate of the Company. For the purposes hereof, "control," "controlling" and "controlled" shall mean the power, direct or indirect, of a Person to direct the business and affairs of another generally whether by share ownership, agreement or otherwise.

(b) "AUDIT COMMITTEE" shall mean the Audit Committee of the Board of Directors of the Company, which committee shall at all times consist of directors a majority of whom are Independent Directors.

(c) "BENEFICIAL OWNERSHIP" shall have the meaning attributed to such term under Section 13(d) of the United States Securities Exchange Act of 1934.

(d) "INDEPENDENT DIRECTORS" shall mean directors of the Company who are not (i) employees, officers or directors (or former employees, officers or directors) of Hollinger or any of its Subsidiaries or Affiliates (other than the Company) or (ii) employees or officers (or former employees or officers) of the Company or any of its Subsidiaries.

(e) "MEDIA BUSINESS" shall mean the business of the broadcast of radio, television, cable and satellite programs (including national, regional or local radio, television, cable and satellite programs).

(f) "NEWSPAPER BUSINESS" shall mean the business of publishing and distributing (including distributing by electronic means) newspapers, magazines and other paid or free publications having national, regional, local or targeted markets, including publications having limited or no news or editorial content such as shopper and other "total market coverage" publications and similar publications.

(g) "PERSON" shall mean any individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, or other entity of whatever nature.

(h) "RELATED MEDIA BUSINESS" shall mean any Media Business that is an Affiliate of, or is owned or operated in conjunction with, a Newspaper Business owned or controlled by the Company and its Subsidiaries or Hollinger, as the case may be, as a result of an acquisition or otherwise.

(i) "SUBSIDIARY" shall mean any corporation 50% or more of the voting power of the capital stock of which is held directly or indirectly by Hollinger or the Company, as the case may be.

(j) "TELEGRAPH TERRITORY" shall have the meaning ascribed thereto in the Co-operation Agreement.

(k) "UNITED STATES" shall mean the United States of America, including the states thereof and the District of Columbia.

1.2 OTHER TERMS. Other capitalized teams shall have the meanings ascribed to them elsewhere in this Agreement.

## ARTICLE II

## CORPORATE OPPORTUNITY, ALLOCATION AND CONFLICTS OF INTEREST

2.1 CORPORATE OPPORTUNITY GENERALLY. This Section 2.1 sets forth general principles which underlie the corporate structure of the Company and Hollinger following the Reorganization and which provide a framework whereby Hollinger and the Company will resolve conflicts over business opportunities. The benefits and obligations of these principles are to apply to the Company and Hollinger so long as Hollinger and its Affiliates have beneficial-ownership of more than 50% of the voting power of the Company's outstanding securities.

2.2 ALLOCATION OF OPPORTUNITIES. (a) The parties hereby agree that, subject to certain exceptions set forth in Section 3.8 below, opportunities relating to the start-up, acquisition, development and operation of a Newspaper Business and Related Media Business in the United States, Israel and the Telegraph Territory shall be allocated to the Company and its Subsidiaries subject to the limitations of the Co-Operation Agreement, and opportunities relating to the start-up, acquisition, development and operation of a Newspaper Business and Related Media Business in Canada shall be allocated to Hollinger. Subject to the terms of the Co-Operation Agreement, with respect to opportunities in the Media Business other than in a Related Media Business as provided above, Hollinger intends to reserve the opportunity to itself or such of its Subsidiaries or Affiliates or the Company's Subsidiaries or Affiliates as Hollinger, in its reasonable and good faith judgment, believes will be best able to develop such opportunity in light of such factors as the nature and requirements of the opportunity (including financial requirements), the respective levels of relevant experience of the Company and Hollinger and their respective Subsidiaries and Affiliates, the similarity of the opportunity to and compatibility with the respective then existing operations, facilities and plans of the Company and Hollinger and their respective Subsidiaries and Affiliates, and the requirements of applicable law relating to broadcasting or other aspects of the Media Business.

(b) For the purposes of this Agreement, a Newspaper Business is conducted in the United States, Israel or Canada if, based on estimates deemed reasonable by the parties, 25% or more of the readers of a newspaper, magazine or other publication published as part of such business are persons resident in the United States, Israel or Canada, as the case may be. Different editions of a newspaper or other publication published under the same title shall be treated as one newspaper or other publication if substantially similar. For the purpose of this Agreement, a Related Media Business is conducted in the United States, Israel or Canada if, based on estimates deemed reasonable by the parties, 25% or more of the listeners, viewers, or subscribers or other customers of such Media Business are located in the United States, Israel or Canada, as the case may be.

(c) Nothing in this Agreement is intended to modify or contravene the Co-operation Agreement.

## ARTICLE III

## RESTRICTIONS; PERMITTED INVESTMENTS

3.1 INVESTMENT IN THE TELEGRAPH. For so long as Hollinger and its Affiliates have beneficial ownership of 50% or more of the voting power of the Company's outstanding securities, neither Hollinger nor a Subsidiary (other than the Company or any of its Subsidiaries) or an Affiliate of Hollinger will acquire beneficial ownership of any voting securities of The Telegraph except indirectly as a result of the ownership or acquisition of securities of the Company; provided, however, that the foregoing clause shall, not restrict any individual who may be deemed to be an Affiliate of Hollinger from acquiring beneficial ownership of securities of The Telegraph through any equity-based compensation program conducted by The Telegraph for its officers, directors or key employees.

3.2 COMPLIANCE WITH CO-OPERATION AGREEMENT. The Company and Hollinger hereby acknowledge that pursuant to the terms of the Co-operation Agreement, Hollinger has undertaken to restrict its activities and the activities of entities controlled by it in respect of Newspaper and Media Businesses carried on in the Telegraph Territory on the terms and conditions set out therein. For so long as Hollinger and its Affiliates have beneficial ownership of 50% or more of the voting power of the Company's outstanding securities, neither the Company nor Hollinger shall, without the other's prior written consent, directly or indirectly in any manner whatsoever including, without limitation, either on its own account or in conjunction with or on behalf of any other Person, make any investment or take any action which would contravene clause 2 of the Co-operation Agreement. Furthermore, Hollinger agrees that, without the prior written consent of the Company, it shall not agree to amend or modify the

Co-operation Agreement and shall not waive any benefit or right belonging or accruing to it thereunder.

3.3 INVESTMENT IN SOUTHAM. For so long as Hollinger and its Affiliates have beneficial ownership of 50% or more of the voting power of the Company's outstanding securities, neither Hollinger nor a Subsidiary (other than the Company or any of its Subsidiaries) or an Affiliate of Hollinger will acquire beneficial ownership of any voting securities of Southam except indirectly as a result of the ownership or acquisition of securities of the Company; provided, however, that the foregoing clause shall not apply if the Company and its Subsidiaries are precluded by Canadian foreign ownership laws or the constrained share provisions of Southam's Articles of Incorporation, as amended from time to time, from holding or acquiring beneficial ownership of any voting securities of Southam; and, provided further, that this Section 3.3 shall not restrict any individual who may be deemed to be an Affiliate of Hollinger from acquiring beneficial ownership of securities of Southam through any equity-based compensation program conducted by Southam for its officers, directors or key employees.

3.4 HOLLINGER ACQUISITIONS. Subject to Section 3.8 hereof, if Hollinger or a Subsidiary (other than the Company or any of its Subsidiaries) or an Affiliate of Hollinger (an "ACQUIRING ENTITY") acquires the capital stock or substantially all of the assets of any other Person which engages in the Newspaper Business or Related Media Business in the United States or in Israel (an "ACQUIRED ENTITY"), Hollinger agrees that it shall cause the Acquired Entity (or those operations which relate to the Newspaper Business or Related Media Business in the United States or Israel) to be offered for sale to the Company (a) at a price equivalent to that part of the consideration paid by Hollinger (or its Subsidiary or Affiliate) attributable to the Newspaper Business or Related Media Business carried on in the United States or in Israel by the

Acquired Entity and (b) on other terms which sire no less favorable than those upon which the Acquired Entity (or those operations which relate to the Newspaper Business or Related Media Business) was acquired by Hollinger (or its Subsidiary or Affiliate).

3.5 COMPANY ACQUISITIONS. Subject to Section 3.8 hereof, if the Company or a Subsidiary or Affiliate of the Company (an "ACQUIRING ENTITY") acquires the capital stock or substantially all of the assets of any other Person which engages in the Newspaper Business or Related Media Business in Canada (an "ACQUIRED ENTITY"), the Company agrees that it shall cause the Acquired Entity (or those operations which relate to the Newspaper Business or Related Media Business in Canada) to be offered for sale to Hollinger (a) at a price equivalent to that part of the consideration paid by the Company (or its Subsidiary or Affiliate) attributable to the Newspaper Business or Related Media Business carried on in Canada by the Acquired Entity and (b) on other terms which are no less favorable than those upon which the Acquired Entity (or those operations which relate to the Newspaper Business or Related Media Business) was acquired by the Company (or its Subsidiary or Affiliate).

3.6 OFFERS. An offer by an Acquiring Entity pursuant to Sections 3.4 or 3.5 shall be made by the Acquiring Entity's giving to the Company, with respect to offers made pursuant to Section 3.4, or to Hollinger, with respect to offers made pursuant to Section 3.5, prompt written notice of such offer (but in no event later than 60 days after the date of the consummation of the acquisition by the Acquiring Entity) disclosing all material information relating to the Acquired Entity, the purchase price thereof and such other terms and conditions as may be reasonable, taking into account applicable regulatory, taxation, accounting and other financial considerations. The Company or Hollinger, as the case may be, shall have a period of 60 days after receipt of such notice to elect to purchase the Acquired Entity, or those operations that relate to the Newspaper Business or Related Media Business, at such price and on such specified terms and conditions. Such election shall be in writing and shall be signed by a duly authorized executive officer(s) of the Company or Hollinger, as the case may be, and, where the Company is making such election, after review and approval by the Audit Committee of the Company. If no election to purchase is given by the Company or Hollinger, as the case may be, then such party shall be deemed to have determined not to acquire the Acquired Entity (or those operations which relate to the Newspaper Business or Related Media Business). If acceptance of any offer made pursuant to Section 3.4 or 3.5 is delayed by reason of the requirements of any regulatory authority, necessity for stockholder approval or requirements of applicable law, the time for acceptance shall be extended to expire no more than 10 days after the satisfaction or expiration of such requirements or the giving of such approval.

3.7 AUDIT COMMITTEE ACTION. The Company's decision pursuant to Section 3.2 to consent to an amendment, modification or waiver of any provision of the Co-operation Agreement and the Company's decision pursuant to Section 3.6 hereof to acquire an Acquired Entity, or those operations of an Acquired Entity relating to the Newspaper Business or Related Media Business, shall be made by the majority decision of the Audit Committee.

3.8 PERMITTED INVESTMENTS. (a) Nothing in this Agreement shall restrict:

(i) Hollinger or any Subsidiary (other than the Company) or Affiliate from acquiring or holding, directly or indirectly, a beneficial interest in any Person engaged in the Newspaper Business or Related Media Business in the United States or in Israel, provided that any

Newspaper Business or Related Media Business that may be conducted by such Person does not constitute a Principal Portion of such Person (as defined in Section 3.8(b) below);

(ii) Hollinger or any Subsidiary (other than the Company) or Affiliate from continuing to hold, directly or indirectly, a beneficial interest or maintaining its proportionate interest in any Person engaged in the Newspaper Business or Related Media Business in the United States or in Israel through the acquisition of additional equity interests if following the original acquisition by Hollinger or any Subsidiary or Affiliate of a beneficial interest in such Person, a Newspaper Business or Related Media Business in the United States or in Israel becomes a Principal Portion of that Person (provided that this exception shall not apply if the original acquisition was made with the intention that the Newspaper Business or Related Media Business would become a Principal Portion of the Person);

(iii) The Company or any Subsidiary or Affiliate from acquiring or holding, directly or indirectly, a beneficial interest in any Person engaged in the Newspaper Business or Related Media Business in Canada, provided that any Newspaper Business or Related Media Business that may be conducted by such Person does not constitute a Principal Portion of such Person (as defined in Section 3.8(b) below);

(iv) The Company or any Subsidiary or Affiliate from continuing to hold, directly or indirectly, a beneficial interest or maintaining its proportionate interest in any Person engaged in the Newspaper Business or Related Media Business in Canada through the acquisition of additional equity interests if following the original acquisition by the Company or any Subsidiary or Affiliate of a beneficial interest in such Person, a Newspaper Business or Related Media Business in Canada becomes a Principal Portion of that Person (provided that this exception shall not apply if the original acquisition was made with the intention that the Newspaper Business or Related Media Business would become a Principal Portion of the Person);

(v) Hollinger or any Subsidiary (other than the Company) or Affiliate from acquiring or holding not more than 20% of the beneficial interest in any voting securities of any corporation which is engaged in the Newspaper Business or Related Media Business in the United States or in Israel if such shares are listed on a national securities exchange in the United States or in Israel or quoted on Nasdaq;

(vi) The Company or any Subsidiary or Affiliate from acquiring or holding not more than 20% of the beneficial interest in any voting securities of any corporation which is engaged in the Newspaper Business or Related Media Business in Canada if such shares are listed on a national securities exchange in the United States or Canada or quoted on Nasdaq;

(vii) Any Subsidiary (other than the Company) of Hollinger, the capital stock of which at such time is in part publicly held, from acquiring or holding a beneficial interest in any Person engaged in the Newspaper Business or Related Media Business in the United States to the extent expressly permitted in any cooperation or similar agreement between Hollinger and such Subsidiary relating to the allocation of newspaper and media ownership and acquisition opportunities so long as such agreement is not inconsistent with the provisions of Article III hereof and does not enlarge the exceptions set forth in subsections (i), (ii) and (v) of Section 3.8(a) hereof; or

(viii) Any Subsidiary of the Company, the capital stock of which at such time is in part publicly held, from acquiring or holding a beneficial interest in any Person engaged in the Newspaper Business or Related Media Business in Canada to the extent expressly permitted in any cooperation or similar agreement between the Company and such Subsidiary relating to the allocation of newspaper ownership and acquisition opportunities so long as such agreement is not inconsistent with the provisions of Article III hereof and does not enlarge the exceptions set forth in subsections (iii), (iv) and (vi) of Section 3.8(a) hereof;

(ix) Companies or entities in which Hollinger has directly or indirectly an equity investment interest, but which are not Subsidiaries of Hollinger (including The Financial Post Company, a

Canadian newspaper partnership), from acquiring or holding, directly or indirectly, a beneficial interest in any Person engaged in the Newspaper Business or Related Media Business in the United States or in Israel;

(x) Companies or entities in which the Company has directly or indirectly an equity investment interest, but which are not Subsidiaries of the Company (including Southam and Fairfax), from engaging in or acquiring or holding, directly or indirectly, a beneficial interest in any Person engaged in the Newspaper Business or Related Media Business in Canada; or

(xi) any investment made as of the date hereof or hereafter by the Company, directly or indirectly, in Southam including, without limitation, the acquisition or holding by the Company, directly or indirectly, of any interest in Southam or any successor or affiliate thereof.

(b) A Newspaper Business shall constitute a "PRINCIPAL PORTION" of a Person if the net asset value of such business is equal to 25% or more of the consolidated net asset value of the Person or the net income of such business is equal to 25% or more of the consolidated net income of the Person, using for such calculations the most recent consolidated audited annual financial statements of such Person if the end of the period to which such financial statements relate is not more than 18 months before the date of investment in such Person by Hollinger or the Company or their respective Subsidiaries or Affiliates or, if there are no such financial statements, if the net asset value or net income of such Newspaper Business or Related Media Business exceeds U.S. $5,000,000. Net asset value and net income shall be calculated according to applicable United States generally accepted accounting principles with intangibles included.

ARTICLE IV

MISCELLANEOUS

4.1 EFFECTIVE TIME; TERMINATION. This Agreement shall become effective upon execution; provided, however, that it shall not be effective against the Company unless and until approved or ratified by a majority of the Audit Committee of the Board of Directors of the Company. This Agreement shall continue in force so long as Hollinger and its Affiliates have beneficial ownership of 50% or more of the voting power of the Company's outstanding securities.

4.2 MODIFICATION; WAIVER. This Agreement may be modified in any manner and at any time but only by written instrument executed by the parties hereto. Any of the terms, covenants and conditions of this Agreement may be waived at any time by the party entitled to the benefit of such term, covenant or condition; provided, however, such waiver must be in writing and executed by the party against whom such waiver is asserted. No modification or waiver which materially alters the rights or obligations of the Company shall be effective against the Company unless and until approved or ratified by a majority of the Audit Committee of the

Board of Directors of the Company. No course of dealing will be deemed effective to modify, amend or discharge any part of this Agreement or any rights or obligations of any party under or by reason of this agreement.

4.3 NOTICES. Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be given by prepaid first class mail, by facsimile or other means of electronic communication or by delivery as hereafter provided. Any such notice or other communication, if mailed by prepaid first class mail at anytime other than during a general discontinuance of postal service due to strike, lockout or otherwise, shall be deemed to have been received on the fourth business day after the postmarked date thereof, or if sent by facsimile or other means of electronic communication, shall be deemed to have been received on the business day following the sending, or if delivered by hand shall be deemed to have been received at the time it is delivered to the applicable address noted below either to the individual designated below or to an individual at such address having apparent authority to accept deliveries on behalf of the addressee. Notice of change of address shall be governed by this section. In the event of a general discontinuance of postal service due to strike, lockout or otherwise, notices or other communications shall be delivered by hand or sent by facsimile or other means of electronic communication and shall be deemed to have been received in accordance with this section. Notices and other communications shall be addressed as follows:

(a) if to Hollinger:

10 Toronto Street
Toronto, Ontario
Canada M5C 2B7

Attention: Vice-President and Secretary
Telecopier Number: (416) 364-2088

(b) if to the Company:

401 North Wabash Avenue
Chicago, Illinois USA 60611

Attention: Vice President and Secretary
Telecopier Number: (312) 321-0629

4.4 HEADINGS. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

4.5 THIRD PARTY RIGHTS. This Agreement shall not provide any third parties with any remedy, claim, liability, reimbursement, cause of action or other right in addition to those existing without reference to this Agreement.

4.6 ENTIRE AGREEMENT. This Agreement embodies the entire agreement and understanding and, except as set forth herein, supersedes all prior agreements and understandings of the parties with respect to the matters contemplated hereby.

4.7 AFFILIATES. The parties hereto acknowledge that they conduct their business operations through Subsidiaries and/or Affiliates. The parties hereto therefore agree that they will cause their respective Subsidiaries and controlled Affiliates to abide by the terms of this Agreement as if they were parties hereto to the extent necessary to carry out the purposes of this Agreement. Further, each party shall be entitled to cause its obligations hereunder to be satisfied, and to cause its benefits and rights hereunder to be received and enforced, by its Subsidiaries and controlled Affiliates.

4.8 COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall, constitute one and the same instrument.

4.9 CHOICE OF LAW. This Agreement shall be interpreted and construed in accordance with the internal laws (and not the conflicts of laws rules) of the State of Delaware applicable to contracts made and to be performed in the State of Delaware.

4.10 ASSIGNMENT. This Agreement shall be binding upon and inure to the benefit of the successors of the parties but shall not be assignable without the prior written consent of Hollinger or the Company (subject to the prior written approval of the Audit Committee), respectively.

4.11 SEVERABILITY. If any provision of this Agreement is prohibited by or held to be invalid under applicable law, such provision will be ineffective to the extent of such prohibition or invalidity, without invalidating the remaining provisions of this Agreement. Each provision in this Agreement shall be read and construed independently of the other provisions hereof. If any provision of this Agreement, as applied to any party or to any circumstances, is adjudged by a court to be invalid or unenforceable for any reason, such judgment shall in no way affect any other provision of this Agreement, the application of such provision in any other circumstances or to any other party or the validity or enforceability of this Agreement. If any provision or part of a provision in this Agreement is held to be unenforceable because of the duration of such provision, the geographical area covered by such provision or the range of activities covered by such provision, the parties agree that the court making such determination will have the power to reduce the duration, area and scope of such provisions and to delete specific words or phrases, if and as necessary under law, and in its reduced form such provision will then be enforceable and will be enforced.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date first set forth above.

HOLLINGER INC.

By:/s/ J. A. Boultbee

J.A Boultbee
Vice President, Finance
and Treasury

By:/s/ Charles G. Cowan

Charles G. Cowan
Vice President and Secretary

ATTEST:

By:/s/ Kenneth L. Serota

Kenneth L. Serota
Vice President and Secretary

HOLLINGER INTERNATIONAL INC.

By:/s/ J. David Dodd

J. David Dodd
Vice President

PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT. SUCH PORTIONS ARE DESIGNATED [REDACTED].

EXHIBIT 10.20

RELEASE AND SETTLEMENT AGREEMENT

This Release and Settlement Agreement (the "Agreement") is entered into this 27th day of April 2004 between Peter Y. Atkinson ("Atkinson") and Hollinger International, Inc. ("International").

WHEREAS by resolutions dated June 19, 2003, and January 20, 2004, the Board of Directors of International formed and authorized a Special Committee (the "SC") to investigate, among other things, allegations regarding various related-party transactions and payments, including various "non-competition" payments;

WHEREAS Atkinson was a recipient of the "non-competition" payments;

WHEREAS, in early November 2003, Atkinson volunteered to repay a portion of the "non-competition" payments;

WHEREAS during the course of its investigation, the Special Committee discovered, among other things, another category of related-party payments, i.e., those made under the Hollinger Digital Management Incentive Plan;

WHEREAS Atkinson was a recipient of payments under the Hollinger Digital Management Incentive Plan;

WHEREAS on December 10, 2003, the action Cardinal Value Equity Partners, L.P. v. Black, et al., C.A. No. 105-N (Del. Ch., filed Dec. 10, 2003) (the "Cardinal Action") was brought on behalf of International, naming Atkinson, among other defendants, challenging, among other things, the "non-competition" payments;

WHEREAS on January 16, 2004, the SC filed suit against, among others, Conrad M. Black and F. David Radler in the United States District Court for the Southern District of New York, which case was subsequently dismissed and refiled in the United States District Court for the Northern District of Illinois, Eastern Division, Case No. 04C 0698 (the "Illinois Action");

WHEREAS in or about April 2004, the SC began discussions with Atkinson regarding resolving International's claims against Atkinson;

WHEREAS, Atkinson wishes to settle and finally resolve all actual or potential claims arising out of or relating to the matters that have been or may be asserted against him in the Cardinal Action and the Illinois Action;

WHEREAS, Atkinson has denied that he has liability to any of the plaintiffs in the Cardinal Action and/or the Illinois Action and has not admitted any of the allegations of the complaints filed in those actions;

WHEREAS, Atkinson has agreed to enter into the Agreement to resolve any potential liability in connection with the Cardinal Action and the Illinois Action, and to reduce further expense, inconvenience, and the distraction of burdensome and protracted litigation;

WHEREAS, the SC believes that this settlement with Atkinson (the "Atkinson Settlement") is fair, reasonable and adequate and in the best interests of the shareholders of International; and

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED, subject to the approval of the Court as more fully described herein, as follows:

1. Settlement Amount-- "Non-Competition" Payments and Hollinger Digital Management Incentive Plan Payments in Full-with Interest. Atkinson agrees to pay to International, with interest, the "non-competition" payments he received, as identified in paragraph 3 of the Complaint in the Illinois Action. The "non-competition" payments (not including interest) for Atkinson total $2,180,929. Atkinson also agrees to pay to International, with interest, the Digital incentive compensation payments he received: he received $50,0000 on August 11, 2000 and $100,000 on January 16, 2001, for a total of $150,000. The applicable rate of interest is the U.S. federal rate at the time Atkinson received each payment, compounded annually. The applicable rates are: (i) 6.33% on the August 2000 payment (the first of the two Hollinger Digital Management Incentive Plan payments); (ii) 6.01% on the November 2000 payments (the CanWest payment and the first of the three U.S. Community newspaper payments); (iii) 5.61% on the January 2001 payment (the second of two Hollinger Digital Management Incentive Plan payments); (iv) 5.07% on the February 2001 payment (the second of the three U.S. Community newspaper payments) (v) 4.94% on the April 2001 payment (the last of the three U.S. Community newspaper payments; (vi) 4.07% on the July 2001 payment (the first of the two Osprey payments; and (vii) 2.73% on the November 2001 payment (the second of the two Osprey payments). The total amount to be paid by Atkinson including interest (as of April 26, 2004) for the "non-competition" payments and the Hollinger Digital Management Incentive Plan payments is $2,460,181.43. Atkinson has paid $350,000, and the balance to be paid as of April 26, 2004 including interest is $2,110,181.43 (the "Settlement Amount"). Atkinson will pay the Settlement Amount into escrow by exercising stock options as provided in paragraph 2 below.

2. Resignation and Exercise of Stock Options. Atkinson hereby resigns as an officer of International as of April 27, 2004. Atkinson hereby confirms that he is aware and that he has been advised that the United States securities laws prohibit any person who has material non-public information about a company from purchasing or selling securities of such company. Atkinson agrees that he will not purchase or offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise dispose of any such shares of common stock of the Company, or any options or warrants to purchase any such shares of stock of the Company, or any securities convertible into, exchangeable for or that represent the right to receive such shares of common stock of the Company while in possession of such information. Accordingly, International agrees to allow Atkinson to exercise his vested stock options immediately upon his resignation. Atkinson may exercise his vested options immediately upon his resignation. If he elects to sell the resulting shares, he shall deposit all proceeds of any such sale of stock resulting from the exercise of his vested stock options into the Escrow Account. Atkinson agrees that a portion of the proceeds equal to the Settlement Amount (plus all interest accrued thereon) shall be released to International in satisfaction of Atkinson's obligations as set forth in paragraph 1 of this Agreement. Upon satisfaction of such obligations, International agrees that the remainder of those proceeds, if any, shall revert to Atkinson. For purposes of this Agreement, "Escrow

Account" shall mean the account described in the Escrow Agreement, substantially in the form attached hereto as Exhibit A, providing for the deposit of all amounts due from Atkinson under the terms of this Agreement until Final Approval. Upon Final Approval, the amounts will be wired to an account designated by International, for International's unrestricted use. "Final Approval" means the point at which the Final Order approving the Atkinson Settlement becomes final and unappealable, whether by the passage of time, affirmance on appeal or otherwise.

3. Cooperation. Atkinson agrees to cooperate fully and actively with International and in particular with the work of the SC as of the signing of this Agreement. Atkinson agrees to make himself available to respond to inquiries and provide information as reasonably requested by the SC, and agrees to provide full and complete information as requested by the SC and as legally permitted under applicable law. Atkinson and International further agree that Atkinson will continue as a consultant to International pursuant to the terms of a separate Consulting Agreement, in the form attached hereto as Exhibit B (the "Consulting Agreement").

4. Release and Settlement. Upon Final Approval, and payment in full of the Settlement Amount, International and its agents, advisors, representatives, affiliates, subsidiaries, divisions, officers, current and former directors, shareholders, employees, attorneys, predecessors, successors and assigns do hereby fully, finally and forever release Atkinson and any of his respective agents, heirs, successors, assigns, survivors and executors from any and all rights, interests, obligations, debts, dues, sums of money, accounts, reckonings, damages, claims, actions, allegations, causes of action, counterclaims or demands whatsoever, whether known or unknown, in law or in equity, that have been or that could be asserted from the beginning of time through the date hereof against Atkinson (the "Settled Claims") and Atkinson and any of his respective agents, heirs, successors, assigns, survivors and executors do hereby fully, finally and forever release International and its agents, advisors, representatives, affiliates, subsidiaries, divisions, officers, current and former directors, shareholders, employees, attorneys, predecessors, successors and assigns from any and all rights, interests, obligations, debts, dues, sums of money, accounts, reckonings, damages, claims, actions, allegations, causes of action, counterclaims or demands whatsoever, whether known or unknown, in law or in equity, that have been or that could be asserted from the beginning of time through the date hereof against them. The releases provided under this paragraph do not relate to any pending or future securities class action suits and do not affect the rights of contribution and indemnification the parties to this Agreement may have against each other in any securities class action suits. The releases also do not release Atkinson or International from their respective obligations under this Agreement or the Consulting Agreement.

5. Indemnification for Legal Expenses. International will advance monies in accordance with Article 4.6 of the International's by-laws for reasonable legal costs and expenses incurred by Atkinson in responding to the investigation of the SC, regulatory investigations, and in defending litigation arising therefrom. International also will reimburse Atkinson on the same basis for reasonable legal costs and expenses incurred to date. Atkinson agrees to provide International with details of legal costs and expenses incurred to date for which reimbursement will be sought.

6. Press Release. Any press release announcing this Agreement will be made available to Atkinson for review and comment, but final approval on the contents of the release will remain solely with International.

7. Submission and Application to the Court. Atkinson acknowledges that because he is a defendant in the Cardinal Action, this Agreement can only be effective if approved by the Court. Atkinson further acknowledges that this Agreement is one of a number of such agreements that may be entered into between the SC, on behalf of International, and others (the "Settlements") and that the SC, on International's behalf, intends to seek Court approval of the Settlements as a single group to the extent necessary and appropriate. Therefore, as soon as practicable after the execution of this Agreement and any other Settlements, and the completion of the SC's investigation, the SC shall apply to the Delaware Court of Chancery for a scheduling order (the "Scheduling Order") that shall provide that:

a. a settlement hearing (the "Settlement Hearing") be held to determine whether the Court should: (i) approve the Settlements pursuant to the Chancery Court Rule 23.1 as fair, reasonable, and adequate and in the best interests of International's stockholders; and (ii) enter an Order and Final Judgment dismissing Atkinson from the Cardinal Action with prejudice, each party to bear its own costs and release and enjoin prosecution against Atkinson of any and all Settled Claims; and (iii) hear other such matters as the Court may deem necessary and appropriate; and

b. a copy of the Notice of Hearing and Proposed Settlement of Certain Defendants In Cardinal Value Equity Partners, L.P. v. Black (the "Notice") shall be sent to all stockholders of record of International as of the date of the Scheduling Order, and further provide that the distribution of the Notice substantially in the manner set forth in the Scheduling Order constitutes the best notice practicable under the circumstances, meets the requirements of applicable law and due process, is due and sufficient notice of all matters relating to the Settlements and fully satisfies the requirements of due process and of Rule 23.1 of the Chancery Court Rules.

8. Notices. All costs incurred in identifying and notifying International's stockholders of the Settlements, including the printing and the copying of the Notice, as set forth in the Scheduling Order, will be paid by International.

9. Order and Final Judgment. If the Atkinson Settlement (including any modification thereto made with the consent of International and Atkinson as provided for herein) is approved by the Court, International and Atkinson shall promptly request the Court to enter an Order and Final Judgment that will automatically and without further action, among other things:

a. approve the Atkinson Settlement, adjudge the terms thereof to be fair, reasonable, adequate and in the best interests of International's stockholders, and direct consummation of the Atkinson Settlement in accordance with the terms and conditions of the Agreement;

b. determine that the requirements of Rule 23.1 of the Chancery Court Rules and due process have been satisfied in connection with the Notice to International's stockholders; and

c. dismiss Atkinson from the Cardinal Action with prejudice, extinguish, discharge, and release, any and all Settled Claims as against Atkinson, said dismissal subject only to compliance by International and Atkinson with the terms of this Agreement and any Order of the Court concerning this Agreement, and permanently enjoin International from asserting, commencing, prosecuting or continuing any of the Settled Claims.

10. Right to Withdraw from the Atkinson Settlement. The parties hereto shall have the right to withdraw from and terminate this Agreement as follows:

a. International and Atkinson shall each have the option to withdraw from and terminate the Agreement (the "Termination Option") in the event that (i) either the Scheduling Order or Order and Final Judgment referred to above are not entered substantially in the customary form for derivative settlements in Delaware, or in some other form acceptable to International and Atkinson, (ii) the Atkinson Settlement is not approved or is materially modified by the Court or upon appeal, (iii) any of the conditions of the Atkinson Settlement are not fulfilled, including the SC's determination, in its sole discretion, that Atkinson has failed to fulfill his cooperation obligations as described in paragraph 3, above, or (iv) application for the Scheduling Order shall not have been made on or before October 31, 2004 (each of which shall constitute a "Termination Event").

b. In order to exercise a Termination Option, the terminating party must provide, within twelve business days of the Termination Event giving rise to such Termination Option, written notice of such withdrawal and the grounds therefor to all signatories to this Agreement.

c. If a party exercises a Termination Option, the settlement proposed herein shall be of no further force or effect, and this Agreement and all negotiations, proceedings and statements relating thereto and any amendment thereof shall be null and void and without prejudice to any party hereto, and each party shall be restored to his, her or its respective position as it existed prior to the execution of this Agreement, except that (i) Atkinson shall not revert to being an employee or officer of the Company, and (ii) the Escrow Agreement shall remain in place, but any funds residing in the Escrow Account in excess of the Settlement Amount promptly shall be released to Atkinson by wire transfer of immediately available funds to an account designated by Atkinson. Atkinson also agrees that the Statute of Limitations for all of the Company's causes of actions and potential claims against Atkinson is tolled during the period from the Settlement Agreement's effective date until the effective date of any termination of the Agreement.

11. Governing Law; Choice of Forum; Jury Waiver. This Agreement and any claim related directly or indirectly to this Agreement shall be governed and construed in accordance with the laws of the State of Delaware, without regard to the principles of conflicts of law thereof. All disputes arising out of or relating to this Agreement or its breach shall be resolved in the courts located within the State of Delaware, New Castle County, and Atkinson and International hereby submit exclusively to the jurisdiction and venue of those Delaware courts. EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE ARISING OUT OF THIS AGREEMENT.

12. Counterparts. This Agreement may be signed in any number of counterparts, all of which together shall constitute one and the same instrument.

13. Severability. If any provision of this Agreement is found to be unenforceable in whole or in part, it shall be construed or limited in such a way as to make it enforceable, consistent with the intentions of the parties. If such construction or limitation is not possible, the unenforceable provision will be stricken, and the remaining provisions of this Agreement will remain valid and enforceable.

14. Successors. This Agreement shall apply to Atkinson, as well as his heirs, agents, executors, and administrators. The Agreement also shall apply to, and inure to the benefit of, the predecessors, successors, and assigns of International and each past, present, or future employee, agent, representative, officer, partner, owner, or director of International and any division, subsidiary, parent, or affiliated entity.

15. Entire Agreement. This agreement contains the entire agreement between Atkinson and International and supersedes and replaces all prior negotiations or proposed agreements, whether written or oral. This Agreement may not be changed or modified except in writing signed by both Atkinson and International. This Agreement is made independent of and is entirely separate from the Consulting Agreement, and the performance, termination or breach of the Consulting Agreement shall in no way affect the parties' obligations under this Agreement.

16. Knowledge and Understanding. Atkinson acknowledges that he has read this Agreement and understands and acknowledges the significance and consequence of it and executes it voluntarily with full understanding of its consequences.

Agreed to this 27th day of April, 2004 by:

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| HOLLINGER INTERNATIONAL, INC. | PETER Y. ATKINSON |
| By: /s/ Robert T. Smith | /s/ Peter Y. Atkinson |
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AMENDMENT TO RELEASE AND SETTLEMENT AGREEMENT

THIS AMENDMENT (this "Amendment") is entered into as of May 10, 2004, by and between Hollinger International, Inc. ("International") and Peter Y. Atkinson ("Atkinson"), and is made with reference to that certain Release and Settlement Agreement entered into as of April 27, 2004 (the "Original Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Original Agreement.

RECITALS

WHEREAS, the parties have identified a numerical error in Section 1 of the Original Agreement, which sets forth the "Settlement Amount";

WHEREAS, the parties desire to correct that numerical error to comport with their understanding in the Original Agreement;

NOW, THEREFORE, the parties agree as follows:

1. Section 1 of the Original Agreement is deleted in its entirety and replaced by the following:

1. Settlement Amount -- "Non-Competition" Payments and Hollinger Digital Management Incentive Plan Payments in Full with Interest. Atkinson agrees to pay to International, with interest, the "non-competition" payments he received. The "non-competition" payments (not including interest) for Atkinson total $2,170,433. Atkinson also agrees to pay to International, with interest, the Digital incentive compensation payments he received: he received $50,000 on August 11, 2000 and $100,000 on January 16, 2001, for a total of $150,000. The applicable rate of interest is the U.S. federal rate at the time Atkinson received each payment, compounded annually. The applicable rates are: (i) 6.33% on the August 2000 payment (the first of the two Hollinger Digital Management Incentive Plan payments); (ii) 6.01% on the November 2000 payments (the CanWest payment and the first of the three U.S. Community newspaper payments); (iii) 5.61% on the January 2001 payment (the second of two Hollinger Digital Management Incentive Plan payments); (iv) 5.07% on the February 2001 payment (the second of the three U.S. Community newspaper payments); (v) 4.94% on the April 2001 payment (the last of the three U.S. Community newspaper payments); (vi) 4,07% on the July 2001 payment (the first of the two Osprey payments); and (vii) 2.73% on the November 2001 payment (the second of the two Osprey payments). The total amount to be paid by Atkinson including interest (as of April 26, 2004) for the "non-competition" payments and the Hollinger Digital Management Incentive Plan payments is $2,798,424.05. Atkinson has paid $350,000, and the balance to be paid as of April 26, 2004 including interest is $2,448,424.05 (the "Settlement Amount"). Atkinson agrees to pay, and has paid, the Settlement Amount into escrow by exercising stock options as provided in paragraph 2 below.

2. This Amendment may be signed in any number of counterparts, all of which together shall constitute one and the same instrument.

3. All other provisions of the Original Agreement remain fully in effect.

Agreed to this 10th day of May, 2004 by:

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| HOLLINGER INTERNATIONAL, INC. | PETER Y. ATKINSON |
| By: /s/ Paul B. Healy | /s/ Peter Y. Atkinson |
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SECOND AMENDMENT TO RELEASE AND SETTLEMENT AGREEMENT

THIS SECOND AMENDMENT (the "Second Amendment") is entered into as of October 29, 2004, by and between Hollinger International, Inc. ("International") and Peter Y. Atkinson ("Atkinson"), and is made with reference to that certain Release and Settlement Agreement entered into as of April 27, 2004 (the "Original Agreement") and the Amendment to that certain Release and Settlement Agreement entered into as of May 10, 2004 (the "Amendment"). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Original Agreement.

RECITALS

WHEREAS, this Agreement is one of a number of such agreements that may be entered into between the Special Committee (the "SC"), on behalf of International, and others (the "Settlements") and that the SC, on International's behalf, intends to seek Court approval of the Settlements as a single group to the extent necessary and appropriate;

WHEREAS, the parties desire to seek an extension of time for the SC to apply to the Delaware Court of Chancery for the Scheduling Order;

NOW, THEREFORE, the parties agree as follows:

1. Sub-Section (a) of Section 10 of the Original Agreement is amended by changing the date of "October 31, 2004" in clause (iv) to "December 31, 2004."

2. This Second Amendment may be signed in any number of counterparts, all of which together shall constitute one and the same instrument.

3. All other provisions of the Original Agreement and the Amendment remain fully in effect.

Agreed to this 29th day of October, 2004 by:

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| HOLLINGER INTERNATIONAL, INC. | PETER Y. ATKINSON |
| By: /s/ James R. Van Horn | /s/ Peter Y. Atkinson |
| ---------------------------------- | -------------------------- |
| JAMES R. VAN HORN<br>V.P., GENERAL COUNSEL & SECRETARY | |

THIRD AMENDMENT TO RELEASE AND SETTLEMENT AGREEMENT

THIS THIRD AMENDMENT (the "Third Amendment") is entered into as of December 30, 2004, by and between Hollinger International Inc. ("International") and Peter Y. Atkinson ("Atkinson"), and is made with reference to the Release and Settlement Agreement dated April 27, 2004 (the "Original Agreement"), the Amendment and the Second Amendment. The Original Agreement, the Amendment, the Second Amendment and the Third Amendment are collectively referred to herein as the "Agreement". Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Original Agreement, the Amendment and the Second Amendment.

RECITALS

WHEREAS, the parties agree that they need additional time to continue their discussions regarding the language of the Agreement to more appropriately reflect their intent, to facilitate its aproval by the Court, and to adequately protect the interests of both parties,

NOW, THEREFORE, for and in consideration of the mutual representations, warranties, covenants and agreements contained in the Agreement, and intending to be legally bound hereby, the parties agree as follows:

1. Sub-Section (a) of Section 10 of the Original Agreement is further amended by changing the date of "October 31, 2004" in clause (iv) (which had previously been amended to December 31, 2004 by the Second Amendment) to "January 15, 2005."

2. The parties agree that this extension is in furtherance of the considerations described above and is without prejudice to the parties' respective rights and that the parties reserve all their respective rights.

3. This Third Amendment may be signed in any number of counterparts, all of which together shall constitute one and the same instrument.

Agreed to this 30th day of December, 2004 by:

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| HOLLINGER INTERNATIONAL INC. | PETER Y. ATKINSON |
| By: /s/ James R. Van Horn/KLS | /s/ Peter Y. Atkinson |
| James R. Van Horn<br>V.P., General Counsel & Secretary | |

FOURTH AMENDMENT TO RELEASE AND SETTLEMENT AGREEMENT

THIS FOURTH AMENDMENT (the "Fourth Amendment") is entered into as of January 14, 2005, by and between Hollinger International Inc. ("International") and Peter Y. Atkinson ("Atkinson"), and is made with reference to the Original Agreement, the Amendment, the Second Amendment, and the Third Amendment. The Original Agreement, the Amendment, the Second Amendment, the Third Amendment and the Fourth Amendment are referred to herein collectively as the "Agreement." Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Agreement.

R E C I T A L S

WHEREAS, the parties have concluded their discussions regarding the language of the Agreement to more appropriately reflect their intent to facilitate its approval by the Court and to adequately protect the interests of both parties;

WHEREAS, this Agreement is one of a number of Settlements that may be entered into between the SC, on behalf of International, and others, and that the SC, on International's behalf, intends to seek Court approval of the Settlements as a single group to the extent necessary and appropriate and the parties thus desire to seek an extension of time for the SC to apply to the Delaware Court of Chancery for the Scheduling Order;

NOW, THEREFORE, for and in consideration of the mutual representations, warranties, covenants and agreements contained in the Agreement, and intending to be legally bound hereby, subject to the approval of the Court as described in the Original Agreement, the parties agree as follows:

1. The following WHEREAS clause in the Original Agreement is deleted in its entirety:

WHEREAS, Atkinson wishes to settle and finally resolve all actual or potential claims arising out of or relating to the matters that have been or may be asserted against him in the Cardinal Action and the Illinois Action;

and replaced by the following:

WHEREAS, Atkinson wishes to settle and finally resolve all actual or potential claims arising out of or relating to the matters that have been or may be asserted against him by International and its subsidiaries in the Cardinal Action and the Illinois Action;

2. The following WHEREAS clause in the Original Agreement is deleted in its entirety:

WHEREAS, Atkinson has agreed to enter into the Agreement to resolve any potential liability in connection with the Cardinal Action and the Illinois Action, and to reduce further expense, inconvenience and the distraction of burdensome and protracted litigation;

and replaced by the following:

WHEREAS, Atkinson has agreed to enter into the Agreement to resolve any potential liability to International and its subsidiaries in connection with the Cardinal Action and the Illinois Action, and to reduce further expense, inconvenience and the distraction of burdensome and protracted litigation.

3. Section 4 of the Original Agreement is deleted in its entirety and replaced by the following:

4. Release and Settlement.

a. Upon Final Approval, and payment in full of the Settlement Amount, International and its subsidiaries do hereby fully, finally and forever release Atkinson and any and all of his personal agents, spouses, heirs, survivors and executors (collectively with Atkinson, the "Atkinson Releasees") from any and all rights, interests, obligations, debts, dues, sums of money, accounts, reckonings, damages, claims, actions, allegations, causes of action, counterclaims or demands whatsoever, whether known or unknown, in law or in equity, that have been or that could be asserted, relating to the subject matter of the Cardinal Action, the Illinois Action and/or the Report of Investigation by the Special Committee of the Board of Directors of Hollinger International Inc. dated August 30, 2004 (the "SC Report") against any of the Atkinson Releasees (the "Settled Claims"); and Atkinson and any and all of his personal agents, spouses, heirs, survivors and executors do hereby fully, finally and forever release International and any and all of its predecessors, successors, assigns, affiliates, subsidiaries, divisions, and its current and former officers, directors, shareholders, employees, attorneys, agents, advisors, and representatives (collectively with International, the "International Releasees") from any and all rights, interests, obligations, debts, dues, sums of money, accounts, reckonings, damages, claims, actions, allegations, causes of action, counterclaims or demands whatsoever, whether known or unknown, in law or in equity, that have been or that could be asserted, relating to the subject matter of the Cardinal Action, the Illinois Action and/or the SC Report against any of the International Releasees.

b. The International Releasees do not include Hollinger Inc., The Ravelston Corporation Limited, Ravelston Management Inc., Conrad M. Black, F. David Radler, John A. Boultbee, Daniel W. Colson, Barbara Amiel Black, and Richard Perle, who are the defendants named in the Second Amended Complaint filed on October 29, 2004 in the Illinois Action (the "Illinois Action Defendants").

c. Notwithstanding any other section or sub-section in this Agreement, Mark S. Kipnis ("Kipnis") is included as a member of the International Releasees only under the condition that that Atkinson Releasees are not, and do not become, the subject of any claim of any nature asserted by Kipnis and/or his spouses, heirs, survivors, or executors, including but not limited to a cross-claim or counterclaim, relating to the subject matter of the Cardinal Action, the Illinois Action and the SC Report (a "Kipnis Claim"). Should any of the Atkinson Releasees become the subject of any Kipnis Claim, then the release being provided by the Atkinson Releasees hereunder is void solely to the extent of any counterclaims the Atkinson Releasees have against

Kipnis, but only up to the amount of any recovery Kipnis obtains from the Atkinson Releasees (excluding any Atkinson unreimbursed attorneys' fees).

d. Notwithstanding any other section or sub-section in this Agreement, Todd A. Vogt ("Vogt") is included as a member of the International Releasees only under the condition that that Atkinson Releasees are not, and do not become, the subject of any claim of any nature asserted by Vogt and/or his spouses, heirs, survivors, or executors, including but not limited to a cross-claim or counterclaim, relating to the subject matter of the Cardinal Action, the Illinois Action and the SC Report (a "Vogt Claim"). Should any of the Atkinson Releasees become the subject of any Vogt Claim, then the release being provided by the Atkinson Releasees hereunder is void solely to the extent of any counterclaims the Atkinson Releasees have against Vogt, but only up to the amount of any recovery Vogt obtains from the Atkinson Releasees (excluding any Atkinson unreimbursed attorneys' fees).

e. The releases provided under this Section 4 also do not relate to any pending or future securities class action suits and do not affect the rights of contribution and indemnification the parties to this Agreement may have against each other in any securities class action suits. The releases also do not release Atkinson or International from their respective obligations under this Agreement or the Consulting Agreement.

f. In connection with any settlement between or among (i) International and/or its subsidiaries and (ii) any former or current directors or officers of International or any former or current directors or officers of International's subsidiaries in respect of any claims of any nature relating to the subject matter of the Cardinal Action, the Illinois Action, and/or the SC Report, International and/or its subsidiaries shall use commercially reasonable efforts, in good faith, to obtain a release of all claims of any nature that such settling officer or director has or may thereafter have against the Atkinson Releasees arising out of or relating to the subject matter of the Cardinal Action, the Illinois Action and/or the SC Report.

g. For purposes of further clarification, the words "personal agents" in Section 4 and "agents" in Section 14 of the Agreement, as both of these sections are amended herein, refer and apply only to Atkinson's personal agents, including but not limited to his attorneys or accountants who represent him in his personal capacity, and, notwithstanding the foregoing, do not release or apply to other former or current officers, agents, attorneys, accountants, directors, employees or affiliated companies of International, Hollinger Inc., or The Ravelston Corporation Limited, including without limitation the Illinois Action Defendants. Similarly, the words "spouses," "heirs," "successors," "administrators" and "executors" in Sections 4 and 14 do not release or apply to other former or current officers, agents, attorneys, accountants, directors, employees or affiliated companies of International, Hollinger Inc., or The Ravelston Corporation Limited, including without limitation the Illinois Action Defendants.

4. Sub-section (a) of Section 7 is deleted in its entirety and replaced by the following:

a. a settlement hearing (the "Settlement Hearing") be held to determine whether the Court should: (i) approve the Settlements pursuant to the Chancery Court's Rule 23.1 as fair, reasonable, and adequate and in the best interests of International's stockholders; and (ii) enter an Order and Final Judgment dismissing Atkinson from the Cardinal Action with prejudice, each party to bear its own costs and release and enjoin prosecution by International and its subsidiaries against Atkinson of any and all Settled Claims; and (iii) hear such other matters as the Court may deem necessary and appropriate; and

5. Sub-section (c) of Section 9 is deleted in its entirety and replaced by the following:

c. dismiss Atkinson from the Cardinal Action with prejudice; extinguish, discharge and release, any and all Settled Claims as against Atkinson, said dismissal subject only to compliance by International and Atkinson with the terms of this Agreement and any Order of the Court concerning this Agreement; and permanently enjoin International and its subsidiaries from asserting, commencing, prosecuting or continuing any of the Settled Claims.

6. Sub-Section (a) of Section 10 of the Original Agreement is further amended by changing the date of "January 15, 2005" in clause (iv) (which had previously been amended to January 15, 2005 by the Third Amendment) to "March 31, 2005."

7. Section 11 is deleted in its entirety and replaced by the following:

11. Governing Law; Choice of Forum; Jury Waiver. This Agreement and any claim related directly to this Agreement shall be governed and construed in accordance with the laws of the State of Delaware, without regard to the principles of conflicts of law thereof. All disputes arising out or relating to this Agreement or its breach shall be resolved in the courts located within the State of Delaware, New Castle County, and Atkinson and International hereby submit exclusively to the jurisdiction and venue of those Delaware courts. EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE ARISING OUT OF THIS AGREEMENT.

8. Section 14 is deleted in its entirety and replaced by the following:

14. Successors. This Agreement shall apply to Atkinson, as well as his heirs, agents, executors, and administrators. Except as otherwise expressly provided in this Agreement, the Agreement also shall apply to, and inure to the benefit of, International and its subsidiaries and any successors of International and its subsidiaries that International may designate.

9. [REDACTED]

10. This Fourth Amendment may be signed in any number of counterparts, all of which together shall constitute one and the same instrument.

Agreed to this 14th day of January 2005 by:

HOLLINGER INTERNATIONAL INC.

By: /s/ James R. Van Horn

James R. Van Horn
Vice President, General
Counsel and Secretary

PETER Y. ATKINSON

/s/ Peter Y. Atkinson

EXHIBIT 10.21

# OPTION EXERCISE AND ESCROW AGREEMENT

This Option Exercise and Escrow Agreement ("AGREEMENT") is entered into as of April 27, 2004 by and between Hollinger International Inc., a Delaware corporation (the "COMPANY") and Peter Y. Atkinson ("ATKINSON").

## RECITALS

WHEREAS, in June 2003, the Board of Directors of the Company formed a Special Committee (the "SC") to investigate allegations of wrongdoing, which included the payment of over $70 million in "non-competition" payments to certain directors of the Company;

WHEREAS, by October 2003, the SC had concluded that the "non-competition" payments were unauthorized;

WHEREAS, on November 15, 2003, the SC, on behalf of the Company, entered into a restructuring agreement with Conrad M. Black, Chairman and Chief Executive Officer of the Company, and F. David Radler and Atkinson, Directors of the Company, which, among other things, called for the payment of the "non-competition" payments received by Black, Radler and Atkinson on an established schedule, beginning with a ten percent payment on or before December 31,2003 (the "RESTRUCTURING PROPOSAL");

WHEREAS on December 10, 2003, the action Cardinal Value Equity Partners, LP. v. Black, et al, C.A. No. 105-N (Del. Ch., filed Dec. 10, 2003) (the "CARDINAL ACTION") was brought on behalf of the Company, naming among the defendants Black, Atkinson and Radler, and challenging, among other things, the "non-competition" payments;

WHEREAS, by December 31, 2003, Radler and Atkinson had made the payment required by the Restructuring Proposal;

WHEREAS on January 16, 2004, the SC filed suit against, among others, Black and Radler in the United States District Court for the Southern District of New York, which case was subsequently dismissed and refiled in the United States District Court for the Northern District of Illinois, Eastern Division, Case No. 04C 0698 (the "ILLINOIS ACTION");

WHEREAS, Atkinson and the Company are entering into concurrently herewith a Release and Settlement Agreement (the "SETTLEMENT AGREEMENT") in consideration for the full settlement, satisfaction, compromise and release of the causes of action arising from the allegations contained in the complaints in the Cardinal Action and the Illinois Action, subject to the terms and conditions set forth in the Settlement Agreement;

WHEREAS, one of the provisions of the Settlement Agreement requires Atkinson to pay all "non-competition" payments as well as any incentive compensation payments pursuant to the Hollinger Digital Management Incentive Plan received by Atkinson into an escrow account subject to the terms and conditions of this Agreement;

WHEREAS during Atkinson's employment with the Company, Atkinson was granted certain stock options under the Company's 1994, 1997 and 1999 Stock Incentive Plans, as amended to date (each a "PLAN", and collectively, the "PLANS"), and eight separate Nonqualified Stock Option Agreements, between the Company and Atkinson, dated August 1, 1996, May 1, 1997, February 12, 1999, February 26, 1999, March 7, 2000, April 2, 2001, February 5, 2002, and February 6, 2003, (collectively, the "STOCK OPTION AGREEMENTS");

WHEREAS, in conjunction with Atkinson's resignation as an officer of the Company, as required by the Settlement Agreement, Atkinson desires to exercise the remainder of his vested options as set forth on Schedule I (the "SUBJECT OPTIONS") and Atkinson agrees, in accordance with the terms and conditions of the Settlement Agreement to deliver any proceeds from such exercise into the escrow account pursuant to the terms and conditions of this Agreement;

WHEREAS, prior to the date hereof, the Stock Option Committee of the board of directors of the Company has established a "cashless" exercise program (the "CASHLESS EXERCISE PROGRAM") as contemplated by the Stock Option Agreements; and

NOW, THEREFORE, for and in consideration of the mutual representations, warranties, covenants and agreements contained herein, and intending to be legally bound hereby, the parties hereto agree as follows:

AGREEMENT

1. EXERCISE OF THE SUBJECT OPTIONS AND SALE OF CLASS A COMMON STOCK.

(a) Pursuant to the Stock Option Agreements, Atkinson shall exercise the Subject Options pursuant to the Cashless Exercise Program. Pursuant to the Cashless Exercise Program, the Company will issue shares of the Company's Class A Common Stock (less those shares used as consideration of the exercise price) (the "OPTION SHARES") directly to Atkinson's broker or dealer. The Fair Market Value (as defined below) of a share of the Company's Class A Common Stock on the business day immediately preceding the date hereof shall be used in calculating the number of shares of the Company's Class A Common Stock to be used as consideration of the exercise price. For purposes hereof, "FAIR MARKET VALUE" means on any date, the average of the high and low quoted sales prices of a share of the Company's Class A Common Stock, as reported on the Composite Tape for New York Stock Exchange Listed Companies on such date or, if there were no sales on such date, on the last date preceding such date on which a sale was reported.

(b) Atkinson shall irrevocably instruct his broker to sell the Option Shares immediately upon receipt and to deliver the cash proceeds of such sale (the "PROCEEDS") to the Company to be held and maintained in an escrow account in accordance with the terms hereof.

(c) Atkinson agrees to take any and all further actions reasonably requested by the Company in connection with the consummation of the transactions contemplated hereby.

including the execution of such agreements and instruments and other actions as reasonably requested.

2. CERTAIN ATKINSON ACKNOWLEDGEMENTS AND AGREEMENTS. Atkinson, on behalf of himself, and on behalf of all spouses, heirs, estates, assigns, representatives or agents of Atkinson (including, without limitation, any trust of which Atkinson is the trustee or which is for the benefit of Atkinson or a member of his or her family), hereby represents, warrants, acknowledges and agrees that: (a) Atkinson holds the Subject Options surrendered hereby free and clear of all claims, liens, restrictions, charges, encumbrances, security interests, voting agreements and commitments of any kind and has full power and authority to exchange the Subject Options for the Proceeds as set forth herein; (b) upon the exercise of the Subject Options as contemplated by this Agreement, Atkinson shall have exercised or otherwise disposed of all vested options granted by the Company in connection with Atkinson's employment by the Company; (c) this Agreement and the obligations and rights set forth herein shall supersede any and all rights and obligations of the parties under the Plan, the Stock Option Agreements and any other option related agreement entered into prior to the date of this Agreement between Atkinson and the Company (the "STOCK OPTION DOCUMENTS") and the Company shall have no obligations to Atkinson under the Stock Option Documents separate or distinct from its obligations hereunder, including without limitation its implied covenant of good faith and fair dealing; (d) upon the exercise of the Subject Options as contemplated by this Agreement, such Subject Options are hereby deemed cancelled and of no further force and effect; and (e) other than as to any claim that Atkinson might have arising under this Agreement and/or the Consulting Agreement entered into concurrently herewith, all of which claims are expressly preserved, Atkinson, on behalf of himself, and on behalf of all spouses, heirs, predecessors, successors, assigns, representatives or agents of Atkinson (including, without limitation, any trust of which Atkinson is the trustee or which is for the benefit of Atkinson or a member of his or her family), hereby releases and forever discharges, and hereby agrees not to sue, demand arbitration or take other legal action against, the Company, its affiliates, parent corporations or controlling entities, or its past, present or future officers, directors, employees, agents or attorneys solely with respect to any claim, right, or cause of action arising under or based upon the Stock Option Documents.

3. APPOINTMENT OF ESCROW AGENT. The parties agree that the Company is hereby appointed to act as escrow agent (the "ESCROW AGENT") in accordance with the terms hereof, and the Company hereby accepts such appointment. Escrow Agent shall have all the rights, powers, duties and obligations provided herein.

4. DEPOSIT OF THE ESCROW AMOUNT. In accordance with Section l(b) hereof, within a reasonable time from the date hereof, Atkinson shall instruct his broker to deliver the Proceeds to a segregated interest-bearing account of the Company (the "ESCROW ACCOUNT") no later than (3) three business days after the sale of the Option Shares. The aggregate amount in the Escrow Account at any time, including accrued interest and earnings on such amount, is referred to herein as the "ESCROW AMOUNT." Upon reasonable request by the Optionee, the Escrow Agent shall deliver to the Optionee with no greater frequency than on a quarterly basis, a statement as of such date with respect to the Escrow Account.

5. RELEASE OF ESCROW AMOUNT. The Escrow Agent shall maintain the Escrow Amount in the Escrow Account in accordance with the provisions of this Agreement and shall not release

the Escrow Amount or any portion thereof from the Escrow Account to any person except as follows:

(a) The Escrow Agent shall release to the Company the Settlement Amount, as that term is defined in the Settlement Agreement, and all interest accrued thereon while such funds remain in the Escrow Account upon the earlier to occur of:

(i) the receipt by the Escrow Agent of written notice signed by the duly authorized representatives of both the Company and Atkinson directing such delivery; or

(ii) the receipt by the Escrow Agent of a copy of an order and final judgment, in accordance with the terms and conditions of Section 9 of the Settlement Agreement, setting forth final and non-appealable approval of the Settlements (as defined in the Settlement Agreement); or

(iii) the receipt by the Escrow Agent of a copy of an order and final judgment of a court of competent jurisdiction.

(b) The Escrow Agent shall release to Atkinson any amount remaining in the Escrow Account immediately after the release of funds to the Company as set forth in subsection (a) (i), (ii) or (iii) above. In the event that there is a termination as provided in Section 10 of the Settlement Agreement, any funds residing in the Escrow Account in excess of the Settlement Amount shall be released promptly to Atkinson by wire transfer of immediately available funds to an account designated by Atkinson.

6. TERMINATION OF ESCROW ACCOUNT. The Escrow Account shall terminate immediately following completion of the distributions of the entire Escrow Amount as specified in Section 5 above.

7. METHOD OF PAYMENT. Any payments to be made hereunder shall be made by wire transfer in immediately available funds to the account of such party designated in writing by the party to whom payment is to be made.

8. RESPONSIBILITY OF ESCROW AGENT. The Escrow Agent's sole duties hereunder shall be to hold the Escrow Amount and any moneys or other properties received with respect thereto, to make payments and distributions therefrom in accordance with the terms of this Agreement, and otherwise to discharge its obligations hereunder. The Escrow Agent shall not be liable for any error of judgment, or any act done or step taken or omitted by it in good faith, or for any mistake in act or law, or for anything which it may do or refrain from doing in connection herewith, except its own willful misconduct or gross negligence. Escrow Agent may act upon any notice, certificate, instrument, request, paper or other document which it determines after the exercise of customary diligence, to be genuine or to have been made, sent, signed, prescribed or presented by the proper person or persons.

9. REPRESENTATIONS AND WARRANTIES. Each of Atkinson and the Company represents and warrants to the other parties hereto that each such party has the right, capacity and all requisite authority to execute, deliver and perform this Agreement and to consummate the

transactions contemplated hereby. Atkinson further acknowledges that Atkinson has read and understands the terms and conditions of this Agreement, is fully aware of their legal effect, has not acted in reliance upon any representations or promises made by the Company other than those contained in writing herein, and has entered into this Agreement freely based on Atkinson's own judgment. By executing this Agreement, Atkinson expressly represents that Atkinson has read it, understands its terms and has had an opportunity to seek legal counsel regarding it.

10. BINDING EFFECT. This Agreement shall be binding upon and shall inure to the benefit of the Company and Atkinson, and, in the case of Atkinson, shall be binding upon and shall inure to the benefit of Atkinson's spouses, heirs, predecessors, successors, assigns, representatives or agents (including, without limitation, any trust of which Atkinson is the trustee or which is for the benefit of Atkinson or a member of his or her family). Atkinson intends for the authorizations and agreements in this Agreement to remain in force and not be affected if Atkinson subsequently dies or becomes mentally or physically disabled, incapacitated or incompetent.

11. GOVERNING LAW. This Agreement and all matters arising out of, with respect or relating to this Agreement shall be governed by and construed in accordance with the laws of the State of Delaware applicable to a contract executed and performed in such State without regard to conflict of law or choice of law principles.

12. GENERAL PROVISIONS.

(a) This Agreement may be amended, supplemented or modified only by a written instrument duly executed by all of the parties hereto. Any term or condition of this Agreement may be waived at any time by the party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the party waiving such term or condition. No waiver by any party of any term or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion. All remedies, either under this Agreement or by law or otherwise afforded, will be cumulative and not alternative.

(b) Following the date hereof, each party hereto will execute such further documents and instruments and take such further actions as may reasonably be requested by the other to effect the purposes of this Agreement.

(c) All notices and other communications and deliveries provided for herein shall be given or made in writing and telecopied and sent via overnight courier service to the intended recipient at the notice addresses specified below. Except as otherwise provided in this Agreement, all such communications shall be deemed to have been duly given when transmitted by telecopy.

If to the Company, addressed to:

James R. Van Horn Esq.
General Counsel and Corporate Secretary
Hollinger International Inc.
712 Fifth Avenue
New York, New York 10019
Tel: (212) 586-5666
Fax: (212) 586-0010

With a copy to:

Jonathan Rosenberg, Esq.
O'Melveny & Myers LLP
Times Square Tower
7 Times Square, Room 3357
New York, New York 10036
Tel: (212) 408-2409
Fax: (212) 218-9409

If to Atkinson, to the address set forth on the signature page hereto.

With a copy to:

Benito Romano, Esq.
Willkie Farr & Gallagher LLP
787 Seventh Avenue
New York, New York 10019-6099
Tel: (212) 728-8258
Fax: (212) 728-8111

(d) This Agreement (including all exhibits and attachments) supersedes all prior discussions and agreements, whether written or oral, among the parties hereto with respect to the subject matter hereof and thereof and contain the sole and entire agreement among the parties hereto with respect to the subject matter hereof and thereof.

(e) Neither this Agreement nor any right, interest or obligation hereunder may be assigned by any party hereto, without the prior written consent of the other parties which consent shall not be unreasonably withheld, conditioned or delayed, and any attempt to do so will be void, and provided that the assignee signs a counterpart to this Agreement hereunder.

(f) The headings used in this Agreement have been inserted for convenience of reference only and do not define or limit the provisions hereof.

(g) If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law, and if the rights or obligations of any party hereto under this Agreement will not be materially and adversely affected thereby, (i) such provision will be fully severable, (ii) this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof and (iii) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom.

(h) Except as otherwise expressly set forth herein, each party shall pay all expenses incurred by it or on its behalf in connection with this Agreement or any transaction contemplated hereby.

(i) This Agreement may be executed in any number of counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

* * * *

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the date hereof.

HOLLINGER INTERNATIONAL INC.

/s/ Robert T. Smith

By: Robert T. Smith<br>
Its: Treasurer

By: /s/ Peter Y. Atkinson

PETER Y. ATKINSON

Address: 35 Brentwood Road<br>
Oakville, Ontario<br>
L6J 4B2

Tel: 905-845-9823<br>
Fax: 905-338-2645

## SCHEDULE I

## SUBJECT OPTIONS

| OPTIONS GRANTED | DATE GRANTED | DATE OF VESTING(SHARES) | EXERCISE PRICE | AMOUNT PREVIOUSLY EXERCISED | NO. OF SHARES SUBJECT TO CURRENT EXERCISE |
|---|---|---|---|---|---|
| 20,000 | 8/1/96 | August 1, 1997 (5,000)<br>August 1, 1998 (5,000)<br>August 1, 1999 (5,000)<br>August 1, 2000 (5,000) | $ 9.71 | None | 20,000 |
| 35,000 | 5/1/97 | May 1, 1998 (8,750)<br>May 1, 1999 (8,750)<br>May 1, 2000 (8,750)<br>May 1, 2001 (8,750) | $ 10.06 | None | 35,000 |
| 85,000 | 2/12/99 | February 12, 2000 (21,250)<br>February 12, 2001 (21,250)<br>February 12, 2002 (21,250)<br>February 12, 2003 (21,250) | $ 11.63 | None | 85,000 |
| 60,000 | 2/26/99 | February 26, 2000 (15,000)<br>February 26, 2001 (15,000)<br>February 26, 2002 (15,000)<br>February 26, 2003 (15,000) | $ 12.25 | None | 60,000 |
| 110,000 | 3/7/00 | March 7, 2001 (27,500)<br>March 7, 2002 (27,500)<br>March 7, 2003 (27,500)<br>March 7, 2004 (27,500) | $ 10.53 | None | 110,000 |
| 125,000 | 4/2/01 | April 2, 2002 (31,250)<br>April 2, 2003 (31,250)<br>April 2, 2004 (31,250)<br>April 2, 2005 (31,250) | $ 14.37 | None | 93,750 |
| 117,000 | 2/5/02 | February 5, 2003 (29,250)<br>February 5, 2004 (29,250)<br>February 5, 2005 (29,250)<br>February 5, 2006 (29,250) | $ 11.13 | None | 58,500 |
| 110,000 | 2/6/03 | February 6, 2004 (27,500)<br>February 6, 2005 (27,500)<br>February 6, 2006 (27,500)<br>February 6, 2007 (27,500) | $ 9.45 | None | 27,500 |

EXHIBIT 10.22

# CONSULTING AGREEMENT

This Consulting Agreement ("Agreement") is entered into as of April 27, 2004, by and between Peter Y. Atkinson ("Consultant") and Hollinger International Inc. (the "Company") (together, the "Parties").

WHEREAS, Consultant has held the office of Executive Vice President of the Company; and

WHEREAS, as of the date hereof, the Board of Directors of the Company has accepted the Consultant's resignation as an officer of the Company, and such resignation has become effective; and

WHEREAS, in his capacity as Executive Vice President of the Company, Consultant has gained invaluable and irreplaceable knowledge about the Company and its operations, including knowledge regarding the Company's relationship and negotiations with CanWest Global Communications Corp. ("CanWest"); and

WHEREAS, the Board of Directors of the Company has determined that it is in the best interests of the Company and its shareholders that Consultant's services be retained to permit the interim President and Chief Executive Officer to avail himself of Consultant's knowledge and experience.

NOW, THEREFORE, the Parties have agreed as follows:

1. Duties of Consultant. Consultant is hereby engaged by the Company to assist the Chief Executive Officer of the Company with respect to the Company's ongoing relationship with CanWest, and to perform such other functions and tasks as assigned by the Chief Executive Officer of the Company from time to time. Consultant will act as an independent contractor in the performance of his duties under this Agreement. Consultant shall have the discretion, in consultation with the Company's Chief Executive Officer, to determine the manner and means by which he shall perform his duties, the hours of work, and when and where such services are to be performed.

2. Term. This Agreement shall be in effect from April 27, 2004, until February 28, 2005, unless earlier terminated by either party as set forth below (the "Term").

3. Compensation. In consideration for services rendered by Consultant, the Consultant shall be paid at the rate of US$30,000 per month.

4. Stock Options.

A. Notwithstanding anything to the contrary in any option plan or agreement pursuant to which Consultant has been granted stock options:

1. Until and through April 30, 2004, Consultant shall be entitled to exercise any and all of his options to purchase Company stock that are fully vested on the date hereof (the "Vested Options"). Thereafter, the Vested Options may not be exercised.

2. The Company shall take all actions necessary to permit continued vesting during the Term of any unvested stock options previously granted to Consultant by the Company that would have vested during the Term but for Consultant's resignation (the "Continuing Options").

3. The Company shall take all actions necessary to vest any unvested Continuing Options immediately upon (i) any termination of this Agreement by the Company without Cause, or (ii) a Change in Control. For purposes of this Agreement, the term "Change in Control" shall have the definition set forth in Exhibit A attached hereto.

B. Notwithstanding anything to the contrary in any option plan or agreement pursuant to which Consultant has been granted stock options, if this Agreement is terminated by Consultant, or terminated for Cause by the Company, then (i) the provisions of subparagraph A2 and A3 above shall not apply, and (ii) Consultant shall forfeit the Continuing Options retroactive to the date of this Agreement.

5. Office Services. During the Term, Consultant shall be provided with suitable office space and appropriate secretarial and administrative assistance at the Company's expense.

6. Expenses. The Company will reimburse Consultant for reasonable travel and other expenses approved in advance by the Company and incurred in connection with the services provided by Consultant pursuant to this Agreement, provided that Consultant provides appropriate documentation to substantiate such expenses.

7. Confidentiality. "Confidential Information" means all information, knowledge and data relating to the business of the Company that is not otherwise in the public domain. "Confidential Information" includes, but is not limited to, trade secrets; financial information; manufacturing costs; pricing formulas; internal and external marketing plans, strategies and studies; new product plans; product manufacturing methods; inventory control methods; research and development techniques and activities; selling strategies and/or methods; lists of existing or potential vendors, suppliers, customers and advertisers; compilations and other materials developed by or on behalf of the Company (whether in written, graphic, audiovisual, electronic or other media, including computer software). "Confidential Information" shall further mean information, knowledge and data of any third party doing business with the Company, actively or prospectively, which such third party identifies as being confidential. "Confidential

Information" does not include any information, knowledge or data that is in the public domain or otherwise publicly available (other than as a result of a wrongful act by Consultant or Consultant's agent, or anyone else). Consultant agrees that he will not, during the Term or at any time thereafter, divulge to any person, directly or indirectly, any Confidential Information, except to the Company or its officers and agents, or as reasonably required in connection with his provision of consulting services to the Company, or with the prior written consent of the Company, or as required by law. Consultant further agrees not to use such Confidential Information, except on behalf of the Company or in furtherance of the Company's interests.

8. Return of Company Property. Consultant agrees that if his consulting relationship with the Company is terminated for any reason, he will return all Company property, including but not limited to, records, papers and computer data and any copies thereof immediately upon such termination. Consultant acknowledges that all such papers, records, computer data and copies thereof are and remain the property of the Company.

9. Termination. This Agreement may be terminated (i) by either party, without Cause, upon 10 days' written notice or (ii) immediately by the Company for Cause. For purposes of this Agreement, "Cause" shall mean (a) Consultant's conviction of, or plea of guilty or nolo contendere to, a felony or any misdemeanor involving moral turpitude; (b) a determination by the Company's Special Committee, in its sole discretion, that Consultant has failed to fulfill his obligations under the parties' Settlement Agreement, dated April 27, 2004; (c) the failure by Consultant to perform his duties and obligations under this Agreement in any material respect; or (d) Consultant's willful misconduct or violation of the law in connection with his engagement; provided however, that with respect to clauses (b) and (c) above, the Company shall have provided Consultant written notice of the facts and circumstances constituting such Cause and Consultant shall have failed to cure such Cause within ten (10) days of such notice, unless such facts and circumstances constituting Cause are incurable, in which case no notice prior to termination shall be required. Upon the termination of this Agreement for any reason, Consultant shall be entitled to any earned but unpaid compensation set forth in Section 3 hereof, but shall not be entitled to any further compensation for the remainder of the Term.

10. Severability. If any provision of this Agreement is found to be unenforceable in whole or in part, it shall be construed or limited in such a way as to make it enforceable, consistent with the intentions of the parties. If such construction or limitation is not possible, the unenforceable provision will be stricken, and the remaining provisions of this Agreement will remain valid and enforceable.

11. No Employment Relationship. Nothing in this Agreement shall be construed to create an employment or agency relationship, partnership or joint venture between the parties. Consultant is an independent contractor and shall have no authority to bind or represent the Company. Except as otherwise provided herein, Consultant shall not be entitled to participate in and/or receive any benefits which may be offered to the Company's employees from time to time. Consultant shall be responsible for the payment of any and all taxes and withholding obligations associated with the consulting fees paid to him hereunder.

12. Successors. The Agreement shall apply to, and inure to the benefit of, the predecessors, successors, and assigns of the Company.

13. Entire Agreement. This Agreement constitutes the entire agreement of the Parties with respect to the subject matter hereof and supersedes all other prior and contemporaneous agreements, understandings, and commitments between the Parties with respect to the subject matter hereof. No provision of this Agreement may be terminated, modified, or waived, by course of dealing or otherwise, unless such termination, modification, or waiver is set forth in a written agreement referencing this Agreement and executed by the Consultant and the Chief Executive Officer of the Company.

14. No Waiver. Failure to insist upon Strict compliance with any of the terms, covenants or conditions contained in this Agreement shall not operate as a waiver of such term, covenant or condition, nor shall any waiver or relinquishment of any right or power hereunder at any one or more time be deemed a waiver or relinquishment of such right or power at any other time.

15. Governing Law; Choice of Forum; Jury Waiver. This Agreement and any claim related directly or indirectly to this Agreement shall be governed and construed in accordance with the laws of the State of Delaware, without regard to the principles of conflicts of law thereof. All disputes arising out of or relating to this Agreement or its breach shall be resolved in the courts located within the State of Delaware, New Castle County, and Consultant and the Company hereby submit exclusively to the jurisdiction and venue of those Delaware courts. EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE ARISING OUT OF THIS AGREEMENT.

[SIGNATURES APPEAR ON NEXT PAGE]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above written.

HOLLINGER INTERNATIONAL INC.

By: /s/ Robert T. Smith
---------------------------
Name: Robert T. Smith
Title: Treasurer

CONSULTANT

/s/ Peter Y. Atkinson
-------------------------------
Peter Y. Atkinson

# EXHIBIT A

## DEFINITION OF "CHANGE IN CONTROL"

A "Change in Control" shall be deemed to have occurred if:

(a) Change in Ownership. Any "person" (as defined in Section 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), excluding for this purpose, (i) the Company or any subsidiary of the Company or (ii) any employee benefit plan of the Company or of any subsidiary of the Company or any person or entity organized, appointed or established by the Company for or pursuant to the terms of any such plan which acquires beneficial ownership of voting securities of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly of securities of the Company representing more than fifty percent (50%) of the combined voting power of the Company's then outstanding securities; provided, however, that no Change in Control will be deemed to have occurred as a result of a change in ownership percentage resulting solely from an acquisition of securities by the Company; or

(b) Change in Board. During any twenty-four (24) consecutive months, individuals who at the beginning of such twenty-four (24)-month period constitute the Board of Directors of the Company and any new directors (except for any director designated by a person who has entered into an agreement with the Company to effect a transaction described elsewhere in this definition of a Change in Control) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved (such individuals and any such new directors being referred to as the "Incumbent Board") cease for any reason to constitute at least a majority of such Board; or

(c) Business Combination. Consummation of a reorganization, merger or consolidation, or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), in each case, unless, following such Business Combination, all or substantially all of the individuals and entities who were the beneficial owners of outstanding voting securities of the Company immediately prior to such Business Combination beneficially own, directly or indirectly, more than fifty percent (50%) of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the entity resulting from such Business Combination (including, without limitation, an entity which, as a result of such transaction, owns the Company, all or substantially all of the Company's assets, either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the outstanding voting securities of the Company; or

(d) Liquidation. Consummation of a complete liquidation or dissolution of the Company.

EXHIBIT 10.23

[WITHOUT PREJUDICE]
[SUBJECT TO CONTRACT]

DATED 23 MARCH 2004

HOLLINGER INTERNATIONAL INC.

TELEGRAPH GROUP LIMITED

-and-

DANIEL WILLIAM COLSON

-----------------------------------------
[DRAFT] COMPROMISE AGREEMENT
-----------------------------------------

HERBERT SMITH
Exchange House,
Primrose Street,
London EC2A 2HS
Tel: 020 7374 8000
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[WITHOUT PREJUDICE]
[SUBJECT TO CONTRACT]
[DRAFT]

This COMPROMISE AGREEMENT is made on 23 March 2004

BETWEEN:

1. HOLLINGER INTERNATIONAL INC. of 712 Fifth Avenue, 18th Floor, New York, NY 10019, USA ("HOLLINGER");

2. TELEGRAPH GROUP LIMITED of 1 Canada Square, Canary Wharf, London, E14 5DT ("TELEGRAPH"); and

3. DANIEL WILLIAM COLSON of to 19 Hanover Terrace, Regent's Park, London NW1 4RJ (the EXECUTIVE)

WHEREAS:

(A) The Executive is presently employed by Telegraph on the terms and the conditions set out in a service agreement dated 17 November 1992 (the "EMPLOYMENT CONTRACT").

IT IS AGREED as follows:

1. TERMINATION OF EMPLOYMENT AND DEPARTURE ARRANGEMENTS

1.1 TERMINATION DATE

1.1.1 The Executive's employment with Telegraph shall terminate on 3 April 2004 (the "TERMINATION DATE"). Until the Termination Date:

(A) the Executive may not attend the offices of Hollinger or Telegraph or any other Related Entity save in order to collect his personal possessions and communicate his departure (as described in clause 5.1.3) at a time to be agreed with Telegraph; or

(B) have any business contact with any customers, clients or employees of Hollinger, Telegraph or any other Related Entity,

without the prior consent of the Hollinger Board or the Telegraph Board save in relation to carrying out his duties as a director of Hollinger.

1.1.2 The Executive will receive his P45 (made up to the Termination Date) as soon as reasonably practicable after the Termination Date.

1.2 ANNOUNCEMENT

1.2.1 Telegraph will within 7 days of the date of this Agreement announce the Executive's departure in the terms of the draft announcement attached at Schedule 1 and will deal with oral queries consistently with the terms of that announcement without a gloss of any kind.

1.3 SALARY AND BENEFITS

1.3.1 Save as set out in this Agreement, the Executive's entitlement to salary and all other benefits associated with his employment by Telegraph shall continue until the Termination Date when they shall cease.

1.4 PENSION

1.4.1 The Executive's active membership of The Telegraph Executive Pension Scheme (the "PENSION SCHEME") shall cease with effect from the Termination Date but he will remain a member of the Pension Scheme for the purpose of receiving accrued benefits. The Executive will in due course be sent a statement of his benefits under the Pension Scheme and of the options available to him.

1.5 EXPENSES

1.5.1 Telegraph shall reimburse the Executive for all expenses properly incurred by him in the performance of his duties in accordance with its expenses policy.

1.6 COMPANY PROPERTY

1.6.1 The Executive, agrees to return (and not retain or create whether by e-mail transmission or otherwise any copies of or extracts from) any and all:

(A) board minutes and papers provided to him in respect of offices held in or on behalf of any Related Entity other than those under his control or in his possession as a direct result of his directorship of Hollinger;

(B) lists of customers, correspondence, documents, and computer printouts (including copies and extracts);

(C) computer disks, tapes, computer equipment (including leads and cables);

(D) credit cards, security passes, keys;

(E) car (which is to be returned in good condition, fair wear and tear and reported accidents excepted) together with all relevant documents and keys; and

(F) other tangible items in his possession or under his control,

which belong to or relate to the business of any Related Entity or their customers, clients or suppliers, to Telegraph's premises at 1 Canada Square, Canary Wharf, London, E14 5DT, on or before the Termination Date. After returning such property, the Executive shall at the request of Telegraph or Hollinger provide a written undertaking that he has complied with this clause.

1.6.2 Subject to clause 1.6.3, Telegraph and Hollinger and any Related Entity will allow the Executive access to documents and other materials which were in his possession during his employment for the purpose of any inquiry or inspection or investigation under the Companies Acts, the Financial Services Act 1986, the Financial Services and Markets Act 2000 or similar legislation (whether in this jurisdiction or in any other) or by any regulatory authority or in connection with any proceedings brought against the Executive provided that:

(A) the Executive provides the Telegraph Company Secretary with a written request for access to such documents and other materials setting out a description of the documents and materials to which he requests access;

(B) the documents or other materials requested by the Executive are reasonably necessary to the purposes of assisting such inquiry or inspection or investigation; and

(C) allowing the Executive access to such documents or other materials would not materially adversely affect the interests of any Related Entity.

1.6.3 Nothing in Clause 1.6.2 shall prevent any Related Entity allowing the Executive access to documents and other materials which were in his possession during his employment where such access is required by law or the regulations of any statutory or regulatory authority.

1.6.4 The Executive shall, prior to the Termination Date, provide to Telegraph full details of all then current passwords used by the Executive in respect of computer equipment belonging to any Related Entity and, having forwarded a copy to Telegraph, will not retain any computer drives, disks, tapes or other re-usable material in the Executive's possession or under his control (but which do not belong to any Related Entity) any information belonging or relating to the business of any Related Entity, their customers, clients or suppliers (other than any such material in the Executive's possession or under his control as a direct result of, or which is reasonably necessary for, his directorship of Hollinger).

2. RESIGNATION OF OFFICE

2.1 The Executive hereby resigns with effect from the date of this Agreement from:

2.1.1 each and every directorship, office or and appointment which he holds in any Related Entity; and

2.1.2 acting as a trustee of any pension fund or employee benefit trust in which any Related Entity is a participating company

save that, in respect of Hollinger, he shall remain as a director but resign from his position of Chief Operating Officer.

2.2 The Executive agrees to sign and return to the Telegraph Company Secretary a letter in the form of the attached Schedule 2 resigning from each such directorship, office or appointment within 24 hours of being provided by the Telegraph Company Secretary with a list of each directorship, office or appointment in any Related Entity which he held immediately before execution of this Agreement.

3. COMPENSATION FOR LOSS OF EMPLOYMENT

3.1 COMPENSATION PAYMENT

3.1.1 As compensation for the Executive's loss of employment with Telegraph, Telegraph shall pay to the Executive (without any admission of liability) the sum of(pound)118,963 less such deductions for income tax and employee's National Insurance Contributions as are legally required (whether in respect of this payment or the provision of any other payment or benefit to the Executive) in accordance with clause 3.1.2; and

3.1.2 Telegraph shall pay to the Executive, the sum referred to in clause 3.1.1 within 14 days after the later of the Return Date and the Termination Date.

3.1.3 Telegraph considers that the first(pound)30,000 of the termination payment paid to the Executive under clause 3.1.1 may be paid free of tax. Telegraph understands that income tax on the balance of the payment under 3.1.1 can be deducted at the basic rate and the Executive will account to the Inland Revenue for the marginal rate of tax in due course.

3.2 TELEGRAPH BENEFITS

3.2.1 Telegraph will permit the Executive (subject to the consent of the relevant provider and to the rules of the applicable scheme) to continue to participate in the Telegraph's private health insurance, permanent health insurance and life assurance arrangements on the current basis until the relevant renewal date but only insofar as Telegraph has already paid the relevant scheme provider for such arrangement until such renewal date. Telegraph will notify the Executive prior to the Termination Date of the dates on which each such arrangement shall expire in respect of the Executive.

3.3 HOLLINGER STOCK OPTIONS

3.3.1 In relation to the existing vested stock options granted to the Executive under the Hollinger 1997 Stock Incentive Plan and the Hollinger 1999 Stock Incentive Plan (the "PLANS") (the brief details of which are set out in Section 1 of Schedule 4 of this Agreement) (the "VESTED OPTIONS"):

(A) subject to clause (B) below, it is confirmed that notwithstanding the provisions of any relevant stock option plans, Hollinger shall procure that the Executive shall be entitled to exercise all Vested Options granted to him under the Plans within 30 days of the Termination Date, failing which exercise the options shall lapse automatically; and

(B) if, in respect of any particular day, Hollinger notifies the Executive (or prior to the Date of this Agreement has notified the Executive) that he is prohibited from exercising some or all of the Vested Options or if the Executive is prohibited by law from exercising some of all of the Vested Options then that day shall not count towards the 30 days within which he must exercise the Vested Options. Accordingly the reference in clause 3.3.1(A) to 30 days means an aggregated period of 30 days on which no such restriction on exercise of the Vested Options shall apply. Hollinger undertakes that the Company Secretary of Hollinger will give to the Executive seven days' advance written notice of the date on which such period of restriction will lapse, or if this is not reasonably practicable, to notify the Executive in writing of the lapse of such restrictions as soon as reasonably practicable and, in any event, within 24 hours of the lapse occurring. The Company Secretary of Hollinger also undertakes to notify the Executive in writing of any further period of restriction on the exercise of the Vested Options at the same time that other parties bound by such restriction are notified.

3.3.2 In relation to the existing unvested stock options granted to the Executive under the Hollinger 1999 Stock Incentive Plan (the "1999 PLAN") (the brief details of which are set out in Section 2 of Schedule 4 of this Agreement) (the "UNVESTED OPTIONS"), it is confirmed that all Unvested Options granted to the Executive under the 1999 Plan shall be forfeited automatically on the Termination Date.

3.3.3 It is agreed that the Executive has no rights in respect of any awards of shares or stock over any Related Entity or options over shares or stock in any Related Entity other than in respect of the Vested Options as set out in clause 3.3.1.

4. TAX INDEMNITY

4.1 Telegraph is proceeding on the basis that the first (pound)30,000 of the payment it makes to the Executive in accordance with clause 3.1 will not be subject to the deduction of tax and will therefore pay it to the Executive free of tax. However, the amount of tax for Telegraph and Hollinger is ultimately a matter for the Inland Revenue and any other competent tax authority, and the Executive shall be responsible for the payment of any taxes and any interest, penalties or fines in connection with such taxes, imposed by any competent taxation authority in respect of all payments of any nature paid to the Executive under this Agreement or in connection with the termination of his employment with any Related Entity (including any income tax on the first (pound)30,000 of payment that Telegraph makes to the Executive in accordance with clause 3.1 but excluding secondary class 1 National Insurance Contributions to the extent that recovery of the same from the Executive is prohibited by law) save where such interest, penalties or fines arise out of the delay, error or default of Hollinger, Telegraph or any Related Entity of its or their failure to account to the Inland Revenue for deductions which have been made.

4.2 Subject to clause 4.3 below, the Executive undertakes to Hollinger, Telegraph (for themselves and on behalf of all other Related Entities) to indemnify each Related Entity in full (on a continuing basis) against any such taxes and any interest, penalties, costs or fines in connection with such taxes imposed by any competent taxation authority in respect of all payments of any nature paid to the Executive under this Agreement or in connection with the termination of his employment with any Related Entity (including any income tax on the first (pound)30,000 of payment that Telegraph makes to the Executive in accordance with clause 3.1 but excluding secondary class 1 National Insurance Contributions to the extent that recovery of the same from the Executive is prohibited by law).

4.3 Hollinger and Telegraph will each forthwith upon receipt by it or any Related Entity of any request for payment, assessment, demand or other notification of liability or potential liability to tax or National Insurance contributions, interest, penalties or fines, or it or they otherwise becoming aware of any circumstances which may give rise to a claim under the indemnity in clause 4.2 forward such request, assessment, demand or notification or notify such circumstances to the Executive and shall thereafter take only such action in relation thereto as the Executive may reasonably require and shall co-operate fully in any challenge which the Executive may pursue to such request, assessment, demand, notification or circumstances.

5. COVENANTS

5.1 Subject to clause 5.6 and in consideration of the payment by Telegraph of (pound)1,000 (such payment to be made within 14 days after the later of the Return Date and the Termination Date and less any legally required deductions) the Executive undertakes as a condition of this Agreement to each of Hollinger and Telegraph for itself and on behalf of all other Related Entities as follows:

5.1.1 the Executive will not (unless authorised to do so by either the Hollinger Board, the Telegraph Board or in connection with proceedings before a Court or tribunal of competent jurisdiction) directly or indirectly:

(A) use for his own benefit or for the benefit of any persons; or

(B) disclose or permit the disclosure of

any confidential information of any Related Entity which the Executive has obtained by virtue of his employment or in respect of which he is aware that any Related Entity is bound by an obligation of confidence to a third party. Confidential information shall include, without limitation, information relating to the business, affairs, products or processes, business plans, forecasts, information relating to research products, future business strategy, tenders and any price sensitive information of any Related Entity. This restriction shall not apply to any information in the public domain other than by reason of unauthorised disclosure;

5.1.2 the Executive will treat the contents of this Agreement as confidential and will not disclose or cause to be disclosed the negotiations surrounding this Agreement, the fact of this Agreement and any of its terms to any person, firm or company save to the Executive's spouse, for the purpose of receiving professional advice, in connection with proceedings before a Court or tribunal of competent jurisdiction or as required by law or the regulations of any statutory or regulatory authority or, insofar as such disclosure is consistent with the contents of the announcement at Schedule 1, in connection with any application for or negotiation over future employment, engagement or participation in a business venture;

5.1.3 save with the prior written consent of either Hollinger or Telegraph (such consent not to be unreasonably withheld or delayed) or as required by law or the regulations of any statutory or regulatory authority, the Executive will not make or issue or cause to be made or issued any statement (internally or externally) relating to his employment with Hollinger or Telegraph or office in any Related Entity (other than in connection with performing his duties as a director of Hollinger), his departure from any Related Entity or the reasons for his departure (such consent to come from the Hollinger Board or the Telegraph Board or a person duly authorised by either such board for the purpose) save that the Executive will be permitted to personally advise senior Telegraph staff of his retirement in terms consistent with the contents of the announcement at Schedule 1;

5.1.4 save as required by law or the regulations of any statutory or regulatory authority, the Executive will not make, publish or cause to be made or published any statement or remark which may harm the business or reputation of any Related Entity or any officer, employee, agent, customer, supplier or shareholder of any such entity;

5.1.5 if at any point the Executive is called upon by any Related Entity to provide assistance in any litigation or potential litigation with which any Related Entity may be involved, he shall provide such assistance as Hollinger, Telegraph or any other Related Entity may reasonably require, including but not limited to assisting in preparing witness statements and attending at court to give evidence. Telegraph, Hollinger or any other Related Entity shall meet any reasonable costs and expenses incurred by the Executive in providing such assistance including the Executive's reasonable legal costs in seeking advice in connection with such assistance; and

5.1.6 prior to the Termination Date, the Executive shall comply with all reasonable requests of Telegraph or Hollinger to ensure that a smooth transition of his responsibilities can be effected to any successor(s) or other colleague(s).

5.2 Telegraph and Hollinger undertake for themselves and on behalf of all other Related Entities, as a condition of this Agreement as follows:

5.2.1 save as provided by clause 1.2 above or with the prior written consent of the Executive (such consent not to be unreasonably withheld or delayed), or as required by law, the regulations of any statutory or regulatory authority, or in connection with proceedings before a Court or tribunal of competent jurisdiction, they will not make or issue or cause to be made or issued any statement (internally or externally) relating to the Executive's employment with Hollinger or Telegraph or office in any Related Entity (other than in connection with performing his duties as a director of Hollinger), his departure from any Related Entity or the reasons for his departure;

5.2.2 save as required by law or the regulations of any statutory or regulatory authority or in connection with proceedings before a Court or tribunal of competent jurisdiction, they will not authorise or publish or cause to be made or published on behalf of Telegraph, Hollinger or any Related Entity any untrue, misleading, derogatory or disparaging statement or remark about the Executive and shall use their reasonable endeavours to procure that none of the directors, officers or senior employees of Telegraph, Hollinger or any Related Entity make or publish or cause to be made or published any untrue, misleading, derogatory or disparaging statement or remark about the Executive.

5.3 Subject to clause 5.5, in consideration of the payment by Telegraph of(pound)100,000 less such deductions for income tax and employee's National Insurance Contributions or any other taxes as are legally required (whether in respect of this payment or the provision of any other payment or benefit to the Executive), which shall be paid to the Executive in accordance with clause 5.4, the Executive undertakes to Telegraph (for itself and on behalf of all other Related Entities) as a condition of this Agreement that he will not:

5.3.1 for a period of six months following the Termination Date, carry on, set up, be employed, engaged or interested in a business anywhere:

(A) which is or is about to be in competition with the business of any Related Entity as at the Termination Date with which the Executive was actively involved during the twelve month period immediately prior to Termination Date; and

(B) in which Lord Black of Crossharbour (or any firm company, or other entity with which Lord Black of Crossharbour has a material business interest) has a material business interest

save that this clause 5.3 shall not prohibit the Executive from retaining any shares which he holds at the date of this Agreement in Ravelston Corporation and Hollinger Inc or from holding (directly or indirectly) less than five per cent of any class of shares or other capital of any company whose shares or other capital are listed on, or dealt in on or under the rules of an investment exchange, including any market comprised within such exchange, which is the subject of a recognition order made in accordance with section 290 and 292, Financial Services and Markets Act 2000.

5.4 Subject to clause 5.5, Telegraph shall pay the Executive the sums referred to clause 5.3 in six equal monthly instalments, the first of which shall be payable within 14 days after the later of the Return Date and the Termination Date, and the remaining five instalments shall be payable at monthly intervals thereafter.

5.5 In the event the Executive does not comply with the terms of the restrictive covenant set out in 5.3, Telegraph shall cease to have any obligation to make any further payments to the Executive under clause 5.3.

5.6 Nothing in this Agreement shall preclude the Executive from making a protected disclosure in accordance with the provisions set out in the Employment Rights Act 1996.

6. WARRANTIES AND COMPROMISE OF CLAIMS

6.1 Save in relation to matters referred to in the decision of Vice Chancellor Strine in the Court of Chancery of the State of Delaware in and for New Castle County, dated 26 February 2004, reference C.A. No. 183-N the Executive warrants that:

6.1.1 he has committed no material breach of duty (including fiduciary duty) to Telegraph, Hollinger or any other Related Entity; and

6.1.2 he has no knowledge or suspicion that any employee or officer of any Related Entity has committed or proposes to commit any serious wrongdoing or serious breach of duty.

6.2 The Executive represents to Telegraph and Hollinger (for themselves and on behalf of any Related Entities and the current or former officers, employees or agents of themselves and any Related Entities, together the "AFFILIATES") that he accepts and he does hereby accept the terms of this Agreement in full and final settlement of any claims he may have against the Company or any of its Affiliates in respect of:

6.2.1 any common law claims, including any claim for breach of contract or tort; or

6.2.2 any claim that he was unfairly dismissed under the Employment Rights Act 1996 ("ERA") Part X, Chapter 1, Section 94; or

6.2.3 any claim for a redundancy payment under the ERA, Part XI, Chapter 1, Section 135,

being claims previously intimated by or on behalf of the Executive and the Executive warrants that, having been advised by Cerys Williams of Fox Williams, Ten Dominion Street, London, EC2M 2EE, he is not aware of any other statutory claim that he may have against Hollinger, Telegraph and/or any such Affiliate.

6.3 Without prejudice to clause 6.2, the Executive further represents to each of Hollinger and Telegraph (for themselves and on behalf of all their Affiliates) that he accepts and he does hereby accept the terms of this Agreement in full and final settlement of any Claims that he may have against Hollinger, Telegraph or any of their Affiliates relating to his employment, office or the holding of any office, the termination of his employment or of any office including (without limitation) any action that might be commenced before an Employment Tribunal or Court of law or any other tribunal or Court of law of competent jurisdiction in respect of:

6.3.1 any claim(s) under European Law or pursuant to the European Convention of Human Rights;

6.3.2 any claim in respect of unpaid wages and deductions from wages under ERA Part II, Section 13;

6.3.3 any claim under the ERA relating to a protected disclosure as defined in part IVA of the ERA, and any other claim under the ERA;

6.3.4 any claim under the Sex Discrimination Act 1975, Race Relations Act 1976, the Disability Discrimination Act 1995, the Employment Equality (Sexual Orientation) Regulations 2003, or the Employment Equality (Religion or Belief) Regulations 2003 (together the "DISCRIMINATION LAWS") or any related EU legislation; or

6.3.5 any claim under the Working Time Regulations 1998; or

6.3.6 any other statutory claims or for breach of statutory duties; or

6.3.7 or any claim in connection with his employment or its termination thereof with any Related Entity under US or Canadian law.

6.4 For the purposes of clause 6.3, "CLAIMS" shall mean claims that have arisen at the date of this Agreement or which subsequently arise in respect of acts or omissions occurring prior to the date of this Agreement and shall include any claim or right of action of which at the time of entering into this Agreement:

6.4.1 neither the Executive nor Hollinger, Telegraph (nor any Affiliate) is aware; and

6.4.2 the Executive but not the Hollinger or Telegraph (nor any Affiliate) is aware,

including any claim or right of action arising from a subsequent retrospective change or clarification of the law. The Executive acknowledges that he agrees to the terms of clause 6.3 notwithstanding that he acknowledges that he may be mistaken as to the facts and/or the law concerning any potential claim or right of action.

6.5 Clauses 6.2 and 6.3 shall not apply to:

6.5.1 any claim which the Executive may have for personal injury, or

6.5.2 any entitlement of the Executive under the Rules of the Pension Scheme; or

6.5.3 any claim or entitlement of the Executive in connection with the Vested Options (as referenced in clause 3.3 above).

6.6 The Executive acknowledges that the compromise of each of the claims set out in the sub-clauses to clauses 6.2 and 6.3 is and shall be construed as separate and severable and in the event of the compromise of any such claim being determined as being void for any reason, such invalidity shall not affect or impair the validity of the compromise of the other claims.

6.7 If the Executive issues or commences or causes to be issued or commenced any proceedings in breach of any of clauses 6.2 or 6.3, any payment made to the Executive under this Agreement must be repaid by the Executive to Telegraph forthwith and will be recoverable by Telegraph as a debt (without prejudice to or Telegraph's rights to any other remedy).

6.8 It is a condition of this Agreement, and the Executive confirms, that:

6.8.1 the Executive has received independent legal advice from Cerys Williams, a relevant independent adviser in the firm of Fox Williams, Ten Dominion Street, London, EC2M 2EE, as to the terms and effect of this Agreement and in particular its effect on his ability to pursue his rights before an Employment Tribunal;

6.8.2 the conditions in Section 203 of the Employment Rights Act 1996 and the equivalent provisions in the Discrimination Laws, the Working Time Regulations 1998, regulating Compromise Agreements are satisfied; and

6.8.3 the relevant independent adviser named at clause 6.8.1 will provide to the Hollinger's and Telegraph's solicitors forthwith upon the execution by the Executive of this Agreement a letter duly signed and dated in the form of the agreed draft at Schedule 3.

6.9 Nothing in this Agreement:

6.9.1 shall preclude the Executive from defending legal proceedings brought against him nor from asserting any counter-claim or set-off (other than for compensation in respect of any claims referred to in clauses 6.2 or 6.3) or from joining Telegraph or Hollinger or any Related Entity or any other third party in legal proceedings; or

6.9.2 shall be deemed to release, waive or adversely affect any rights the Executive has under any by-law, certificate, memorandum and articles of association of Telegraph, Hollinger or any Related Entity or by law, policy or practice to defence and/or indemnity by Telegraph, Hollinger and/or any Related Entity or any rights under any liability insurance policy such as Directors and Officers Liability Insurance.

6.10 Telegraph, Hollinger and each Related Entity will maintain in force for a period of six years from the Termination Date on a continuing basis Directors' and Officers' liability insurance providing the Executive with not less than the level of cover from time to time in force in respect of other directors and officers of Hollinger in order to protect the Executive from claims in respect of the period during which the Executive was a director of Telegraph, Hollinger and any Related Entity.

7. LEGAL FEES

7.1 Telegraph agrees to pay the Executive's reasonable legal fees in connection with taking advice leading to the completion of this Agreement up to a maximum of (pound)10,000 plus VAT to be paid within 14 days of receipt from the Executive's lawyer of a properly drawn invoice for costs addressed to the Executive as client and marked payable by Telegraph.

8. MISCELLANEOUS

8.1 The rights of any Related Entities (other than Hollinger and Telegraph) to enforce the terms of this Agreement are subject to the term that the each of Hollinger and Telegraph has the right (which it may waive in whole or in part and without the consent of or consultation with any Related Entity other than Hollinger or Telegraph) to have the sole conduct of any proceedings in relation to the enforcement of such rights (including any decision as to commencement or compromise of such proceedings) but will not owe any duty or have any liability to any Related Entity in relation to such conduct.

8.2 The parties to this Agreement may agree to rescind or vary any term of this Agreement without the consent of any other Related Entities.

8.3 The terms of this Agreement shall prevail over the terms of the Employment Contract where such terms in the Employment Contract conflict with this Agreement in any way.

8.4 The Executive, Hollinger and Telegraph each confirm that, except as provided in this Agreement, neither he nor it has relied on any representation, warranty, assurance, covenant, indemnity, undertaking or commitment which is not contained in this Agreement and, without prejudice to any liability for fraudulent misrepresentation, the only rights or remedies in relation to any representation, warranty, assurance, covenant, indemnity, undertaking or commitment given or action taken in connection with this Agreement are contained in this Agreement, and for the avoidance of doubt and without limitation, the Executive nor Hollinger nor Telegraph have any right or remedy (whether by way of a claim for contribution or otherwise) in tort (including negligence) or for misrepresentation (whether negligent or otherwise, and whether made prior to, and/or in, this Agreement).

8.5 This Agreement shall be governed by and construed in accordance with English law and the parties submit to the non-exclusive jurisdiction of the English courts and tribunals.

8.6 This Agreement is without prejudice and subject to contract until it is dated and signed by all of the parties, at which point it shall be treated as an open document evidencing an agreement binding on the parties (notwithstanding that it may still be labelled "Draft", "Without Prejudice" or "Subject to Contract"). This Agreement may be executed in any number of counterparts each in the like form, all of which taken together shall constitute one and the same document and any party may execute this Agreement by signing and dating any one or more of such counterparts.

8.7 The Executive shall be deemed to have been served with any document or notice referred to in this Agreement by virtue of any such document or notice being either: (i) given personally to the Executive; or (ii) being sent by post to 19 Hanover Terrace, Regent's Park, London NW1 4RJ (or such address as the Executive may notify the Company Secretary of Telegraph from time to time). The time of such service shall be either the date on which the Executive receives the document or notice where service is given personally, or two working days after such notice or document has been posted where service is by post and posted within the same country, or seven working days after such notice or document has been posted where service is by post and posted from one country to another.

8.8 No variation of this Agreement shall be binding on either party unless and to the extent that the same is recorded in a written document executed by all parties.

9. INTERPRETATION

9.1 In this Agreement:

9.1.1 "AFFILIATES" shall have the meaning set out in clause 6.1;

9.1.2 "EMPLOYMENT CONTRACT" shall have the meaning set out in Recital (A);

9.1.3 "HOLLINGER BOARD" means the board of directors of Hollinger from time to time and includes any person or committee duly authorised by the board of directors to act on its behalf for the purposes of this Agreement;

9.1.4 "PENSION SCHEME" shall have the meaning set out in clausel.4.1;

9.1.5 "PLANS" shall have the meaning set out in clause 3.3.1;

9.1.6 "RELATED ENTITY" means Telegraph, Hollinger and any other body corporate:

(A) which for the time being is a subsidiary of Hollinger or Telegraph; or

(B) in whose equity share capital for the time being an interest of 20 per cent or more is held directly or indirectly (through another body corporate or other bodies corporate or otherwise) by Telegraph, Hollinger or any other subsidiary of Hollinger or Telegraph, or by a combination of two or more such companies or subsidiaries,

where "SUBSIDIARY" shall have the meaning attributed to it by sections 736 of the Companies Act 1985 provided that the term "subsidiary" shall also include a subsidiary undertaking (as defined in section 258 of the Companies Act 1985) and "EQUITY SHARE CAPITAL" shall have the meaning attributed to it by section 744 of the Companies Act 1985;

9.1.7 "RETURN DATE" shall mean the date on which the Company receives from the Executive a signed copy of this Agreement and the attachment at Schedule 3;

9.1.8 "TELEGRAPH BOARD" means the board of directors of the Telegraph from time to time and includes any person or committee duly authorised by the board of directors to act on its behalf for the purposes of this Agreement; and

9.1.9 "TERMINATION DATE" shall have the meaning set out in clause 1.1.1;

9.1.10 "UNVESTED OPTIONS" shall have the meaning set out in clause 3.3.1;

9.1.11 "VESTED OPTIONS" shall have the meaning set out in clause 3.3.2;

9.2 In this Agreement, unless the context otherwise requires:

9.2.1 the contents page and headings and bold type face inserted in this Agreement are inserted for convenience only and shall not affect the interpretation of this Agreement;

9.2.2 references to clauses, sub-clauses and schedules are to clauses, sub-clauses and schedules of this Agreement;

9.2.3 words in the singular include the plural and vice versa, and a reference to any gender includes a reference to all genders or, where appropriate, is to be read as a reference to the opposite gender,

9.2.4 a reference to a person includes a reference to a body corporate, an unincorporated body of persons and a partnership; and

9.2.5 a reference to a statute or statutory provision includes a reference to that statute or provision as from time to time modified, extended, replaced or re-enacted and to any subordinate legislation made under the relevant statute or statutory provision.

IN WITNESS whereof the parties hereto have executed this Agreement as a Deed on the day and year first above written.

SIGNED AS A DEED by )
DANIEL WILLIAM COLSON )
In the presence of: ) /s/ DANIEL WILLIAM COLSON

/s/ JAN LANE

Signature of Witness

Name of Witness (in print) JAN LANE

Address of Witness 6 HEATHFIELD HOUSE
ELIOT PLACE
BLACKHEATH, LONDON SE5 BQW

SIGNED AS A DEED by )
HOLLINGER INTERNATIONAL INC. )
acting by ) /s/ GORDON A. PARIS

Gordon A. Paris
Chairman, President and Chief Executive Officer

SIGNED AS A DEED by )
TELEGRAPH GROUP LIMITED )
acting by )

/s/ GORDON A. PARIS

Gordon A. Paris, Director

/s/ ROBERT T. SMITH

Robert T. Smith, Director

SCHEDULE 1

ANNOUNCEMENT

JEREMY DEEDES APPOINTED DEPUTY CHAIRMAN AND
CHIEF EXECUTIVE OFFICER OF THE TELEGRAPH GROUP

TELEGRAPH VETERAN TO LEAD NEWSPAPER GROUP AT LEAST THROUGH

CONCLUSION OF STRATEGIC PROCESS

DANIEL COLSON TO RETIRE FROM HOLLINGER INTERNATIONAL
MANAGEMENT

NEW YORK, NEW YORK, MARCH XX, 2004 - Hollinger International Inc. (NYSE:HLR) announced today that Jeremy Deedes, former managing director of the Telegraph Group of newspapers, has been appointed Deputy Chairman and Chief Executive Officer of the Telegraph Group, effective immediately. In that capacity, Mr. Deedes will oversee the management of the Group at least through the conclusion of the Strategic Process, under which Hollinger International is evaluating potential alternatives to maximize value for all shareholders.

Mr. Deedes replaces Daniel Colson, who today announced his retirement, effective immediately, from all management and Board positions at Hollinger International and its subsidiaries other than his directorship of Hollinger International.

Gordon Paris, Interim Chairman and Chief Executive Officer, said, "We are delighted that Jeremy has agreed to assist us during this important time for Hollinger International and the Telegraph Group. Jeremy's knowledge of the Group and his perspective on the industry are invaluable assets. He is perfectly suited to assume leadership of the Telegraph Group, and to look after the interests of our staff, our readers and the shareholders of Hollinger International."

"Jeremy will assist the Corporate Review Committee as it reviews potential options for the Telegraph Group arising from the Strategic Process, and we look forward to his counsel," continued Mr. Paris.

Mr. Deedes, 60, said: "I am not the first Deedes to be brought out of retirement to help safeguard the future of these great publications. It is a great honour, at this crucial time in the history of the Telegraph Group. I know that our Group's principal asset is its staff, and our first task is to work around the distractions of the Strategic Process that is currently underway. We must continue to produce the best possible newspapers and look after a readership that is the envy of our rivals.

"The past few months have been tough for all employees of the Telegraph Group, and it is a great credit to all of them that the papers continue to thrive. With support from the staff, the senior management team and our editors -- Martin Newland, Dominic Lawson, and Boris Johnson, we will continue to dedicate ourselves to what we do best -- producing the highest caliber newspapers, expanding circulation, and increasing revenues and profitability."

Mr. Colson said, "Now that the deadline to submit bids under the Strategic Process has passed, I believe this is the appropriate time for me to relinquish my various operating roles with Hollinger International and its subsidiaries.

"In particular, my more than 10 years as Chief Executive of the Telegraph Group have provided a unique opportunity to work with some of the most talented people in the newspaper industry.

"I will always be proud of the way in which we worked together to build and expand our titles, consolidating and enhancing the Group's reputation for innovation and a journalistic excellence built on sound commercial foundations."

Jeremy Deedes retired as managing director of the Telegraph Group in November 2003, after a career which spanned 40 years in newspapers. He was managing director for seven years, and prior to that was Group Editorial Director for 10 years. Mr. Deedes was a journalist for 22 years, before moving into newspaper management in 1985 to help set up Today newspaper with Eddie Shah. His father, W.F. Deedes, is a former editor of the Daily Telegraph and at the age of 90 remains a much-read commentator and columnist with the paper.

Hollinger International Inc. is a global newspaper publisher with English-language newspapers in the United States, Great Britain, and Israel. Its assets include The Daily Telegraph, The Sunday Telegraph and The Spectator magazine in Great Britain, the Chicago Sun-Times and a large number of community newspapers in the Chicago area, The Jerusalem Post and The International Jerusalem Post in Israel, a portfolio of new media investments and a variety of other assets.

CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS: Certain statements made in this release are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Act"). Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain the words "believe", "anticipate', "expect", "estimate", "project", "will be", "will continue", "will likely result" or similar words or phrases. Forward-looking statements involve risks and uncertainties, which may cause actual results to differ materially from the forward-looking statements. The risks and uncertainties are detailed from time to time in reports filed by Hollinger International with the Securities and Exchange Commission, including in its Forms 10 K and 10 Q. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

CONTACTS:

US/CANADA MEDIA
Molly Morse
Kekst and Company
212-521-4826
molly-morse@kekst.com

UK MEDIA
Jeremy Fielding
Kekst and Company
jeremy-fielding@kekst.com
1-212-521-4825

SCHEDULE 2

RESIGNATION

[TYPE ON HOME LETTERHEAD]

The Directors
[ ]

[Date]

In accordance with clause 2 of the Compromise Agreement dated [INSERT DATE] March 2004 between me, Hollinger International Inc. ("HOLLINGER") and Telegraph Group Limited ("TELEGRAPH") (the "AGREEMENT"), I hereby with effect on and from 23 March 2004 resign from my appointment as Director of the Companies set out in the attached list and from all other offices and appointment which I hold for or on behalf of any Related Entity (as defined in the Agreement) other than Hollinger and as trustee of any pension fund or employee benefit trust in which any Related Entity is a participating company.

I confirm that there are no sums due to me as Director of any Related Entity, and that I have no claim for compensation arising out of my ceasing to hold the said appointments or otherwise.

I confirm that I have not directly or indirectly disclosed for any reason to any person or otherwise made use of any confidential information relating to the business or affairs of any Related Entity or otherwise permitted such disclosure.

I agree to abide by such terms of my appointment as Director of each Related Entity as may subsist after my resignation.

EXHIBIT 10.24

HOLLINGER INTERNATIONAL INC.
DEFERRED STOCK UNIT AGREEMENT

THIS AGREEMENT is made as of November 16, 2003 (the "Grant Date") between HOLLINGER INTERNATIONAL INC., a Delaware corporation (the "Company"), and GORDON A. PARIS (the "Participant").

WITNESSETH:

WHEREAS, on January 16, 2004, the Executive Committee of the Board of Directors of the Company has adopted the recommendation of the Compensation Committee of the Board of Directors with respect to the compensation to be paid to the Participant for his service as the interim President and Chief Executive Officer of the Company, including, among other terms, the issuance to Participant of certain deferred stock units; and

WHEREAS, in so acting, the Executive Committee of the Board of Directors acted as the "Committee" for purposes of the Company's 1999 Stock Incentive Plan ("Plan"), and therefore the deferred stock units to be issued to Participant hereunder are issued pursuant to Section 8.01 of the Plan;

NOW THEREFORE, in consideration of these premises, the parties hereto agree as follows:

1. Grant. The Company hereby grants to the Participant Sixty Eight Thousand, Four Hundred Ninety Four (68,494) "Deferred Stock Units." Each Deferred Stock Unit is fully vested and nonforfeitable. The Company further agrees to grant to the Participant an additional Sixty Eight Thousand, Four Hundred Ninety Four (68,494) Deferred Stock Units on each anniversary of this Agreement, provided that Participant is then employed by the Company as its President and Chief Executive Officer.

2. Settlement of Deferred Stock Units; Deferral.

(a) Upon settlement of the Deferred Stock Units, the Company shall transfer to the Participant one share of Common Stock for each Deferred Stock Unit held by Participant on the date of settlement. Deferred Stock Units shall be settled automatically and without further action by Participant or the Company upon the earliest to occur of the following:

(i) The Participant's resignation from the Company or the termination of his employment by the company for any reason whatsoever;

(ii) The date falling one business day before the date of any Change of Control. As used herein, the term "Change of Control" shall mean the following: (i) any Person (as that term is defined in Section 2(2) of the Securities Act of 1933 and Section 13(d) of the Securities Exchange Act of 1934, as amended from time to time) acquires or otherwise becomes the owner of voting stock of the Company which, together with all other voting stock of the Company then owned or controlled by such Person, represents fifty percent (50%) or more of the then issued and outstanding voting stock of the Company, or (ii) the composition of the Company's Board of Directors is comprised of individuals who are neither incumbent members nor nominated or appointed by a majority of such incumbent members or their nominees; or

(iii) The Participant's death.

(b) Notwithstanding Section 2(a)(i), the Participant may defer the receipt of shares otherwise payable on the settlement date to the earlier of a future date certain or the events specified in Sections 2(a)(ii) and 2(a)(iii) hereof. Such election to defer by the Participant must be made in accordance with the rules and procedures established by the Committee, and shall be made by delivery to the Company of a written notice of deferral.

3. Tax Withholding. This Agreement is subject to all applicable Federal, state and local withholding taxes. The Participant may pay such withholding taxes in cash, in shares of Common Stock having a market value equal to the amount of such taxes, by having the Company withhold shares of Common Stock otherwise transferable to the Participant, or in any combination thereof. To the extent provided by the Committee, the Market Value of shares of Common Stock withheld, or shares that have been held by the Participant less than six months that are tendered in payment of withholding, cannot exceed the minimum tax withholding required by law. No shares of Common Stock shall be transferred to the Participant hereunder until such time as all applicable withholding taxes have been satisfied.

4. Rights Not Conferred. Nothing in this Agreement shall confer upon the Participant any right with respect to continued employment by the Company or any affiliate or interfere in any way with the right of the Company to terminate the employment of the Participant at any time. The Participant shall have none of the rights of a stockholder with respect to the Deferred Stock Units until such time as the shares of Common Stock are delivered to the Participant in settlement thereof.

5. Agreement Not Assignable. This Agreement and the Deferred Stock Units awarded hereunder are not transferable or assignable by the Participant; provided that no provision herein shall prevent the designation of a Beneficiary for the Deferred Stock Units in the event of the Participant's death.

6. Adjustments. If and to the extent that the number of outstanding shares of Common Stock shall be increased or reduced in the event of a reorganization, recapitalization, stock split, stock dividend, combination or exchange of shares, merger, consolidation, or any other change in the corporate structure of the Company, the number and kinds of shares subject to the Deferred Stock Units awarded hereunder shall be proportionately adjusted by the Committee, whose determination shall be conclusive.

7. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware.

8. Binding Effect. This Agreement shall be binding upon the heirs, executors, administrators and successors of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

/s/ Gordon A. Paris
------------------------------------
Gordon A. Paris

HOLLINGER INTERNATIONAL INC.

By: /s/ Paul B. Healy
--------------------------------
Name: Paul B. Healy
Title: VP

Exhibit 10.25

Summary of Principle Terms of
2004 Key Employee Retention Plan

| | |
|---|---|
| Participation: | In order to be a participant in the Plan, the Employee must be selected for participation by the Compensation Committee or Board of Directors of Hollinger International Inc., or by the Hollinger CEO. The Company shall provide a letter confirming participation in the Plan to the participant. |
| Termination: | Nothing in the Plan shall limit or restrict the ability of the Company to terminate the employment of a participant, and no contract of employment is intended or created by participation in the Plan. |
| Retention Payments: | Subject to the forfeiture provisions outlined below, a participant will be entitled to receive from the Company a payment equal in amount to twenty-five percent (25%) of the Employee's annual base salary in effect on April 1, 2004 (the "Retention Payment"). |
| Retention Payment Installments: | Retention Payments will be made to participants based upon the following schedule:<br>o Twenty-five percent (25%) of the Retention Payment will become payable to Employee on June 30, 2004;<br>o Twenty-five percent (25%) of the Retention Payment will become payable to Employee on December 31, 2004; and<br>o Fifty percent (50%) of the Retention Payment will become payable to Employee on March 31, 2005.<br>Retention Payment installments ("Installments") will be paid to Employees as soon as reasonably practicable following the date on which they become payable to an Employee. |
| Forfeiture of Retention Payments: | Installments will become payable to the Employee subject to the condition that the Employee is an active full-time employee of the Company on the date that an Installment becomes payable (as set forth in the schedule above). Except as otherwise provided in the Plan with respect to accelerated payments, n the event that the Employee, at any time prior to March 31, 2005, is no longer an active full-time employee of the Company, on the date that an Installment becomes payable, then all Installments that have not |

yet become payable under the Plan shall be forfeited. However, once an Installment becomes payable to an Employee, it cannot be forfeited.

Retention Payment Acceleration: In the event of a Company Termination (hereinafter defined) following a Change in Control, all unpaid amounts designated for Employee under the Plan shall accelerate and immediately become due, and shall be payable within ten (10) days of the date of termination. In the event of a Good Reason Termination (hereinafter defined), fifty percent (50%) of all unpaid amounts designated for Employee under the Plan shall accelerate and immediately become due, and shall be payable within ten (10) days of the date of termination.

Definitions: "Good Reason" shall mean the Employee experiencing (i) a material reduction in title, authority or responsibilities, (ii) Employee being required to relocate more than thirty (30) road miles from the office where Employee currently works, or (iii) the failure of the Company to obtain an explicit undertaking from a successor to honor the terms of this Severance Program. For a Good Reason Termination to be valid, the affected Employee must give notice to the Company of the reasons giving rise to the Good Reason and provide the Company ten (10) days to cure said Good Reason. In addition, the Company must be notified of a Good Reason Termination within six (6) months of the effective date of the action giving rise to the cause of the Good Reason.

"Company Termination" shall mean termination by the Company other than for cause or as a result of death or permanent disability.

A "Change in Control" will be deemed to occur if (i) the independent directors constituting a majority of the Board of Directors of Hollinger International Inc. ("Hollinger") on April 1, 2004 at any time do not continue to constitute the majority of the Board of Directors; (ii) there is a change in control of Hollinger, that constitutes a "change in control" for purposes of US securities laws, occurs; (iii) there is a change in ownership control of the primary Hollinger entity under which the Employee is employed (i.e. Hollinger, The Telegraph Group, or The Chicago Group), or (iv) Hollinger or the respective entity enters into a definitive agreement that, when consummated, would result in a Change in Control as defined above.

| | |
|---|---|
| Option Vesting Acceleration: | In the event of a Change in Control (hereinafter defined), all unvested stock options held by the Employee shall immediately become vested and exercisable. |
| Taxes: | The Company shall withhold from all payments made under the Plan such amounts for taxes and other requirements as may be necessary or appropriate. |

Summary of Principle Terms of
Key Employee Severance Program

The principal terms of the Key employee severance program are set forth below:

| | |
|---|---|
| Participation: | In order to be a participant in the Key Employee Severance Program (the "Program"), the Employee must (i) be selected for participation by the Compensation Committee of the Hollinger International Inc. Board of Directors, by the full Board, or by the CEO and (ii) sign a participation agreement in the form prescribed by the Company. |
| Termination: | Nothing in the Program shall limit or restrict the ability of the Company to terminate the employment of a participant, and no contract of employment is intended or created by participation in the Program. The employment of Employee may be terminated in any of the following ways: (i) as a result of death or permanent disability of the Employee; (ii) by the Company for Cause (hereinafter defined), (iii) by the Employee other than for Good Reason, (iv) by the Company other than for Cause or as a result of death or permanent disability (a "Company Termination"), or (v) by the Employee for Good Reason (hereinafter defined) (a "Good Reason Termination"). The payments and benefits provided for in the Program shall be made to participants only in the event of a Company Termination or a Good Reason Termination. |
| Notice of Termination: | In the event of a Company Termination or a Good Reason Termination, the terminating party shall be required to provide the other party with two weeks' advance written notice of termination, which can be waived by the Company. In addition, the Company shall have the unilateral right to require the Employee to remain with the Company for a period of up to thirty (30) days following notice of termination by either party, as a condition to having the Employee receive the payments and benefits provided under this plan. |
| Payments and Benefits Upon Termination: | In the event of a Company Termination or a Good Reason Termination, the Employee shall receive the following: |

(a) A lump sum payment equal to the higher of (i) fifty percent (50%), or (ii) the percentage derived by taking the period of January 1 through December 31 and calculating the number of days the Employee is employed by the Company during the current calendar year (to the termination date) on a percentage basis, multiplied by the higher of (x) twenty-five percent (25%) of Employee's base salary, or (y) the most recent annual bonus paid to Employee within the twelve month period preceding the date of termination. This amount shall be payable within ten (10) days of termination;

(b) An amount equal to the Employee's base salary in effect on the date of termination, payable in twenty-six (26) bi-weekly installments in the same manner that the Employee's payroll is currently handled, less all appropriate withholding amounts and deductions; and

(c) Continuation of all current benefit programs in which the Employee is entitled to participate on the date of Employee's termination of employment, subject only to Employee's continued premium contributions at the same level as on the date of termination. In the event that Employee is precluded by the terms of such programs or by law from participation following termination of employment, the Company shall provide an equivalent benefit in the manner it deems appropriate.

Definitions: "Cause" shall mean (i) Employee engaging in intentional and willful misconduct, including a breach of the Employee's duty of loyalty to the Company, to the detriment of the Company, or (ii) Employee being convicted of, or pleading nolo contendere to, a crime involving dishonesty, inappropriate moral standards, or violence.

"Good Reason" shall mean the Employee experiencing (i) a material reduction in title, authority or responsibilities, (ii) Employee being required to relocate more than thirty (30) road miles from the office where Employee currently works, or (iii) the failure of the Company to obtain an explicit undertaking from a successor to honor the terms of this Severance Program. For a Good Reason Termination to be valid, the affected Employee must give notice to the Company of the reasons giving rise to the Good Reason and provide the Company ten (10) days to cure said Good Reason. In addition, the Company must be notified of a Good

Reason Termination within six (6) months of the effective date of the action giving rise to the cause of the Good Reason.

A "Change in Control" will be deemed to occur if (i) the independent directors constituting a majority of the Board of Directors of Hollinger International Inc. ("Hollinger") on April 1, 2004 at any time do not continue to constitute the majority of the Board of Directors; (ii) there is a change in control of Hollinger, that constitutes a "change in control" for purposes of US securities laws, occurs; (iii) there is a change in ownership control of the primary Hollinger entity under which the Employee is employed (i.e. Hollinger, The Telegraph Group, or The Chicago Group), or (iv) Hollinger or the respective entity enters into a definitive agreement that, when consummated, would result in a Change in Control as defined above.

Forfeiture of Benefits: The agreement that each participant must sign in order to participate in the Program will contain certain agreements on the part of the participant, including a non-solicitation requirement. In the event that the participant violates the terms of the agreement, then all payments to be made to Employee shall be forfeited.

Other Provisions: The Agreements will have standard additional provisions, covering such topics as confidentiality, return of Company property upon termination, governing law, etc.

EXHIBIT 10.26

HOLLINGER INTERNATIONAL INC.
401 NORTH WABASH AVENUE, SUITE 740
CHICAGO, ILLINOIS 60611

April 13, 2004

IMPORTANT!

PLEASE READ THIS LETTER CAREFULLY. EFFECTIVE MAY 1, 2004 ALL OPTION TRANSACTIONS WILL BE SUSPENDED UNTIL THE COMPANY BECOMES CURRENT IN ITS FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC").

To: Option Plan Participants under Hollinger International Inc. (the "Company") 1994 Stock Option Plan, 1997 Stock Incentive Plan and 1999 Stock Incentive Plan ("Option Plans")

Dear Option Plan Participants:

The purpose of this letter is to let you know that, effective on May 1, 2004, all transactions under our Option Plans will be suspended for a period of time.

As you know, the Company formed a Special Committee of independent directors to investigate related party transactions and other payments made to certain executives of the Company and its controlling stockholder, Hollinger Inc., and other affiliates in connection with the sale of the Company's assets and other transactions. At this time, the Special Committee's investigation is still ongoing. The Company believes that it needs to review the Special Committee's final report before it can complete its Annual Report on Form 10-K for the period ended December 31, 2003 and file it with the Securities and Exchange Commission. In addition, the Company has experienced a disruption of management services provided to it arising from a dispute with Ravelston Corporation Limited, which had provided services to the Company in the past in connection with the preparation of its financial statements. As a result of these factors, the Company has not yet been able to file its Annual Report and will not be in a position to do so until after the Special Committee completes its final report.

This issue affects the Option Plans because the shares that are issued under the Option Plans are required to be registered with the SEC, and in order to maintain the registration of these shares the Company is required to stay current with its SEC filings. In order for the registration of the shares under the Option Plans to continue uninterrupted, we would need to file the 10-K by April 30, 2004. At this time we do not believe we will be able to file the 10-K by that date.

As a result, May 1, 2004 will begin a period during which you will not be able to exercise options under the Option Plans. You will continue to be free to resell any shares acquired as a result of exercise (even if you choose to resell after April 30, 2004) subject to the Company's securities trading policies(1). This non-exercise period will last until the Company once again becomes current in its SEC filings. As soon as the Company becomes current in its SEC filings, this suspension of activity will end and you will be free to execute transactions under the Option Plans in the ordinary course. You should also know that the suspension of activity does not affect the vesting schedule with respect to previously granted options.

The Option Plans generally provide that you have 30 days following the date of your termination of employment with the Company to exercise your vested options. If your employment with the Company terminates at any time from now until the end of the suspension period described above, the Company will extend the 30-day exercise period to provide you 30 days after the conclusion of the suspension period to exercise your vested options. PLEASE NOTE THAT THE COMPANY CANNOT EXTEND THE EXERCISE PERIOD OF ANY OPTIONS BEYOND THE EXPIRATION OF THEIR 10-YEAR TERMS. AS A RESULT, IF YOU HAVE VESTED OPTIONS WITH A 10-YEAR TERM THAT ARE SCHEDULED TO EXPIRE ON MAY 2, 2004 AND YOU INTEND TO EXERCISE THEM, YOU MUST ACT ON OR PRIOR TO APRIL 30, 2004

If you wish to exercise any vested options before the suspension period begins, you must complete these transactions prior to the close of trading on April 30, 2004. If you do not complete these transactions prior to the close of trading on April 30, you will not be able to exercise your vested options until the Company again becomes current in its SEC filing obligations. If you intend to exercise vested options prior to April 30, please allow sufficient time for the completion of paperwork and the processing of your request.

You should feel free to contact Linda Loye, Assistant Corporate Counsel, at (312) 321-3136 if you have any further questions regarding any of the foregoing.

Very truly yours,

James R. Van Horn
Corporate Counsel
Hollinger International Inc.

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(1) Note, however, that special rules apply to certain officers, directors and other executives of the Company and its subsidiaries that will restrict their ability to resell shares after April 30, 2004. Feel free to contact Linda Loye, Assistant Corporate Counsel, for further information.

**Schedule “E”**

**PRESS RELEASE**

**HOLLINGER INTERNATIONAL INC.**

**Status Update Report**

**NEW YORK, NEW YORK, February 17, 2005** – Hollinger International Inc. (the "Company") is providing this update in accordance with Ontario Securities Commission ("OSC") Policy 57-603 *Defaults by Reporting Issuers in Complying with Financial Statement Filing Requirements* (the "OSC Policy"). Certain management and other insiders of the Company are currently subject to a cease trade order in respect of securities of the Company issued by the OSC on June 1, 2004. The cease trade order results from the delay in filing the Company's annual financial statements for the year ended December 31, 2003 (and related MD&A), its interim financial statements for the three months ended March 31, 2004 (and related MD&A) and its Annual Information Form ("AIF') by the required filing dates. In addition, the Company has not yet filed its interim financial statements (and related MD&A) for the six months ended June 30, 2004 or for the nine months ended September 30, 2004. The cease trade order will remain in place until two business days following receipt by the OSC of all filings that the Company is required to make pursuant to Ontario securities laws. The Company will continue to provide bi-weekly updates, as contemplated by the OSC Policy, until the financial statements (and related MD&As) and AIF have been filed.

The Company has now finalized its 2003 Annual Report on Form 10-K which it filed with the SEC on January 18, 2005. The Company has also filed its annual financial statements (and related MD&A) and its renewal AIF for the year ended December 31, 2003 in Canada. The Form 10-K includes the Company's financial results for the year ended December 31, 2003 as well as restated results for the years ended December 31, 2002, 2001, 2000 and 1999. As noted in the Form 10-K, the restatements reflect the findings of the Special Committee of the Company's board of directors as well as the correction of accounting errors in prior periods and reclassifications arising from the adoption of a new FASB standard.

The Company's announced its intention to file its other delinquent reports with the SEC and in Canada within approximately two months of the filing of its 2003 Form 10-K. The Company is working expeditiously to file its 2004 Annual Report on Form 10-K. While the Company may file a request from the SEC for a 15 day extension beyond the required filing date of March 16, 2005 to complete and file the 2004 10-K, due to the anticipated work involved in the audit, it may not be able to complete and file the 2004 10-K by March 31, 2005.

Following the filing of its 2004 annual report on Form 10-K, the Company intends to hold an annual meeting of shareholders that will review matters in 2003 and 2004 and the Company will send out proxy related materials for that meeting at the appropriate time. The Company currently anticipates the shareholders meeting will occur in June, 2005.

In accordance with the OSC Policy, the Company confirms that, except as described herein:(i) there is no material change to the information set out in its initial default announcement and subsequent status updates filed pursuant to the OSC Policy; (ii) there has been no failure by the Company to adhere to the "Alternative Information Guidelines" set out in the OSC Policy with respect to the financial statement filing default; and (iii) there is no other material information concerning the affairs of the Company that has not been generally disclosed.

Hollinger International Inc. is a newspaper publisher whose assets include *The Chicago Sun-Times* and a large number of community newspapers in the Chicago area, as well as in Canada.

**Cautionary Statement on Forward-Looking Statements. Certain statements made in this release are "forward-looking statements" within the meaning of the *Private Securities Litigation Reform Act of 1995* (the "Act"). Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain the words "believe", "anticipate", "expect", "estimate", "project", "will be", "will continue", "will likely result" or similar words or phrases. Forward-looking statements involve risks and uncertainties, which may cause actual results to differ materially from the forward-looking statements. The risks and uncertainties are detailed from time to time in reports filed by the Company with the Securities and Exchange Commission, including in its Forms 10 K and 10 Q and include a potential delisting by the NYSE of the Company's Class A Common Stock. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.**

**FOR FURTHER INFORMATION, PLEASE CONTACT:**

Hollinger International Inc
Paul B. Healy
Vice President, Investor Relations and Corporate Development
(212) 586-5666

**Schedule "F"**

LENCZNER SLAGHT ROYCE
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BARRISTERS

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March 4, 2005

**SENT BY E-MAIL**

The Honourable Mr. Justice Campbell
Ontario Superior Court of Justice
361 University Avenue
Toronto, ON M5G 1T3

Dear Justice Campbell:

**Re: Hollinger Inc.**
**Court File No. 04-CL-5441**

I am writing further to the schedule determined at the attendance before Your Honour on February 9, 2005.

I note that certain parties are to attend before Your Honour on March 7, 2005 with respect to various relief sought surrounding a proposed going private transaction expected to be made to Hollinger Inc. shareholders.

The Inspector:

1. intends to deliver a further report at the end of March outlining its progress on its various areas of investigation to that point in time;

2. expects that it is still appropriate to target the mid part of April of 2005 for the motions to examine members of Senior Management; and

3. wishes the parties to this proceeding to clearly understand that the investigation is proceeding in accordance with the Inspection Order and the Inspector's work plan and is not directed to, nor should this Honourable Court or shareholders expect, that it will be at a stage by March 31, 2003 where it can reach conclusions which will remove the necessity for further investigation in its major areas of inquiry. The results of the inspection may materially vary as the inspection moves to completion. The Inspector wishes to ensure that this Honourable Court and shareholders do not expect a complete report by March 31, 2005 for purposes of

making whatever decisions shareholders may make with respect to any transaction put before them.

Yours very truly,

Peter H. Griffin

PHG/jl

cc: Service List

**Schedule “G”**

**Court File No.** 04-CL-5563
**Date:** 20041028

**ONTARIO**
**SUPERIOR COURT OF JUSTICE**

**BETWEEN:** CATALYST FUND GENERAL PARTNER I INC. (Applicant)

**AND:** HOLLINGER INC., LORD CONRAD BLACK, PETER WHITE, DAVID RADLER, JACK BOULTBEE and BARBARA AMIEL-BLACK (Respondents)

**BEFORE:** C. CAMPBELL J.

**HEARD:** October 27, 2004

**COUNSEL:** *David C. Moore, Ken Jones* for Catalyst
*Anthony Caldwell, Avi Greenspoon (and others)* for Hollinger Inc.
*Alan Mark* for Lord Black
*W. A. Kelly, Q.C., Helen Daley* for the Independent Directors
*Donald Jack* for Jack Boultbee

**ENDORSEMENT**

[1] A motion was heard on October 27, 2004 by telephone conference by Catalyst for an order postponing a meeting of the Board of Directors of Hollinger Inc. ("Inc.") pending the hearing of the motion scheduled on Friday October 29, 2004 for the removal of certain individuals from the Board of Inc.

[2] The affidavit filed in support of the motion appended various items of correspondence and minutes of the Board and Board Committee meetings of Inc. This material was made available to counsel for Catalyst pursuant to the terms of an Undertaking entered into between Inc. and Catalyst to give notice of certain types of proposed transactions.

[3] In summary, the notice given to Catalyst was of a meeting of the Board of Directors of Inc. scheduled for October 28, 2004 to consider a proposed privatization plan involving certain retractable common shares, Series II Preference Shares of Inc. and ancillary financing transactions said to be in connection therewith.

[4] The notice given to Catalyst by letter from counsel to Inc., which was elaborated on orally during the conference call, submitted that,

> "Assuming the transactions are approved by the Board, a committee of independent directors will be established to review the privatization proposal, retain and instruct a valuator and make recommendations to the directors."

[5] As described, the transactions for which approval will be sought require certain creditor consents and financing commitments that might well not be obtainable if preliminary approval in principle for the privatization transaction is not given immediately.

[6] Counsel for Inc. sought to assure Catalyst as Applicant and the Court that approval in principle of the privatization transaction, which has been under consideration for some time, would in no way diminish the entitlement of common share holders to vote on the transaction by a **"majority of the minority"** when an appropriate valuation is obtained

[7] The additional financing transaction, it was submitted, was conditional in time and consent on immediate Board and ultimate common shareholder approval of the overall proposal.

[8] Counsel for Catalyst urged that given the timing of the notice and its content, there was no reasonable way his client or the Court could be satisfied that a decision taken by the present Board of Inc. would be in the interests of non-related party shareholders. Counsel noted that the costs of the proposed transactions to Inc. were not detailed in the notice nor were the terms by which it is said necessary creditor consent was required immediately. It was urged that Inc. had not demonstrated the urgent need for a Board Meeting of the present Board, given the pending motion to be heard on Friday to remove certain members of the Board.

[9] The relief sought is in the nature of a restraining order and as such, the principles for granting injunctive relief apply. For the last decade the three-part test as set out in *R.J.R. MacDonald Inc. v. Canada (Attorney General),* [1994] 1 S.C.R. 311 has been applied; namely, 1) is there a serious issue to be tried? 2) will the applicant suffer irreparable harm if the injunction is not granted? 3) which party will suffer the greater harm from granting or refusing the remedy pending a decision on the merits?

[10] I have concluded that it is not appropriate, bearing in mind the above test, to grant the relief sought at this time. In doing so, it should not be concluded that the Court has considered, much less ruled, on the propriety of the proposed transaction, given the other relief sought by the Applicant and the report to the Court from the Inspector who has been appointed.

[11] I am not at this time satisfied that the harm to the Applicant from the transaction being considered by the Board is irreparable and if one accepts the submissions of counsel for Inc. the balance of convenience could favour the company.

[12] Should it turn out even in hindsight that Board approval at this very time was not required or that there is any question of impairment of the rights of common shareholders or noteholders, other and more drastic relief could be appropriate as it affects Inc.'s present management and directors. At the very least, the timing of the transaction does little to dampen the suspicions surrounding the operation of Inc.

[13] The non-granting of relief at this time should not be taken as a derogation of Catalyst's entitlement to complain and seek relief based on the steps contemplated or any undertaken as a result of the pending Board meeting if its rights are affected.

[14] The investigation underway by the Inspector will continue. Since there are not and have not been any financial statements of Inc. available for shareholders for over a year, it may be that the valuation process anticipated in the privatization transaction may take some time. At the very

least, it would seem that shareholders should be entitled to receive the information from the Inspector's report and how it may affect the value of their shares before any transaction is put to them for approval.

[15] This motion may be renewed if circumstances warrant.

(original signed by Justice C. Campbell
C. CAMPBELL J.

Released:

**Schedule "H"**

**HOLLINGER INC.**
**ANNOUNCES PROPOSED SHARE CONSOLIDATION AND PRIVATIZATION**

**Will be Reviewed by Committee of Independent Directors and Subject to Approval by Minority Shareholders**

**Company also Receives Consents from Noteholders Necessary for Proposed Privatization and Obtains Commitments for Necessary Financing**

Toronto, Canada, October 28, 2004 -- Hollinger Inc. (“Hollinger”) (TSX: HLG.C; HLG.PR.B) announced today that Hollinger’s board of directors (the “Board”) was formally advised in writing by its Chairman and Chief Executive Officer, Conrad (Lord) Black, of a proposal by The Ravelston Corporation Limited (“Ravelston”), Hollinger’s controlling shareholder, for a proposed going private transaction (the “Going Private Transaction”) involving Hollinger. The proposed transaction would be structured as a consolidation of the outstanding retractable common shares and Series II Preference Shares of Hollinger. Upon completion of the Going Private Transaction, the sole shareholder of Hollinger would be Ravelston, directly or indirectly. The consideration to be paid to shareholders has not yet been determined and, once proposed by Ravelston, will be reviewed by a committee of independent directors, which will retain independent legal and financial advisors to assist it in that review. The proposed transaction will also be subject to approval by a majority of Hollinger’s minority shareholders.

Following receipt of Ravelston’s written intention with respect to the Going Private Transaction, the Board established a committee of independent directors (the “Independent Privatization Committee”), comprised of Messrs. Gordon W. Walker, QC, Robert J. Metcalfe and Allan Wakefield, to consider, evaluate and make a recommendation to the Board concerning the proposed Going Private Transaction. The Independent Privatization Committee was further empowered to, among other things, consider and advise the Board whether, in their opinion, the proposed Going Private Transaction is in the best interests of Hollinger, the holders of its retractable common shares and/or the holders of its Series II Preference Shares. In this regard, the Independent Privatization Committee will engage independent financial and legal advisors.

Hollinger Chairman and Chief Executive Officer, Conrad Black, said, “We are interested in pursuing a transaction that will benefit all minority shareholders of Hollinger Inc. and are committed to doing so. We have made substantial progress, through two refinancings of the company, in resolving its liquidity issues and strengthening its balance sheet. We now believe that taking Hollinger Inc. private is the best way for the company to proceed with the next stage of its development.”

Robert J. Metcalfe, a member of the Independent Privatization Committee, said, “We look forward to reviewing the terms of the proposed transaction. We will carefully examine it, with the assistance of outside legal and financial advisers, so that we can make an independent recommendation as to whether we believe it is in the best interests of Hollinger and its minority shareholders. We are very pleased with the progress that has been made to date.”

The consideration for each retractable common share and Series II Preference Share of Hollinger in connection with the proposed Going Private Transaction has not yet been determined. Yesterday's closing price per retractable common share and Series II Preference Share on the Toronto Stock Exchange was C$4.20 and C$8.99, respectively. Since August 19, 2004, the retraction price of the retractable common shares of Hollinger is C$7.25 per share. Each Series II Preference Share of Hollinger is retractable into 0.46 shares of Class A common stock of Hollinger International Inc. owned directly or indirectly by Hollinger (which Class A shares are currently being held in escrow with a licensed trust company in support of retractions of Series II Preference Shares). The Independent Privatization Committee, in accordance with its mandate and applicable securities laws, will be requesting its independent financial advisors to provide it and the Board with a fairness opinion and formal valuation of the outstanding retractable common shares and Series II Preference Shares. Details of the fairness opinion and formal valuation will be provided in the management proxy circular to be sent to shareholders in connection with the special meeting.

The proposed Going Private Transaction will be subject to the approval of the holders of the outstanding retractable common shares and Series II Preference Shares of Hollinger, voting separately as a class, at a special meeting of shareholders (including the applicable "majority of the minority" approvals) and will also be subject to receipt of all necessary regulatory, corporate and other approvals. Thereafter, Hollinger would consolidate its outstanding: (a) retractable common shares at a ratio which would result in Ravelston being the sole holder of retractable common shares; and (b) Series II Preference Shares at a ratio which would result in no remaining holders of Series II Preference Shares. Holders of outstanding retractable common shares and Series II Preference Shares of Hollinger who would not receive at least one full new share as a result of the consolidation would be compensated for the number of shares held prior to the consolidation. Any failure to obtain the approval of the holders of the Series II Preference Shares at the special meeting would not prevent the consolidation of the retractable common shares from proceeding, if approved by such common shareholders.

A special meeting of holders of outstanding retractable common shares and Series II Preference Shares of Hollinger will be called to consider and approve the proposed consolidation. If the consolidation is approved at the special meeting, Hollinger would amend its articles to implement the proposed consolidation and would subsequently de-list its retractable common shares and Series II Preference Shares from the Toronto Stock Exchange and apply to cease to be a reporting issuer in Canada, reverting to private company status.

*Amendments to the Senior Notes Indentures and*
*Commitments for the Issue of up to US$40 Million of Additional Notes*

Hollinger further announced today that it has received consents from holders of a majority in aggregate principal amount of each of its outstanding 11.875% Senior Secured Notes due 2011 (the "Senior Notes") and 11.875% Second Priority Secured Notes due 2011 (the "Second Priority Notes") approving amendments to the respective indentures (the "Indentures") governing the Senior Notes and the Second Priority Notes. Hollinger has executed supplemental indentures to the Indentures which permit, among other things, the retirement of all outstanding retractable common shares of Hollinger (other than those held directly or indirectly by

Ravelston) for cash pursuant to the Going Private Transaction, retraction requests and/or payments in respect of the due exercise of dissent rights of such shares in connection with the Going Private Transaction and the retirement of all outstanding Series II Preference Shares of Hollinger for unencumbered shares of Class A common stock of Hollinger International Inc. pursuant to the Going Private Transaction and/or payments in respect of the due exercise of dissent rights of such shares in connection with the Going Private Transaction. The amendments also permit Hollinger to incur additional indebtedness in an aggregate amount outstanding not to exceed US$40 million through the issuance of Second Priority Notes. The supplemental indentures will become effective if, and only if, all necessary corporate and regulatory approvals in connection with the consolidation of the outstanding retractable common shares of Hollinger (the "Common Share Approvals") have been obtained on or prior to March 31, 2005.

Hollinger also announced it has received binding commitments for the issuance and sale of up to US$40 million in aggregate principal amount of Second Priority Notes at 100% of the face amount. Hollinger will be able to draw down on these commitments 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 the Second Priority Notes will be used solely for payments in connection with the Going Private Transaction and payments ancillary thereto or necessary in connection therewith.

Peter G. White, Co-Chief Operating Officer of Hollinger, said, "We are extremely pleased to have successfully reached an agreement with our noteholders regarding consents which will give Hollinger and its shareholders an opportunity to consider the privatization proposal and to obtain commitments for the necessary financing associated with the privatization."

Hollinger has agreed to pay all holders of Senior Notes and Second Priority Notes, whether they have tendered a consent or not, a fee of US$5 in cash per US$1,000 principal amount of Notes, conditional upon the Common Share Approvals having been obtained on or prior to March 31, 2005. If such approvals are not obtained on or prior to March 31, 2005, no fee will be paid to noteholders. The record date to determine holders entitled to receive the conditional consent fee is October 21, 2004. As of the record date, US$78 million principal amount of the Senior Notes and US$15 million principal amount of the Second Priority Notes were outstanding.

Hollinger has further agreed to pay the parties who have committed to purchase the additional Second Priority Notes a commitment fee of 1% of the principal amount of Second Priority Notes committed to be purchased and a draw-down fee (which draw-down fee is payable if, and only if, the Common Share Approvals have been obtained on or prior to March 31, 2005 and Hollinger draws down on the commitments) of 1.5% of the principal amount of Second Priority Notes committed to be purchased.

The Second Priority Notes, if and when issued, will be guaranteed by Ravelston Management Inc., a wholly-owned subsidiary of Ravelston, and by an indirect wholly-owned subsidiary of Hollinger. The Second Priority Notes are secured by a second priority lien on the collateral securing the Senior Notes, which includes 14.99 million shares of Class B common stock of Hollinger International Inc. owned, directly and indirectly, by Hollinger.

*Monetization of Non-Core Real Estate Assets*

Hollinger also announced today that it and two of its direct and indirect subsidiaries have entered into a non-binding commitment with an arm's length lender with respect to bridge credit facilities with a term of 12 months providing up to C$16.0 million in borrowings, which credit facilities may only be drawn down if, among other things, the Common Share Approvals have been obtained. Interest on amounts if and when drawn under the credit facilities will be charged at a variable annual rate of the CIBC prime lending rate plus 4% for any amount outstanding during the first six months of the applicable term and the CIBC prime lending rate plus 6% for any amount outstanding during the next six months of the applicable term. Hollinger and certain of its subsidiaries will be providing security to the lender in support of the credit facilities, including first priority mortgages on certain real estate assets owned by certain of Hollinger's subsidiaries. Hollinger has agreed to pay the lender a work fee of C$150,000 and, if and only if the credit facilities are drawn upon, a draw down fee of 5% of the aggregate amount of the credit facilities (less the work fee).

*Retraction Status*

The Board today considered Hollinger's ability to honour retractions of its outstanding retractable common shares and Series II Preference Shares. After careful deliberation, the Board concluded that, effective October 28, 2004, it is in a position to begin honouring retractions of its Series II Preference Shares.

The Board further concluded that it remains unable to complete retractions of any retractable common shares submitted after May 31, 2004 without unduly impairing its liquidity. Therefore, retractions of Hollinger's outstanding retractable common shares submitted after such date continue to be suspended until further notice. Retractions of any retractable common shares which are not withdrawn will be completed if and when Hollinger's liquidity position permits. Pending completion of retractions, holders do not become creditors of Hollinger but remain as shareholders.

If the Common Share Approvals are obtained and the commitments for additional Second Priority Notes and the bridge credit facilities are drawn upon, Hollinger anticipates it will be in a position to begin honouring retractions of its retractable common shares prior to the completion of the Going Private Transaction.

Holders may exercise their right to retract their Series II Preference Shares or withdraw their previously submitted retraction notices in respect of their retractable common shares at any time. In order to exercise their retraction or withdrawal right, holders should contact the Computershare Call Centre - Shareholder Services at 1 (800) 564-6253.

*Ravelston Reimbursement of Fees*

Ravelston informed the Board today that if the Common Share Approvals are not obtained for any reason such that the Going Private Transaction does not proceed, Ravelston will reimburse Hollinger, on a secured basis, for substantially all of the fees and expenses incurred by Hollinger in connection with the amendments to the Indentures and obtaining the commitments for the additional Second Priority Notes.

Hollinger's principal asset is its approximately 68.0% voting and 18.2% equity interest in Hollinger International. Hollinger International is an international newspaper publisher with English-language newspapers in the United States and Israel. Its assets include the *Chicago Sun-Times* and a large number of community newspapers in the Chicago area, *The Jerusalem Post* and *The International Jerusalem Post* in Israel, a portfolio of new media investments and a variety of other assets.

Media contact:
Jim Badenhausen
646-805-2006

www.hollingerinc.com

**Schedule “I”**

**HOLLINGER INC.**
**ANNOUNCES PRICING TERMS FOR ITS**
**PROPOSED PRIVATIZATION TRANSACTION**

Toronto, Canada, November 16, 2004 -- Hollinger Inc. ("Hollinger") (TSX: HLG.C; HLG.PR.B) announced today that its Independent Privatization Committee has received notification from The Ravelston Corporation Limited ("Ravelston"), Hollinger's controlling shareholder, that, in connection with the proposed going private transaction involving Hollinger announced by Hollinger on October 28, 2004 (the "Going Private Transaction"), Ravelston will support such transaction on the following terms:

- Holders of retractable common shares of Hollinger (other than Ravelston and certain of its affiliated entities) would receive C$7.25 in cash for each retractable common share held by them; and

- Holders of Series II Preference shares of Hollinger would receive 0.46 of a share of Class A Common Stock of Hollinger International Inc. for each Series II Preference Share held by them.

The closing price of the shares of Class A Common Stock of Hollinger International Inc. on the New York Stock Exchange on November 15, 2005 was US$18.16.

As previously announced, the Independent Privatization Committee will consider, evaluate and make a recommendation to the Hollinger Board concerning the Going Private Transaction. The Going Private Transaction remains subject to the approvals and processes referenced in Hollinger's October 28, 2004 press release.

Hollinger's principal asset is its approximately 68.0% voting and 18.2% equity interest in Hollinger International. Hollinger International is an international newspaper publisher with English-language newspapers in the United States and Israel. Its assets include the *Chicago Sun-Times* and a large number of community newspapers in the Chicago area, *The Jerusalem Post* and *The International Jerusalem Post* in Israel, a portfolio of new media investments and a variety of other assets.

Media contact:
Jim Badenhausen
646-805-2006

www.hollingerinc.com

**Schedule “J”**

**CORRECTION FROM SOURCE**

**HOLLINGER INC.**
**ANNOUNCES REVISED PRICING TERMS**

**INDEPENDENT PRIVATIZATION COMMITTEE PROPOSES SHAREHOLDERS VOTE ON PROPOSED SHARE CONSOLIDATION AND PRIVATIZATION**

The following corrects and replaces the release sent earlier today March 7, 2005 at 8:55 a.m. ET. The references to the conclusions of GMP Securities Ltd. in the GMP Valuation have been modified.

Toronto, Ontario, Canada, March 7, 2005 – Hollinger Inc. ("Hollinger") (TSX: HLG.C; HLG.PR.B) announced today that its Board of Directors (the "Board") has received notification from The Ravelston Corporation Limited ("Ravelston"), Hollinger's controlling shareholder, that, in connection with the proposed share consolidation going private transaction (the "Going Private Transaction") involving Hollinger announced on October 28, 2004, Ravelston will support such transaction on the following revised terms and conditions:

- holders of retractable common shares (the "Common Shares") of Hollinger (other than Ravelston and certain of its affiliated entities) would receive an aggregate of C$7.60 and the Additional Amount per Share (as defined below), if any, in cash for each Common Share held by them; and

- holders of Common Shares 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.

Holders of Series II Preference Shares of Hollinger would continue to receive 0.46 of a share of Class A Common Stock of Hollinger International Inc. ("Hollinger International") for each Series II Preference Share held by them.

*Review of Going Private Transaction by the Independent Privatization Committee*

Following receipt of Ravelston's written intention with respect to the Going Private Transaction in October 2004, the Board established a committee of independent directors (the "Independent Privatization Committee"), currently comprised of Messrs. Robert J. Metcalfe and Allan Wakefield, to consider, evaluate and make a recommendation to the Board concerning the proposed Going Private Transaction. The Independent Privatization Committee was further empowered to, among other things, consider and advise the Board whether, in their opinion, the proposed Going Private Transaction is in the best interests of Hollinger, the holders of its Common Shares and/or the holders of its Series II Preference Shares.

In accordance with the requirements of the applicable securities legislation and policies concerning transactions such as the Going Private Transaction, GMP Securities Ltd. ("GMP") was retained to provide a formal valuation of the outstanding Common Shares (the "GMP Valuation") under the supervision of the Independent Privatization Committee, and the GMP

Valuation was delivered by GMP to the Independent Privatization Committee on March 6, 2005. Based upon the scope of its review and subject to the qualifications and assumptions contained in the GMP Valuation, GMP estimates the fair market value, as at March 1, 2005, of the outstanding Common Shares was in the range of C$7.21 to C$7.57 per Common Share. In addition, GMP provided a formal valuation of the outstanding Series II Preference Shares. Based upon the scope of its review and subject to the qualifications and assumptions contained in its valuation, it is the view of GMP that the value of the outstanding Series II Preference Shares is equivalent to 0.46 of a share of Class A Common Stock of Hollinger International.

On March 6, 2005, after reviewing the revised terms and conditions of the Going Private Transaction as supported by Ravelston, the GMP Valuation and a number of other factors, the Independent Privatization Committee determined:

(i) to recommend to the Board that all necessary actions be taken in order that the special resolutions to effect the Going Private Transaction 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 Going Private Transaction.

*No Determination Made in Respect of Going Private Transaction by the Board at This Time*

A meeting of the Board is scheduled to be held following the hearing before Justice Colin Campbell of the Ontario Superior Court of Justice on March 7, 2005 to formally receive the report and recommendations of the Independent Privatization Committee, following which the Board will make its determination in respect of the Going Private Transaction. On February 25, 2005, the independent directors of Hollinger applied to Justice Campbell for, among other things, advice and direction as to whether in the circumstances the Going Private Transaction should be put to a vote by Hollinger's shareholders before Ernst & Young Inc. delivers its final report in connection with its inspection of related party transactions.

The Going Private Transaction remains subject to the approval of the Board, any order of the Court and the approvals and processes referenced in Hollinger's October 28, 2004 press release. Subject to receipt of the requisite approvals, formal documentation for the Meeting, including a management proxy circular (the "Circular"), will be mailed to shareholders of Hollinger in the near future. The Circular will describe in greater detail information concerning the Going Private Transaction, including a copy of the GMP Valuation, as well as set out the procedure for shareholders of Hollinger to receive the consideration for their Common Shares or Series II Preference Shares upon the Going Private Transaction becoming effective.

*Second Valuation and Potential Common Share Price Adjustment*

Following the public release by Hollinger International of its 2004 audited annual financial statements (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 Hollinger International's Form 10-K filed with the U.S. Securities and Exchange Commission 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 C$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.

*CCPRs*

In order to address concerns with respect to the possible uncertainty of value in respect of potential claims and litigation, in the event that the Going Private Transaction is effected, holders of Common Shares (other than holders who dissent in respect of the resolution relating to the Going Private Transaction at the Meeting) would receive 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 Going Private Transaction, including transactions reported on in any final report of Ernst & Young Inc., 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 Ontario Superior Court of Justice approving such agreement. The terms and structure of the CCPRs will be described in greater detail in the Circular.

*Company Background*

Hollinger's principal asset is its interest in Hollinger International which is a newspaper publisher, the assets of which include the *Chicago Sun-Times*, a large number of community newspapers in the Chicago area and a portfolio of news media investments. Hollinger also owns a portfolio of revenue-producing and other commercial real estate in Canada, including its head office building located at 10 Toronto Street, Toronto, Ontario.

Media contact:
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www.hollingerinc.com

**Schedule “K”**

~~March 4/05~~

CATALYST FUND GENERAL PARTNER I INC.
Plaintiff

and

HOLLINGER INC., *et al.*
Defendants

Court File No: 04-CL-5563

March 8/05

Service of a True Copy hereof admitted

This 25 day of February 2005

Bellmore + Moore per ...
SOLICITOR FOR
Catalyst Fund

**ONTARIO**
**SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto

**MOTION RECORD**


**W. A. KELLY, Q.C., BARRISTERS**
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Solicitors for Hollinger Inc., Gordon Walker, Pa
Carroll and Donald Vale


Mar. 7/05.

In addition to the motion for directions with respect to the "going private" offer which is the subject of a separate endorsement this motion seeks directions with respect ~~to a request for~~ to the claim by the Independent Directors for indemnity with respect to claims against them on the basis that it required approval being related party transactions.

I am satisfied that notwithstanding what I understand to be the position of Mr. White that at least in the first instance this is a matter to be dealt with by the Board. If following any such decision it is necessary that the matter be returned before the Court such party is at liberty to do so.

[signature] J.

04-CL-5563.

Re Hollinger Inc.

March 7/05.

Endorsement.

The Independent Directors have brought a motion for advice & directions in respect of a "going private" transaction made by the controlling shareholder of Inc. to the common shareholders & other parties entitled to exercise shareholder rights.

The Court heard from a number of parties including Counsel for the OSC, Lawrence & Co, & K. McLaren a shareholder who seeks postponement of consideration by the shareholders until receipt of the report of the Inspector appointed by the Court & the audited financials of Inc.

Mr. Kelly for the Independent Directors indicated that his clients were in the difficult situation that the offer "going private" was given the fact just received over the weekend & requires consideration by the Directors to-day in order that material may be mailed to shareholders to-day for a March 31, 2005 meeting. The "going private" offer expires 1 minute before midnight.

Directors are concerned that in view of previous endorsements by the Court that to approve the offer without the information contemplated

to be received from both the Inspector & the auditors
could open them to claims from shareholders.

I have heard from various counsel including the
the OSC who advises of their ongoing involvement
& from counsel for Novelston who advises there is
no extension of time by the noteholders which
drives the timetable of the offer & meeting.

There appears to be agreement by most parties
which responds to a question by the Court
with respect to its jurisdiction at this stage
that the Court should not be asked to approve
either the offer itself at this point or the
information that the directors may conclude
appropriate to bring to the shareholders attention.
I am satisfied that it was appropriate for
the Independent Directors to advise the Court
& through the process the public shareholders
of the issues & timing facing them.
I have concluded that in the circumstances
it is not appropriate for the Court at this
stage to make any other order than it
appreciates the information provided by the
Independent Directors & adjourns its motion
for directions pending any further steps
taken by any party based on the decisions
that will be made by the directors

C.L. Campbell J.

C.L. CAMPBELL J.

**Schedule “L”**

**Headnote**

Section 144 -- variation of cease trade order to permit certain trades of securities pursuant to a corporate arrangement pursuant to section 192 of the CBCA.

**Applicable Ontario Statutory Provision**

Securities Act, R.S.O., c. S.5, as am., ss. 127 and 144.

**IN THE MATTER OF**

**THE SECURITIES ACT,**

**R.S.O. 1990, C. S.5, AS AMENDED (the Act)**

**AND**

**IN THE MATTER OF**

**CINAR CORPORATION**

**ORDER**

**(Section 144)**

**WHEREAS** the securities of CINAR Corporation (**CINAR**) are subject to a temporary order issued by the Manager, Corporate Finance, (the **Manager**) on behalf of the Ontario Securities Commission (the **Commission**) pursuant to paragraph 2 of subsection 127(1) and subsection 127(5) of the Act, dated June 20, 2000 and as extended by a further order issued by the Manager dated June 30, 2000 pursuant to subsection 127(8) of the Act (collectively, the **Cease Trade Order**) directing that all trading in the securities of CINAR cease until the Cease Trade Order is revoked by a further order of revocation;

**AND WHEREAS** CINAR has applied to the Commission pursuant to section 144 of the Act (the **Application**) for a variation of the Cease Trade Order;

**AND UPON** CINAR having represented to the Commission that:

1. CINAR is a corporation incorporated under the *Canada Business Corporations Act* (the **CBCA**) and is a reporting issuer in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia and Newfoundland and Labrador (the **Reporting Jurisdictions**). CINAR is not a reporting issuer in any Canadian jurisdiction other than the Reporting Jurisdictions. CINAR's head office is located at 1055 René-Lévesque Blvd East, Montreal, Québec.

2. CINAR is an integrated entertainment and education company that develops, produces, markets and distributes high-quality, non-violent programming and supplemental education products for children, families and educators world-wide.

3. The authorized share capital of CINAR consists of an unlimited number of Variable Multiple Voting Shares (the **Multiple Voting Shares**), an unlimited number of Limited Voting

Shares (the **Limited Voting Shares**) and an unlimited number of Preferred Shares, of which 5,233,402 Multiple Voting Shares and 34,735,998 Limited Voting Shares and no Preferred Shares were issued and outstanding as of November 30, 2003, (such outstanding shares collectively referred to as the **CINAR Shares**).

4. The CINAR Shares were listed on the Toronto Stock Exchange (**TSX**) and quoted on the Nasdaq National Market (**Nasdaq**). The TSX and Nasdaq halted trading in the CINAR Shares in March 2000. As at the close of business on August 30, 2001, the TSX de-listed the CINAR Shares as a result of CINAR's failure to meet its listing requirements. Nasdaq also de-listed the CINAR Shares effective on August 2, 2000.

5. In the United States, the CINAR Shares trade only on the over-the-counter Pink Sheets Market. No securities of CINAR are traded on a marketplace (as defined in National Instrument 21-101 *Marketplace Operation*) (a **Marketplace**) in Canada.

6. The Cease Trade Order was issued due to the failure of CINAR to file current financial statements under Part XVIII of the Act.

7. Securities of CINAR are currently also subject to cease trade orders issued by the securities regulatory authorities in the provinces of Quebec, Manitoba, Saskatchewan, Alberta and British Columbia. CINAR has applied for variations of these cease trade orders to permit the completion of the Arrangement (as defined below).

8. CINAR is applying for a variation of the Cease Trade Order to permit the completion of the Arrangement. Following the completion of the Arrangement, securities of the corporation (**Amalco**) formed by the amalgamation of CINAR and 4113683 Canada Inc. (**Newco**) will remain subject to the Cease Trade Order, unless revoked by a further order of revocation.

9. CINAR remains in default of certain continuous disclosure obligations under Ontario securities law in addition to the failure to file comparative audited annual financial statements for the financial years ended November 30, 1999 and November 30, 2000. Specifically, pursuant to Ontario Securities Commission Rule 51-501, CINAR is required to send its annual MD&A (as such term is defined in such Rule) to all its securityholders to whom it sends its annual audited financial statements and is required to file interim MD&A concurently with the filing of its interim financial statements and to send interim MD&A to all its securityholders to whom it sends its interim financial statements. Such annual MD&A must be prepared in accordance with Form 44-101F2 as prescribed by National Instrument 44-101. The MD&A included in CINAR's annual report for the fiscal year ended November 30, 2002 does not comply with the requirements of Form 44-101F2. CINAR has not filed or sent to its securityholders interim MD&A since Ontario Securities Commission Rule 51-501 came into force on January 1, 2001. Furthermore, CINAR has not filed an Annual Information Form for the fiscal years ended November 30, 2002 and November 30, 2001.

10. On October 30, 2003, CINAR and Newco entered into an agreement (the **Arrangement Agreement**) setting out the terms of an arrangement (the **Arrangement**) pursuant to section 192 of the CBCA involving the purchase by Newco of all of the issued and outstanding shares of CINAR followed by the amalgamation of Newco and CINAR subject to receiving all required approvals and the satisfaction of certain other conditions. Newco is a wholly owned subsidiary of 3918203 Canada Inc. 3918203 Canada Inc. is a private company with a small number of direct or indirect investors that will include Michael Hirsh, Toper Taylor and TD Capital Canadian Private Equity Partners Fund.

11. CINAR is currently a party to certain litigation (the **Specified Litigation**). Under the Arrangement Agreement, Newco has agreed that an amount equal to the net amount received by CINAR as plaintiff in the Specified Litigation after deducting certain amounts

and expenses specified in the Arrangement Agreement (the **Net Litigation Proceeds**), less an amount of $400,000, is to be distributed to the shareholders of CINAR if all the Specified Litigation is settled prior to the fifth business day prior to the date of the meeting of the holders of CINAR Shares called to approve the Arrangement (the **Settlement Deadline**) and certain other conditions specified in the Arrangement Agreement are met.

12. The Arrangement Agreement provides that the consideration for the acquisition of all the CINAR Shares by Newco shall be (a) US$3.60 per share; (b) the Net Litigation Proceeds, less an amount of $400,000, if all the Specified Litigation is settled prior to the Settlement Deadline and all of the conditions for the distribution of the Net Litigation Proceeds have been met prior to the Settlement Deadline; and (c) in the event that any of the conditions for the distribution of the Net Litigation Proceeds have not been met prior to the Settlement Deadline, one contingent cash entitlement (**CCE**) will be created and allocated by 3918203 Canada Inc. for each CINAR Share entitling the recipients thereof to receive a *pro rata* share of 70% of the Net Litigation Proceeds.

13. As soon as practicable, Amalco will make an application to be deemed to cease to be a reporting issuer in each of the Reporting Jurisdictions. Following the completion of the Arrangement, all of the outstanding securities of Amalco will be beneficially owned by 3918203 Canada Inc. and no securities of Amalco will be traded on a Marketplace.

14. The Arrangement is subject to, among other things, approval by the holders of two-thirds of the Multiple Voting Shares and Limited Voting Shares, with each class voting separately, as well as court approval and required regulatory approvals in Canada and the United States. Pursuant to the interim order of the Superior Court of Quebec in respect of the Arrangement, CINAR's shareholders will be granted a right of dissent from the arrangement resolution.

15. The Board of Directors of CINAR has unanimously determined that the Arrangement is in the best interests of CINAR and has unanimously approved the Arrangement Agreement and will recommend that shareholders of CINAR vote in favour of the Arrangement.

16. Each CINAR shareholder will receive a management proxy circular (the **Proxy Circular**) describing in detail the particulars of the Arrangement. The Proxy Circular will include sufficient information for a holder of CINAR Shares to form a reasoned judgment on the Arrangement and to assess the adequacy of the consideration being offered for the CINAR Shares.

17. If the Specified Litigation is not settled before the Proxy Circular is mailed, the Proxy Circular will disclose that the CCEs may be created and prospectus level disclosure (other than financial statements) regarding the CCEs will be included in the Proxy Circular. The relevant disclosure will focus mainly on the structure of the CCEs including a description of the Specified Litigation, an explanation of the formula to be used to calculate the Net Litigation Proceeds, details of the procedures to be followed to determine and distribute the Net Litigation Proceeds and disclosure related to the measures to be taken to segregate and safeguard any Net Litigation Proceeds pending their distribution to former CINAR shareholders. No financial statements are intended to be included in the Proxy Circular. In addition, since the entity granting the CCEs is a newly formed corporation without any material assets or liabilities which may not yet be identified at the time that the Proxy Circular is required to be mailed, disclosure specific to the grantor of the CCEs that does not constitute material facts relating to the CCEs, will not be included in the Proxy Circular.

18. CINAR's financial adviser, Merrill Lynch, Pierce, Fenner & Smith Incorporated, has provided to CINAR's Board of Directors a fairness opinion (the **Fairness Opinion**) whereby Merrill Lynch, Pierce, Fenner & Smith Incorporated, stated that based upon and subject to

the various considerations set forth in the Fairness Opinion, the aggregate consideration agreed to be paid by Newco for the CINAR Shares is fair from a financial point of view to CINAR's shareholders.

19. The majority shareholders of the Multiple Voting Shares, Micheline Charest, Ronald Weinberg and certain holding companies they control (the **Principal Shareholders**), have entered into a voting support agreement with Newco pursuant to which the Principal Shareholders have undertaken, *inter alia,* to vote or cause to be voted all their shares of CINAR in favour of the Arrangement.

**AND UPON** considering the Application and the recommendation of the staff of the commission;

**AND UPON** the Director being satisfied that to do so would not be prejudicial to the public interest;

**IT IS ORDERED,** pursuant to section 144 of the Act that the Cease Trade Order be and is hereby varied solely to permit:

(i) the transfer of the CINAR Shares to Newco;

(ii) the cancellation of CINAR Shares in connection with the amalgamation of Newco and CINAR; and

(iii) all other acts in furtherance of the Arrangement that may be considered to fall within the definition of a "trade" within the meaning of the Act.

January 9, 2004.

"Charlie MacCready"

**Schedule “M”**

**VERIFICATION STATEMENT**

The undersigned authorizes the making and filing of the attached application by Fogler, Rubinoff LLP on our behalf and confirms the truth of the facts contained therein.

**DATED** this 14 day of March, 2005.

**HOLLINGER INC.**

Per: R. J. Metcalfe

Robert J. Metcalfe

**Schedule “N”**

Ontario Securities Commission
Commission des valeurs mobilières de l'Ontario
P.O. Box 55, 19th Floor
20 Queen Street West
Toronto ON M5H 3S8
CP 55, 19e étage
20, rue queen ouest
Toronto ON M5H 3S8
Web site: www.osc.gov.on.ca

**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 INTERNATIONAL INC.**

**(BEING THE PERSONS AND COMPANIES LISTED**
**IN SCHEDULE "A" HERETO)**

**ORDER**

**(Section 144)**

**WHEREAS** on June 1, 2004, the Ontario Securities Commission (the "Commission") made an Order under paragraph 2 of subsection 127(1) of the Securities Act, R.S.O. 1990, c. S.5, as amended (the "Act"), as varied by an Order of the Commission dated March 8, 2005 (collectively, the "Hollinger International MCTO"), that all trading, whether direct or indirect, by the persons and companies listed in Schedule "A" (individually, a "Respondent" and collectively, the "Respondents") in the securities of Hollinger International Inc. ("Hollinger International") shall cease, subject to certain exceptions as provided for in the Hollinger International MCTO, until two full business days following the receipt by the Commission of all filings Hollinger International is required to make pursuant to Ontario securities law;

**AND WHEREAS** Hollinger Inc. ("Inc."), 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"), each a Respondent, have made an application (the "Application") pursuant to section 144 of the Act to vary the Hollinger International MCTO as set out herein;

**AND UPON** Hollinger International and the Applicants each having represented to the Commission that:

1. Hollinger International is incorporated under the laws of Delaware and is a reporting issuer in the Province of Ontario.

2. Hollinger International has failed to file its interim statements (and interim Management's Discussion & Analysis related thereto) for the three-month period ended March 31, 2004 as required to be filed under Ontario securities law on or before May 15, 2004.

3. Hollinger International has further failed to file its annual financial statements (and annual Management's Discussion & Analysis related thereto) and its Annual Information Form ("AIF") for the year ended December 31, 2003 by the required filing date under Ontario securities law, namely May 19, 2004.

4. Hollinger International has further failed to file its interim statements (and interim Management's Discussion & Analysis related thereto) for the six-month period ended June 30, 2004 and the nine-month period ended September 30, 2004 by the respective due dates of August 14, 2004 and November 15, 2004.

5. On January 18, 2005, Hollinger International filed its 2003 Form 10-K with the United States Securities and Exchange Commission, which form includes its audited financial statements for the fiscal year ended December 31, 2003 and related MD&A and will constitute Hollinger International's 2003 AIF for the purposes of Ontario securities law. On January 21, 2005, Hollinger International filed its audited financial statements for the fiscal year ended December 31, 2003 and related MD&A on SEDAR. In its press release of January 7, 2005, Hollinger International disclosed that it expected to file, within approximately two months after the filing of its 2003 10-K, its interim financial statements for the fiscal quarters ended March 31, June 30 and September 30, 2004.

6. Accordingly, as of the date of this Order, Hollinger International has rectified the filing deficiencies described in paragraph 3 of this Order but has not rectified the filing deficiencies described in paragraphs 2 and 4 of this Order.

7. Inc. is amalgamated under the *Canada Business Corporations Act* and is a reporting issuer in the Province of Ontario.

8. The authorized capital of Inc. 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 Inc. are the Common Shares.

9. Inc.'s outstanding Common Shares and Series II Preference Shares are listed on the Toronto Stock Exchange under the symbols "HLG.C" and "HLG.PR.B", respectively.

10. On October 28, 2004, Inc. issued a press release disclosing a proposed business combination/going private transaction (the “Going Private Transaction”) involving Inc. by way of a consolidation of the outstanding Common Shares and Series II Preference Shares.

11. A special meeting (the “Meeting”) of holders of the outstanding Common Shares and Series II Preference Shares has been scheduled for March 31, 2005 to consider and, if deemed appropriate, to pass special resolutions approving the CS Consolidation and the PS Consolidation (as such terms are hereinafter defined).

12. If the requisite corporate, shareholder and regulatory approvals are obtained, Inc. would consolidate its outstanding Common Shares (the “CS Consolidation”) at a ratio which would result in Ravelston (directly and indirectly) being the sole holder of Common 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 the Common Share Consideration, together with one CCPR (as such terms are defined in the Inc. Management Proxy Circular dated March 4, 2005 and filed on the System for Electronic Document Analysis and Retrieval (SEDAR) on March 10, 2005), for each Common Share held at the date on which articles of amendment of Inc. are filed.

13. If the requisite corporate, shareholder and regulatory approvals are obtained, Inc. would consolidate its outstanding Series II Preference Shares (the “PS Consolidation”) at a ratio which would result in no remaining holders of Series II Preference Shares. 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 a share of Class A Common Stock of Hollinger International (“International A Shares”) owned, directly or indirectly, by Inc. for each Series II Preference Share held at the date on which articles of amendment of Inc. are filed.

14. In order to become effective, the CS Consolidation must be approved 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 minority” 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.

15. In order to become effective, the PS Consolidation must be approved 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.

16. 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, including the following:

    (a) the transfer of International A Shares after giving effect to the PS Consolidation by Inc., directly or indirectly, to certain of the Respondents, in exchange for Series II Preference Shares and/or fractional interests of Series II Preference Shares; and/or

    (b) the holding of the Meeting and any of the Respondents owning Common Shares and/or Series II Preference Shares exercising their voting rights thereat.

17. International A Shares transferred by Inc., directly or indirectly, to any of the other Respondents will be remain subject to the Hollinger International MCTO.

**AND UPON** considering the Application and the recommendation of the staff of the Commission;

**AND WHEREAS** the Commission is of the opinion that it would not be prejudicial to the public interest to make this Order;

**IT IS ORDERED**, pursuant to section 144 of the Act, that the Hollinger International MCTO be and is hereby varied solely to permit:

(a) any direct or indirect trades of International A Shares that may occur in connection with the Going Private Transaction; and

(b) all acts in furtherance of the Going Private Transaction that may be considered to fall within the definition of "trade" in subsection 1(1) of the Act.

**DATED** at Toronto, this _____ day of March, 2005.

Ontario Securities Commission

_____________________________ _____________________________

## Schedule "A"

509645 N.B. Inc.

509646 N.B. Inc.

1269940 Ontario Limited

2753421 Canada Limited

Amiel Black, Barbara

Argus Corporation Limited

Atkinson, Peter Y.

Black, Conrad M. (Lord)

Boultbee, J. A.

Burt, The Hon. Richard

Carroll, Paul A.

Colson, Daniel W.

Conrad Black Capital Corporation

Cowan, Charles G.

Creasey, Frederick A.

Cruickshank, John

Deedes, Jeremy

Dodd, David

Duckworth, Claire F.

Healy, Paul B.

Kipnis, Mark

Kissinger, The Hon. Henry A.

Lane, Peter K.

Loye, Linda

Maida, Joan

McCarthy, Helen

Meitar, Shmuel

O'Donnell-Keenan, Niamh

Paris, Gordon

Perle, The Hon. Richard N.

Radler, F. David

The Ravelston Corporation Limited
Rohmer, Richard, OC, QC
Ross, Sherrie L.
Samila, Tatiana
Savage, Graham
Seitz, The Hon. Raymond G.H.
Smith, Robert T.
Stevenson, Mark
Thompson, The Hon. James R.
Van Horn, James R.
Walker, Gordon W.
White, Peter G.

Vale, Donald M.J.
Delorme, Monique L.
Richardson, James A.
Marler, Jonathan H.
Tyrrell, Robert Emmett
Metcalfe, Robert J.
Wakefield, Allan

Hollinger Inc.
504468 N.B. Inc.
509647 N.B. Inc.
509643 N.B. Inc.
509644 N.B. Inc.