IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
SUN-TIMES MEDIA GROUP, INC., *et al.*,[1]	)	Case No. 09-11092 (__)
Debtors.	)	Joint Administration Requested

DECLARATION OF JAMES D. MCDONOUGH
IN SUPPORT OF FIRST DAY MOTIONS

I, James D. McDonough, hereby declare under penalty of perjury:

1. I am the Senior Vice President, Chief Administrative Officer, General Counsel and Secretary of Sun-Times Media Group, Inc., a corporation organized under the laws of the State of Delaware and one of the above captioned debtors and debtors in possession (collectively, the "Debtors," and together with the Debtors' non-debtor subsidiaries, the "Company"). In this capacity, I am generally familiar with the Debtors' day-to-day operations, business and financial affairs, and books and records. I am over the age of 18 and am competent to testify. I have been employed by the Debtors since January 3, 2005.

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[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Sun-Times Media Group, Inc. (8892); American Publishing (1991) LLC (9303); American Publishing Company LLC (5797); American Publishing Management Services, Inc. (7433); APAC-95 Oklahoma Holdings, Inc. (1123); Centerstage Media, LLC (1160); Chicago Group Acquisition LLC (4250); Chicago Sun-Times Features, Inc. (9928); Chicago Sun-Times LLC (7749); Digital Chicago Inc. (0626); Fox Valley Publications LLC (2434); HGP, Partnership (4292); HIPI (2002) Inc. (3946); Hollinger Australian Holdings Limited (3321); Hollinger International Publishing Inc. (0603); HTH Benholdco LLC (8274); HTH Holdings Inc. (8275); HTNM LLC (0714); HTPC Corporation (9332); LHAT Corporation (8117); Meridian Star, Inc. (3390); Midwest Suburban Publishing, Inc. (1455); Northern Miner U.S.A., Inc. (5174); Oklahoma Airplane LLC (1123); Pioneer Newspapers Inc. (0502); Reach Chicago LLC (4252); Sun Telemarketing LLC (8780); Sun-Times Distribution Systems, Inc. (9838); Sun-Times PRD Inc. (8118); TAHL (2002) Inc. (3945); The Johnstown Tribune Publishing Company (7927); The Post-Tribune Company LLC (7370); The Red Streak Holdings Company (9358); The Sun-Times Company (7751); XSTMHoldings LLC (9284). The location of the Debtors' corporate headquarters and the service address for all Debtors is: 350 N. Orleans St., Floor 10-S, Chicago, IL 60654.

2. I am authorized by the Debtors to submit this Declaration in support of the Debtors' petitions for relief under the Bankruptcy Code (defined below) and the First Day Motions (defined below). Except as otherwise indicated, all facts set forth herein are based upon my personal knowledge, information supplied or verified to me by other members of the Debtors' management and the Debtors' third party advisors and professionals, my review of relevant documents, or my opinion based upon my experience and knowledge of the Debtors' operations and financial condition.

3. Concurrently with the filing of this declaration (the "Declaration") on the date hereof (the "Petition Date"), each Debtor has filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101 1532 (the "Bankruptcy Code") in this Court. The Debtors are operating their businesses and managing their properties as debtors in possession pursuant to Bankruptcy Code §§ 1107(a) and 1108.

4. To enable the Debtors to operate effectively and to transition seamlessly into chapter 11, the Debtors also have filed several motions and applications requesting various types of immediate relief (collectively, the "First Day Motions"). I am familiar with the contents of each of the First Day Motions and I believe that the relief sought is critical to stabilizing the Debtors business operations, preserving value, and facilitating an effective transition into chapter 11. Indeed, absent the immediate ability to make certain essential payments as sought in the First Day Motions, I believe the Debtors' estates would suffer immediate and irreparable harm. Accordingly, the Debtors request that the Court grant the relief requested in the First Day Motions.

5. This Declaration is divided into two parts. Part I of this Declaration describes the Debtors' business operations and the circumstances surrounding the commencement of these

chapter 11 cases. Part II sets forth the relevant facts in support of each of the First Day Motions. A chart summarizing the Debtors' corporate organization attached hereto as Exhibit A.

PART I

SITUATIONAL OVERVIEW

6. Unlike other recent newspaper companies suffering in this economic climate, Sun-Times Media Group, Inc. is commencing these chapter 11 cases without any outstanding funded debt. This puts the Company in the unique position of having a significant pool of unencumbered assets. Nevertheless, the Company remains financially and legally burdened by a variety of legacy liabilities dating back to earlier periods of management and ownership. Further, like most newspapers across the country, the Company continues to be severely impacted by the significant downturn in print advertising revenue. Accordingly, despite recent steps to reduce costs and strengthen the organization, the deteriorating economic climate, coupled with a significant, pending IRS tax liability dating back to previous management, has led the Company to commence these chapter 11 cases.

7. The Company's main objective in commencing these chapter 11 cases is to reset the Company's cost structure, stabilize operations, and consider strategic alternatives, which likely will include commencing a process for a sale of the Company's assets pursuant to Bankruptcy Code § 363. During these chapter 11 cases, the Company plans to continue to explore its options regarding its newspaper and interactive businesses and adopt a flexible approach as it pursues various strategic alternatives and aims to become a stronger, more competitive business that is better positioned to serve its readers and advertisers and add new ones. The Company plans to enter chapter 11 and complete this process on an expedited basis with the goal that some or all of the Company will emerge from bankruptcy with a stronger

balance sheet, improved cash flows, and the preservation of as many as jobs as possible across the Company.

THE DEBTORS' BUSINESSES AND EVENTS LEADING TO THE COMMENCEMENT OF THESE CHAPTER 11 CASES

I. The Company's Business Operations

A. Overview

8. Sun-Times Media Group is the ultimate parent company of each of the Debtors in these chapter 11 cases. The Company conducts business as a single operating segment which is concentrated in the publishing, printing, and distribution of newspapers in the greater Chicago, Illinois metropolitan area and the operation of various related websites. The Company also has non-debtor affiliates in Canada, the United Kingdom and Bermuda.

9. The Company was incorporated in the State of Delaware on December 28, 1990, as Hollinger International, Inc. The Company's stock at the time was listed on the New York Stock Exchange ("NYSE") under the ticker symbol HLR. In July 2006, the Company's stockholders changed the Company's name to Sun-Times Media Group, Inc. and changed its ticker symbol to SVN. In May 2008, the Company's stock was de-listed from the NYSE and the Company subsequently moved its securities to the Over-the-Counter Bulletin Board ("OTCBB") on June 17, 2008 under the ticker symbol SUTM.OB. On January 2, 2009, the Company voluntarily de-registered its Class A Common Stock thereby ending it reporting obligations under the Securities Exchange Act of 1934. After deregistration, the Company's Class A Common Stock was no longer quoted on the OTCBB. As of January 6, 2009, it was quoted on the Pink Sheets under the ticker symbol SUTM.PK.

B. Capital Structure

10. As of the Petition Date, the Company has no outstanding funded debt and does not have a credit facility with any lender. The Company funds its existing business operations with cash on hand and cash generated from its business operations. Despite the lack of prepetition funded debt, the Company was forced to file these chapter 11 cases because of an impending cash shortfall caused, in part, by the significant downturn in the print advertising industry and the overall deteriorating economic climate.

C. Newspaper Segment

11. The Company's properties consist of more than 100 newspapers, associated websites and news products in the greater Chicago metropolitan area. For the year ended December 31, 2008, the Company had revenue of approximately $324 million and an operating loss of approximately $344 million. The Company'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 Chicago metropolitan area, attracting approximately 1.3 million daily readers.

12. The Company produces a network of publications throughout Chicago and the major suburbs in the surrounding high growth counties to allow its advertising customers the ability to target and cover their most productive audiences. This structure enables the Company to offer joint selling programs to advertisers, thereby expanding their reach to customers, often at a lower cost. In addition to the *Chicago Sun-Times*, the Company's newspaper properties include: (a) the Pioneer Press Group which currently publishes 39 weekly newspapers and one magazine in Chicago's northern and northwestern suburbs; (b) the daily *SouthtownStar* in Tinley Park, Illinois; (c) the daily *Post-Tribune* of northwest Indiana; (d) the *Herald News* in Joliet;

(e) the *Courier News* in Elgin, Illinois; (f) the *Beacon News* in Aurora, Illinois; (g) the *Naperville Sun* in Naperville, Illinois; (h) the *Lake County News Sun* in Waukegan, Illinois; and (i) 13 free weekly newspapers in suburban Chicago.

D. Advertising

13. The Company's operating revenue is primarily derived from the sale of advertising space within the Company's newspapers and related websites. Advertising revenue for the Company for the year ended December 21, 2008, was approximately $243 million and represented approximately 75% of the Company's revenue for 2008.

14. Advertisements appear either within the body of Company's newspapers (referred to as run-of-press advertising), as inserts, or on the Company's websites. Local and national businesses and classified advertisers represent the Company's principal sources of advertising revenue. Advertising rates and rate structures vary among the publications and are based on, among other things, circulation, readership, and type of advertising (whether classified, national or retail). In 2008, retail advertising accounted for the largest share of advertising revenue (50%), followed by classified advertising (31%) and lastly, national advertising (19%). The Company's advertising revenue is subject to changes in the national and local economy, in addition to fluctuations in individual business sectors. The Company's advertising revenue also experiences seasonality, with the first quarter of year (after the holidays) being the lowest.

15. The *Chicago Sun-Times* offers a variety of advertising alternatives, including 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 offer similar alternatives to the *Chicago Sun-Times*' platform for their daily and weekly publications. In addition, the Company operates the Reach Chicago Newspaper Network, an advertising vehicle that can reach the combined readership base of all

the Company's publications. This network allows the Company to offer local advertisers geographically and demographically targeted advertising solutions and national advertisers an efficient vehicle to reach the entire Chicago metropolitan market.

E. Circulation

16. The *Chicago Sun-Times* has the second highest daily circulation of any newspaper in Chicago. As reported by the Audit Bureau of Circulations ("ABC") in its most recent published report, the *Chicago Sun-Times'* average audited circulation was approximately 319,202 copies on weekdays, 228,996 copies on Saturdays, and 246,217 copies on Sundays. Circulation revenue represents the Company's second largest source of cash flow. Circulation revenue is derived primarily from two sources. The first source is sales of single copies of the Company's various newspapers via retailers, street vendors and vending racks. The second source comes from newspaper subscribers who pay monthly or yearly fees to secure delivery of a newspaper to their homes or offices. For the year ended December 31, 2008, approximately 58% of copies of the *Chicago Sun-Times* reported as sold and 62% of circulation revenue generated by the *Chicago Sun-Times* was attributable to single-copy sales. For the same period, approximately 23% of the Company's circulation revenue was attributable to single-copy sales of all its newspapers, while subscription sales accounted for approximately 77% of circulation revenue.

17. The Company's various suburban daily and weekly newspapers also have substantial circulation. As a group, the approximate average circulation of the Company's daily suburban newspapers, as reported by the ABC in its most recent published reports, were 217,000 copies on weekdays, 170,000 copies on Saturdays, and 245,000 copies on Sundays. The circulation of the Pioneer Press Group's weekly papers, as reported by ABC, was approximately 165,000 copies per week.

F. Online Publications

18. The Company continues to strengthen its online presence. Suntimes.com and other affiliated newspaper websites have approximately 3.4 million unique users and approximately 51 million page impressions per month. In February 2007, the Company launched SearchChicago.com featuring online classifieds for cars and homes. The Company's growing online presence over the last few years has helped increase revenue generated by online advertising. In February 2008, the Company launched YourSeason.com, a new and innovative source for all high school sports scores, news and information across the Chicago area and northwest Indiana. YourSeason.com updates the Company's popular online pages for more than 380 high schools across the region, sports blogs by recruiting experts, and player pages for top prospects in the area. YourSeason.com expanded into an enhanced, more comprehensive prep sports site in August 2008. Page views for this site were more than 2 million in November 2008, representing a 50% percent increase from the prior month. YourSeason.com provides many opportunities for advertising sales.

G. Retail Store

19. The Company operates a retail store at its headquarters location in Chicago, Illinois. The Company sells t-shirts, reprints of certain historic editions and other collectibles and memorabilia relating to the Company's newspaper products.

H. Sales and Marketing

20. The marketing promotions department works closely with both advertising and circulation sales teams to introduce new readers and new advertisers to the Company's newspapers through various initiatives. The Company's marketing departments use strategic alliances at major event productions and sporting venues for on-site promotion which helps generate subscription sales. The *Chicago Sun-Times*' relationships with local television and

radio outlets have given it a presence in the market and enabled targeted audience exposure. Similarly, marketing professionals at the Company's suburban newspapers work closely with circulation sales professionals to determine promotional activities, including special offers, sampling programs, in-store kiosks, sporting event promotions, dealer promotions, and community event participation.

I. Employees and Labor Relations

21. As of March 31, 2009, the Company had 2,171 employees. Approximately 45% of the Company's employees were represented by 18 collective bargaining units. Direct employee costs (including salaries, wages, severance, fringe benefits, employment-related taxes and other direct employee costs) were approximately 52% of the Company's revenue in the year ended December 31, 2008. Contracts covering approximately 10% of union employees will expire or are being negotiated in 2009.

J. Printing Facilities, Other Properties, and Distribution

22. The Company operates three printing facilities and generally prints multiple publications at each of its printing facilities. In Chicago, the Company owns a 320,000 square foot, state of the art printing facility that houses the production for the *Chicago-Sun Times* and certain other of the Company's publications. This facility houses printing presses with the quality and speed necessary to compete effectively with the other regional newspaper publications such as the *Chicago Tribune*. In October 2004, the Company relocated its editorial, pre-press, marketing, sales and administrative activities to a 127,000 square foot leased property in downtown Chicago.

23. The Company also owns a 100,000 square foot printing facility in Plainfield, Illinois and leases a 65,000 square foot building in Northfield, Illinois. The Plainfield facility houses pre-print, sales, administrative, and certain editorial functions with respect to the

Company's daily and weekly newspapers for those suburbs located nearby. The Northfield production facility houses the pre-print functions for the Pioneer Press Group and is responsible for printing the main body of most of its weekly newspapers. In order to provide advertisers with more color capacity, certain sections of the Pioneer Press Group's newspapers are printed at the Chicago facility.

24. The Company owns a building in north suburban Chicago that houses the Pioneer Press Group's editorial, pre-press, sales and administrative activities, and the Company leases several satellite offices for Pioneer's editorial and sales staff in surrounding suburbs. The Company leases office space in a building in Aurora, Illinois, which it uses to house editorial, sales and support functions for several of its daily newspapers and related products in the western and southwestern Chicago suburbs. Lastly, the Company also owns buildings in Tinley Park, Illinois and Merriville, Indiana which it uses for editorial, pre-press, marketing, sales and administrative activities with respect to the Company's suburban newspapers in those areas.

25. In 2007, the Company entered into a contract with Tribune Company for home delivery and suburban single-copy delivery of the *Chicago Sun-Times* and most of its suburban publications. As a result of the Company's distribution agreement, all the Company's distribution centers (with the exception of one) have been vacated. The Company continues to distribute single-copy editions of the *Chicago Sun-Times* within the city of Chicago and continues to operate its sales and billing functions, with the exception of single-copy billing in the suburbs, which is performed pursuant to the terms of the distribution agreement with the Tribune Company.

K. Competition

26. 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, including free internet sites, as well as with other newspapers having local, regional or national circulation. The Chicago metropolitan region is served by 13 local daily newspapers of which the Company owns eight. 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 Company newspapers face competition from other newspapers published in adjacent or nearby locations and circulated in the Chicago metropolitan area market, as well as newspapers with national distribution, such as the *New York Times*, the *Wall Street Journal* and the *USA Today*.

II. Events Leading to These Chapter 11 Cases

27. The Company commenced these chapter 11 cases as part of an overall strategy to restructure operations and pursue strategic options. As a result of the global financial crisis, the Company has steadily been losing advertising revenue as advertisers slash their budgets. The Company is at risk of running out of cash quickly unless it obtains relief from some of its prepetition obligations. In addition, and as described in more detail below, the Company is facing a $510 million tax claim.

28. The Company believes that filing these chapter 11 cases is the most effective method of maximizing value for the Company's stakeholders. While unfortunate, the Company believes that this filing will lead to a stronger, more valuable business enterprise. As the Company continues to explore restructuring alternatives, the Company may also pursue a sale of substantially all of their assets pursuant to Bankruptcy Code § 363.

A. The Newspaper Industry and the Company Are in a Crisis

29. The domestic newspaper industry has been crippled by an unprecedented and severe decline in advertising revenue—specifically print advertising revenue. This decline has built up over several years as a result of, among other things, declining circulation brought on by

the emergence of new media, most notably the internet. Recently, however, the economic recession and dislocation of the credit markets have accelerated and exacerbated this crisis. According to published industry sources, the print advertising market decline hit 20% in the fourth quarter for 2008, with six major companies reporting fourth quarter declines in print advertising revenue between 18% to 22%. Many of the economic activities and industries on which newspapers rely the most for their advertising revenues, the auto and housing sectors and employment advertising, for example, have been the hardest hit in the current economic downturn. In common with many industries, it is difficult for newspaper publishers to adjust their operating costs with respect to goods and services that are essential to a company's business operations. As a result of these negative trends, many newspaper and media companies around the country have been forced to dramatically reduce operating costs, restructure operations and rethink business models to offset revenue declines. Notably, in the last few months alone, many prominent newspapers companies have commenced chapter 11 cases, including, most recently, the Journal Register Company, the Star Tribune Holdings Corporation, the Philadelphia Newspapers LLC and the Tribune Company.

30. The Company has experienced a significant reduction in profitability and cash flow due in large part to this substantial and increasing decline in print advertising revenue. During the fourth quarter 2008, the Company experienced an 18.2% drop in print advertising revenue. Although the Company has maintained circulation for the last four quarters, the decline in advertising revenue has been overwhelming and has caused the Company's financial performance to decline materially. Indeed, the Company's current outlook on advertising remains grim. The Company anticipates a continued decline in advertising revenue of approximately 30% throughout 2009.

B. Internal Revenue Service Proposed Audit Adjustments

31. As of December 31, 2008, the Company's balance sheet reflected $608 million of accruals intended to cover contingent liabilities regarding additional income taxes and interest it may be required to pay. The accruals cover contingent tax liabilities primarily related to items that had been deducted when calculating the Company's taxable income, which deductions may be disallowed by the Internal Revenue Service (the "IRS").

32. In January 2008, the Company received an examination report from the IRS setting forth proposed adjustments to the Company's U.S. income tax returns from 1996 to 2003 totaling approximately $510 million. The Company disputes significant portions of this tax liability and is currently appealing the IRS' audit ruling. If the deductions are disallowed, the Company may be required to pay up to $510 million in additional taxes and interest and may also be subject to certain penalties. Currently, the Company does not have the cash resources to satisfy such a claim.

III. Cost-Cutting Initiatives and Outlook

33. The Company is aggressively pursuing cost reductions in response to declining advertising revenue. Newsprint and production costs have been minimized through reductions in page sizes and balancing of editorial versus advertising content. The Company intends to pursue productivity enhancements in other areas, including outsourcing where appropriate. Headcount and other operating costs in all areas will continue to be adjusted as required by changes in the Company's business and operations.

34. The Company's current business plan for the fiscal year 2009 is focused on a program of cost-reductions and was developed based on an anticipated 18% decline in print advertising revenue in 2009. Worse than expected print advertising revenue declines in 2009 have caused the Company to augment its business plan with additional initiatives and programs

designed to further reduce costs and enhance revenues. This business plan includes projects with the potential for up to $60 million in cost reductions and margin improvements to the Company's bottom line in 2009. While in chapter 11, the Company intends to continue to leverage its position in the Chicago metropolitan area to drive market share growth by delivering local content to readers and emphasizing the reach of the Company's network in both print and internet media.

35. The Company's weakened financial position is partly the result of events and actions which took place several years ago, which continue to burden the Company. Among those are legacy issues dating from the former management, including Conrad M. Black, among others, which are well-known to the public. It is the Debtors' hope that these chapter 11 cases will permit the Company to make strategic changes that were not possible before due to these legacy liabilities.

PART II

SUMMARY OF FIRST DAY MOTIONS

36. To enable the Debtors to minimize the adverse effects of the commencement of these chapter 11 cases on their ongoing business operations and promote a smooth transition to chapter 11, the Debtors have requested various relief in their First Day Motions.[2] Receiving Court approval of the relief sought in the First Day Motions is essential to giving the Debtors an opportunity to work towards a successful outcome in their chapter 11 cases.

37. Several of the First Day Motions request authority to pay certain prepetition claims. Rule 6003 of the Federal Rules of Bankruptcy Procedure provides that "except to the

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2 Capitalized terms used but not otherwise defined herein shall have the meanings set forth in each individual First Day Motion.

extent relief is necessary to avoid immediate and irreparable harm," the Court shall not consider motions to pay prepetition claims during the first 20 days following the filing of a chapter 11 petition. Accordingly, as set forth below, the Debtors have narrowly tailored those requests to circumstances where the failure to pay such claims would cause immediate and irreparable harm to the Debtors and their estates.

Administrative Motions

I. Motion of the Debtors for an Order Directing Joint Administration of Their Related Chapter 11 Cases (the "Joint Administration Motion")

38. Many of the motions, hearings and orders that will arise in these chapter 11 cases will jointly affect each and every Debtor. I believe entry of an order directing joint administration of these cases will permit the Debtors to reduce fees and costs in connection with the administration of these cases by avoiding the duplication of effort associated with, for example, filing multiple duplicative documents in the Debtors' various individual cases, monitoring each of the Debtors' individual dockets and maintaining individual case files for each of the Debtors that will largely duplicate one another. I believe that joint administration of these chapter 11 cases will not harm creditors' rights and that constituents will actually benefit from the cost reductions associated with the joint administration of these cases.

Retention Related Motions

II. Debtors' Application for Entry of Order Authorizing the Debtors to Employ and Retain Kurtzman Carson Consultants LLC as Notice, Claims and Solicitation Agent (the "KCC Retention Application")

39. The Debtors seek to retain and employ Kurtzman Carson Consultants LLC ("KCC") to act as the Debtors' notice, claims and solicitation agent in connection with their chapter 11 cases. I believe that the retention of KCC is the most effective and efficient manner

of noticing the thousands of creditors and parties in interest of the filing of these chapter 11 cases and other developments related to the Debtors' chapter 11 cases.

Operational Motions

III. Debtors' Motion for Entry of Order Authorizing the Debtors to Reject (a) Certain Unexpired Leases of Nonresidential Real Property *Nunc Pro Tunc* to the Petition date and (b) Certain Executory Contracts (the "Lease and Contract Rejection Motion")

40. The Debtors are in the process of consolidating their operations, part of which involves terminating burdensome contracts in order to minimize costs and strengthen the businesses. I believe it is a sound exercise of the Debtors' business judgment to reject the following unexpired leases and executory contracts:

(a) The Debtors are party to a lease of nonresidential real property at 1880 W. Fullerton Avenue in Chicago, Illinois (the "Fullerton Lease"). The Fullerton Lease expires on May 31, 2010. Prior to the Petition Date, the Debtors completely vacated the premises and the Debtors do not intend to utilize the premises in the future.

(b) The Debtors also are party to a lease of nonresidential real property at 291 N. Dunton Avenue in Arlington Heights, Illinois (the "Dunton Lease"). The Dunton Lease expires on November 30, 2009. Prior to the Petition Date, the Debtors completely vacated the property and the Debtors do not intend to utilize the premises in the future.

(c) The Post-Tribune Company LLC, one of the Debtors, is party to two License Agreements with ProQuest Company ("ProQuest"), f/k/a Bell & Howell Information and Learning Company, dated as of April 27, 2000 (collectively, the "License Agreements"). Pursuant to the License Agreements, the Debtors provide ProQuest with electronic and physical copies of certain of their publications and grant ProQuest certain non-exclusive rights to reproduce, transmit and distribute the publications in photographically reproduced ("Microform") and electronic formats. In return, ProQuest (i) provides the Debtors with Microform copies of the publications and (ii) pays royalties based on the net revenues ProQuest generates in the distribution, sales, transmittal or licensing of the Debtors publications in Microform or electronic formats. I believe the License Agreements are not necessary to the operation of the Debtors' business and the benefits received pursuant to the License Agreements do not justify the obligations incurred.

(d) The Debtors also are parties to approximately 50 executory agreements with certain current and former employees in various levels of management (collectively, the "Severance Agreements"), which require the Debtors to pay severance and related benefits to such employees upon termination. These current and former employees are subject to various obligations that are beneficial to the Debtors, including non-compete, non-solicitation and confidentiality clauses as well as a promise to sign a release. In addition, the Debtors are parties to certain executory oral agreements with approximately nine current and former employees under which the Debtors are obligated to make a cash payment to these employees and former employees on the first to occur of (a) February 12, 2011, so long as still employed; (b) a severance-event termination (generally, termination without cause or for good reason); or (c) retirement (collectively, the "Bonus Agreements"). Further, the Debtors are party to an employment agreement with myself (the "Employee Agreement"). I believe that the Severance Agreements, the Bonus Agreements, and the Employment Agreement are no longer beneficial or necessary to the Debtors' business operations and that rejection of these agreements is necessary to conserve resources for the benefit of the Debtors' stakeholders.

41. Accordingly, I believe that rejection of the foregoing unexpired leases and executory contracts is an exercise of the Debtors' sound business judgment.

IV. Debtors' Motion for Entry of an Order Authorizing, but not Directing, the Debtors to (a) Pay Certain Prepetition Wages, Salaries and Other Compensation, Reimbursable Employee Expenses, and Employee Medical and Other Benefits; (b) Continue Their Workers' Compensation Program and Other Benefit Programs; and (c) Pay Prepetition Amounts to Benefit Providers, Plan Administrators, Custodians, and Payroll Tax Agent (the "Wages Motion")

A. Debtors' Workforce

42. As of the Petition Date, the Debtors employ approximately 2,171 employees (collectively, the "Employees"), including approximately 207 part-time employees (the "Part Time Employees") and approximately 1,964 full-time employees (the "Full Time Employees"). Of the Full Time Employees, more than 1,400 are employed on an hourly basis and more than 560 are employed on a salaried basis. Further, more than 185 Part Time Employees are employed on an hourly basis and more than five are employed on a salaried basis. Approximately 45% of the Debtors' Employees are represented by unions and covered by various collective bargaining agreements (each, a "CBA").

43. While the Debtors prefer to use full-time staff to fill staffing vacancies, from time to time the demand for qualified professional staff exceeds available supply. Consequently, as of the Petition Date, the Debtors supplement their workforce with independent contractors consisting primarily of freelance writers and photographers (the "Independent Contractors"), a number of contract labor employees and temporary employees hired through employment agencies (the "Contract Labor Employees"), and four individuals who contract with the Debtors through personal services contracts (the "PSC Employees").

44. I believe that the skills and knowledge of the Debtors' Employees, Independent Contractors, Contract Labor Employees, and PSC Employees are essential to the Debtors' businesses and their effective reorganization. Thus, to ensure a smooth transition into chapter 11 and retain the continued availability of the Debtors' Employees' expertise, it is critical that the Debtors are able to satisfy all prepetition employee-related obligations as expected. Failure to satisfy prepetition Employee obligations during the first 20 days of these chapter 11 cases will jeopardize employee loyalty and trust, possibly causing employees to leave the Debtors' employ and severely disrupting the Debtors' operations at a critical juncture.

B. Wage, Commission and Bonus Obligations and Other Compensation

(a) Wages

45. The Debtors pay each Employee on a bi-weekly basis, in arrears. The Debtors have segmented their payroll process such that the Debtors issue payroll on every Friday. The Debtors' payroll obligations generally include wages, salaries, commissions and overtime compensation, as applicable. On average, gross wages paid to Employees total $2,000,000.00 on even weeks and $2,600,000.00 on odd weeks. I believe that as of the Petition Date, the Debtors owe approximately $3,270,000.00 on account of total gross wages to Employees.

(b) **Commissions**

46. The Debtors offer eight commission programs to approximately 310 Employees (collectively, the "Commission Programs"). These Commission Programs are an integral component of compensation for sales and marketing Employees. The majority of these Commission Programs offer the advertising sales personnel the ability to earn compensation based on the amount of sales print, media and online advertising space they sell within a given month and are paid monthly in arrears concurrent with such Employee's payroll date. Certain of the more senior positions earn a quarterly payout, and four vice-presidents earn their commissions on a yearly basis. Employees rely on the compensation earned under the Commission Program as part of their salaries. As of the Petition Date, I estimate that total earned and unpaid compensation under the Commissions Programs total approximately $450,000.00.

(c) **Bonuses**

47. As an incentive to encourage and reward outstanding performance, the Debtors also offer their Employees the opportunity to earn bonuses under several small incentive bonus programs (collectively, the "Bonus Programs"). The Employees are entitled to receive service awards accrued on each of their 5-year employment anniversaries with the Debtors. The service awards are paid to Employees in the applicable quarter of the anniversary year and range between approximately $100.00 and $500.00 with each 5-year anniversary of employment. Advertising sales personnel and other Employees are eligible to earn "spiff" bonuses at the discretion of advertising and publishing management and the program is budgeted to pay out $100,000.00 in 2009. Employees of the production departments are entitled to receive monthly bonuses for achieving certain waste reduction goals. Also, management of the Debtors can reward outstanding performance by Employees with one-time "spot" bonuses of up to $1,000.00.

As of the Petition Date, I estimate that the total amount of earned, but unpaid, bonuses under the Bonus Programs totals $200,000.00. The Debtors have no unpaid 2008 annual bonuses and have yet to adopt an annual bonus plan for 2009.

(d) Independent Contractor, Contract Labor Employee, and PSC Employee Compensation

48. The Debtors remit compensation to the Independent Contractors through their accounts payable process. Independent Contractors are paid either directly or through their employment agencies, on an as invoiced basis. On average, the Debtors pay a total of approximately $310,000.00 per month to Independent Contractors. As of the Petition Date, I estimate that the Debtors owe Independent Contractors approximately $310,000.00 as compensation for prepetition services. I do not believe that the Debtors owe any unpaid Independent Contractor in excess of the $10,950.00 priority cap imposed by Bankruptcy § 507(a)(4) (the "Priority Cap") on account of prepetition obligations.

49. The Debtors typically remit compensation on a bi-weekly basis for the Contract Labor Employees' services to the employment staffing agencies that refer such Contract Labor Employees and in some cases directly to the Contract Labor Employee. This compensation is remitted through the Debtors' accounts payable process. On average, the Debtors pay approximately $520,000.00 per month on account of approximately 175 Contract Labor Employees. As of the Petition Date, I estimate the Debtors owe Contract Labor Employees (or their respective agencies) approximately $425,000.00 as compensation for prepetition services. I do not believe that the Debtors owe any Contract Labor Employee (or his/her staffing agency on account of any given Contract Labor Employee) an amount in excess of the Priority Cap on account of prepetition obligations.

50. The Debtors remit compensation to the PSC Employees through their accounts payable process. PSC Employees are paid directly, on an as invoiced basis. On average, the Debtors pay a total of approximately $77,000.00 per month to PSC Employees. As of the Petition Date, I estimate the Debtors owe PSC Employees approximately $25,500.00 as compensation for prepetition services. The Debtors owe one PSC Employee approximately $12,646.00 on account of prepetition services rendered. This PSC Employee is a unique and valuable columnist for the Debtors and greatly enhances the Debtors' news business. In fact, the Debtors believe that a significant portion of the Debtors' readership reads the *Chicago Sun-Times* (print version or online) for this individual's pieces. This PSC Employee is not an insider and the compensation due and owing to such PSC Employees in excess of the Priority Cap is approximately $1,696.00.

C. Gross Pay Deductions, Governmental Withholdings and Payroll Taxes

51. The Debtors routinely deduct certain amounts from paychecks, including, without limitation, (a) garnishments, child support, service charges, union dues[3] and similar deductions and (b) other pre- and after-tax deductions payable pursuant to certain of the employee benefit plans discussed herein (such as an Employee's share of health care benefits and insurance premiums, contributions under flexible spending plans, 401(k) contributions, legally ordered deductions and miscellaneous deductions) (collectively, the "Deductions").

52. On average, the Debtors deduct approximately $1,040,000.00 from Employees' paychecks per pay period. As of the Petition Date, I estimate the Debtors' have collected approximately $3,420,000.00 on account of these Deductions. The Debtors remit these

[3] The Debtors are current on their obligations to deduct and pay union dues and intend to continue to pay such dues.

Deductions to the appropriate third-party recipients. The Debtors, however, may not have forwarded certain of the Deductions relating to the prepetition period to the relevant third-party recipients prior to the Petition Date.

53. In addition to the Deductions, federal and state laws require the Debtors to withhold amounts related to federal, state and local income taxes, as well as Social Security and Medicare taxes, for remittance to the appropriate federal, state or local taxing authority (collectively, the "Withheld Amounts"). Further, federal and state laws require the Debtors to pay additional amounts for Social Security, Medicare and federal and state unemployment insurance (the "Employer Payroll Taxes," and together with the Withheld Amounts, the "Payroll Taxes"). The Debtors engage ADP as the Debtors' agent to remit to taxing authorities all Payroll Taxes. In the aggregate, Payroll Taxes, including both the Employee and employer portions, total approximately between $680,000.00 and $1,240,000.00 per pay period. As of the Petition Date, I do not believe the Debtors owe any amounts on account of prepetition Payroll Taxes.

D. Unpaid Compensation.

54. On average, the Debtors' gross payroll totals approximate between $2,000,000 and $2,600,000.00 per weekly period (depending on which portion of Employees is to be paid that particular week). The Debtors' gross payroll may vary due to payments under the Commission Programs and Bonus Programs. As discussed, the Debtors owe approximately $4,680,500.00 on account of accrued wages, salaries, commissions, bonuses and other compensation (excluding reimbursable expenses and vacation pay) earned prior to the Petition Date.

E. Other Outstanding Payments to Employees, Independent Contractors, Temporary Employees and PSC Employees

55. Certain Employees, Independent Contractors, Contract Labor Employees and PSC Employees may be entitled to Unpaid Compensation because (a) discrepancies may exist between the amounts paid and the amounts that should have been paid and (b) some payroll or invoice checks issued prior to the Petition Date may not have been presented for payment or may not have cleared the banking system.

F. Reimbursable Expenses

56. The Debtors reimburse Employees (as well as members of the Debtors' boards of directors) for certain expenses incurred in the scope of their employment (or board service) and on behalf of the Debtors (collectively, the "Reimbursable Expenses"). The Reimbursable Expenses include, without limitation, professional organization, relocation, temporary housing, business-related travel and client entertaining expenses. In the aggregate, the Debtors' Employees and directors incur, on average, approximately $320,000.00 per month in Reimbursable Expenses and currently have approximately $31,000.00 owing on account of uncashed checks to Employees for Reimbursable Expenses. Typically, the Debtors reimburse Employee's for Reimbursable Expenses directly through their accounts payable system after processing and approving the expense and the Debtors are generally current on such Reimbursable Expenses. Although the Debtors request Employees and directors to submit reimbursement requests promptly, not all requests are timely submitted. Accordingly, as of the Petition Date, I estimate the Debtors owe approximately $460,000.00 on account of prepetition Reimbursable Expenses.

57. Certain of the Debtors' employees use company expense cards (the "Company Cards") to pay certain Reimbursable Expenses. Employees submit expense reports for items

charged to the Company Cards. Amounts owed on the Company Cards are primarily the Debtors' obligations, but in some instances the Employees and directors who incurred the Reimbursable Expenses may become personally liable for them to the extent that the Debtors do not pay such obligations.

G. Employee Benefits

58. The Debtors maintain various employee benefit plans and policies, including, without limitation, health care, dental and vision plans, vacation time and other paid leaves of absence, 401(k) retirement savings plans, flexible benefit plans, life insurance, pensions programs, short- and long-term disability insurance and education assistance (the "Employee Benefit Program"). The Employee Benefit Program includes both amounts deducted from Employee paychecks, as discussed above, and contributions by the Debtors.

(a) Medical, Vision and Dental Plans

59. All Employees who regularly work (the "Eligible Employees") and their dependents are eligible to receive medical, vision and dental insurance (the "Health Care Plan"), including prescription drug coverage.[4] The following is a brief summary of each Health Care Plan:

(1) **Medical Plans**. Through six fully-insured medical plans, which include prescription drug coverage (the "Medical Plans"), the Debtors offer the Eligible Employees and their dependents healthcare coverage. The Debtors pay approximately $1,600,000.00 per month on account of the Medical Plans. Approximately 1,865 Employees are covered under the Medical Plans. As of the Petition Date, I believe that the Debtors do not owe any prepetition amounts on account of Medical Plan obligations.

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[4] Eligibility for participation in the Health Care Plan varies among the Debtors' various unions. Union Employees who meet eligibility criteria pursuant to the applicable CBAs are considered "Eligible Employees" for purposes of this Declaration.

(A) Currently, approximately 1,270 Eligible Employees participate in the Blue Edge PPO and HMO Illinois plans sponsored by Blue Cross Blue Shield of Illinois. The BlueEdge PPO has a healthcare account (HCA) provision pursuant to which the Debtors fund 50% of the employee deductible, which annual deductibles range from $1,000.00 to $3,000.00 and an enrolled Employee may rollover any unused funds up to a limit of four times the deductible. The Debtors average monthly expense in respect of this program is approximately $60,000.00.

(B) Currently, approximately 120 Eligible Employees participate in a Blue Cross Blue Shield PPO plan through BCBS of Indiana.

(C) Currently, approximately 265 Eligible Employees participate in Aetna's HMO and PPO plans sponsored by St. Consul pursuant to a CBA.

(D) Currently, approximately 65 Eligible Employees participate in the Graphic Communications Conference of the International Brotherhood of Teamsters ("GCIU") plan sponsored by Graphic Communications International Union and BCBS pursuant to a CBA.

(E) Currently, approximately 5 Eligible Employees participate in the Graphic Communications International Union plan sponsored by GCIU pursuant to a CBA.

(F) Currently, approximately 135 Eligible Employees participate in the Drivers H/W plan sponsored by the Central States Plan pursuant to a CBA.

(2) **Dental Plans.** Through five fully-insured dental plans and one self-insured dental plan (the "Dental Plans"), the Debtors offer the Eligible Employees and their dependents dental care coverage. The Debtors pay approximately $45,000.00 per month on account of the Dental Plans. Approximately 1,906 Employees are covered under the Dental Plans. As of the Petition Date, I believe that the Debtors do not owe any prepetition amounts on account of Dental Plan obligations.

(A) Currently, approximately 143 Eligible Employees participate in the Delta Dental PPO plan.

(B) Currently, approximately 1,260 Eligible Employees participate in three MetLife PPO dental plans, which is self-insured by the Debtors and the Debtors pay approximately $56,000.00, including a premium of $5,229.00 and additional claims per month on the account the MetLife PPO dental plans.

(C) Currently, approximately 285 Eligible Employees participate in Aetna's DMO dental plan.

(D) Currently, approximately 190 Eligible Employees participate in various PPO and HMO dental plan options sponsored by Guardian pursuant to a CBA.

(E) Currently, approximately 26 Eligible Employees participate in a PPO dental plan sponsored by National IAM Benefit Trust.

(3) **Vision Plans**. Through four fully-insured vision plans (the "Vision Plans"), the Debtors offer the Eligible Employees and their dependents vision care coverage. The Debtors pay approximately $20,000.00 per month on account of the Vision Plans. Approximately 1,500 Employees are covered under the Vision Plans. As of the Petition Date, I believe that the Debtors do not owe any prepetition amounts on account of Vision Plan obligations.

(b) Flexible Benefit Plans.

60. The Debtors also offer Employees the ability to contribute a portion of their pre tax compensation to flexible spending accounts to pay for eligible out-of-pocket health care, dependant care and transportation and parking expenses (the "Flexible Benefit Plan"). SHPS administers the Flexible Benefit Plan and the Employees' flexible spending accounts ("FSAs"). Currently, approximately 151 Employees participate in the healthcare Flexible Benefit Plan, 15 Employees participate in the dependant care Flexible Benefit Plan and 17 Employees participate in the transportation and parking Flexible Benefit Plan. The administration of this Flexible Benefit Plan costs the Debtors approximately $1,200.00 per month and the Debtors pay out approximately $27,000.00 per month in eligible employee expense reimbursements. The Debtors withhold approximately $27,000.00 per month on account of Employee contributions to the Flexible Benefit Plan for all the eligible expense reimbursements. As of the Petition Date, I estimate the Debtors do not owe any prepetition amounts on account of administrative costs relating to the Flexible Benefit Plan, and have collected approximately $81,000.00 in Employee contributions to the Flexible Benefit Plan for 2009.

(c) Vacation, Short-Term Leave and Leaves of Absence.

61. Vacation. The Debtors provide vacation time to their Employees as a paid time-off benefit (the "Vacation Time"). Up to five weeks of vacation time can be accrued each year by each Employee depending on each Employee's length of service with the Debtors and any applicable CBAs. The Debtors do not permit Employees to carryover Vacation Time from one year to another. Depending on the applicable vacation policy and/or CBA, vacation time may be accrued on a pro-rata basis throughout the year or accrued for the entire year on the first day of an applicable calendar or anniversary year (after an employee completes a year of service for the prior year). When an Employee elects to take Vacation Time, an Employee is paid his or her regular hourly or salaried rate. Upon termination of employment, Employees will receive vacation pay for their accrued and unused vacation in accordance with their respective CBA or the Debtor's policy if no CBA is applicable.

62. If an Employee leaves the Debtors' employ, whether voluntarily or involuntarily, his or her accrued and unused Vacation, if any, will be calculated and cashed out in a final paycheck. As of March 31, 2009, the Debtors have accrued approximately $7,985,000.00 on account of unused Vacation Time. The Debtors believe that when Vacation Time is factored into Unpaid Compensation for certain Employees, such Employees may be owed more than the Priority Cap, however, I believe that the Debtors' Vacation Policy should continue because: (a) the Debtors may be obligated to observe such obligations under Illinois state law; (b) the Debtors have just discontinued the Basic Severance Plan (as defined below) and the concurrent discontinuation of the Vacation Time policy may be a significant and severe disruption to Employee morale; and (c) the amount of Vacation Time is not a current cash payment obligation as Employees are entitled to be paid for accrued and unused Vacation Time only in the event the Employees leave the Debtors' employ.

63. Short-Term Leave. In addition, in the ordinary course of business, Employees may be eligible for paid short-term leave for illness, injury, other emergency situations and bereavement leave (the "Short-Term Leave"). The amount of Short-Term Leave available varies by type of Employee and length of employment. The Debtors do not accrue Short-Term Leave for their Employees. Short-Term Leave is not reflected as a liability on the Debtors' balance sheet and is paid when due through current payroll procedures.

64. Leaves of Absence. The Debtors also allow their Employees to take certain other leaves of absence for personal reasons, many of which are required by law (the "Leaves of Absence"). Leaves of Absence include family, school, partnership leave, family medical leave, family care leave, pregnancy leave and military leave. The Debtors do not accrue Leaves of Absence for their Employees and do not reflect Leaves of Absence as a liability on their balance sheet. As of the Petition Date, there are approximately 65 Employees on Leaves of Absence.

(d) Retirement Savings Plans.

65. The Debtors maintain three retirement savings plans: (a) the Sun-Times Media Group, Inc. 401(k) Retirement Plan, (b) the Chicago Sun-Times Pre-Tax Advantage Savings System and (c) the Pioneer Newspapers, Incorporated, Editorial Employees 401(k) Plan, with Prudential, for the benefit of eligible Employees meeting the requirements of Internal Revenue Code § 401(k) (collectively, the "401(k) Plans"). I estimate the Debtors deduct approximately $522,000.00 each month from the Employees' paychecks.

66. Approximately 1,550 Employees currently participate in the Hollinger/Sun-Times Media Group 401(k). The Sun-Times Media Group, Inc. 401(k) Retirement Plan has a discretionary profit sharing component, under which the Debtors' contributed approximately $725,000.00 for 2008. Such payments have historically been made in the first quarter of the following year and all 2008 contributions have been paid. Additionally, approximately 200

Employees have borrowed against their Sun-Times Media Group, Inc. 401(k) Retirement Plan accounts, and the Debtors withhold approximately $11,200.00 per weekly pay period on account of repayment of these loans.

67. Approximately 373 Employees currently participate in the Chicago Sun-Times Pre-Tax Advantage Savings System. Pursuant to one of the CBAs, the Debtors contribute an amount equal to one percent (1%) of certain Employees' bi-weekly straight-time wages for 38 Employees, such that the monthly amount is approximately $1,200.00. Additionally, approximately 90 Employees have borrowed against their Chicago Sun-Times Pre-Tax Advantage Savings System accounts, and the Debtors withhold approximately $5,600.00 per weekly pay period on account of repayment of these loans.

68. Approximately 190 Employees currently participate in the Pioneer Newspapers, Incorporated, Editorial Employees 401(k) Plan. Pursuant to one of the CBAs, the Debtors make contributions of $0.50 per hour for each hour paid to a maximum of 37.5 hours per week for 163 Employees, such that the monthly amount is approximately $5,600.00 and the outstanding aggregate amount owed to such plan is approximately $60,000.00 to the extent current monthly contributions remain the same through the relevant term. Additionally, approximately 30 Employees have borrowed against their Pioneer Newspapers, Incorporated, Editorial Employees 401(k) Plan accounts, and the Debtors withhold approximately $1,500.00 per weekly pay period on account of repayment of these loans.

(e) Life and Disability Insurance.

69. The Debtors provide certain life insurance and disability benefits to certain Employees. There are approximately 2,260 Employees that participate in basic life insurance coverage through the Debtors' Employee benefits program with Aetna ("Basic Life Insurance"). The Debtors pay approximately $25,000.00 a month for the Basic Life Insurance. As of the

Petition Date, I believe that the Debtors do not owe any prepetition amounts on account of the Basic Life Insurance. Aetna also provides supplemental life insurance coverage ("Supplemental Life Insurance"). Approximately 580 participants, 397 Employees, 199 Spouses and 84 dependents participate in the Supplemental Life Insurance program and the monthly premiums of approximately $16,200.00 are paid entirely by participating Employees. Approximately 14 Employees participate in universal life insurance coverage provided by Guardian and the monthly premiums of approximately $600.00 are paid entirely by participating Employees. In addition, the Debtors provide Employees with short-term disability benefits through (a) Aetna at the Debtors' Fox Valley location for 417 Employees or (b) on a self-funded basis. The Debtors pay approximately $960.00 a month in premiums for the short-term disability insurance provided by Aetna at the Debtors' Fox Valley location.

70. The Debtors provide long term disability insurance to approximately 1,500 Employees through Aetna ("Long Term Disability Benefits") and the monthly premiums of approximately $20,000.00 are paid entirely by the Debtors.

(f) Executive Life and Disability Insurance.

71. The Debtors provide life insurance benefits to five executives through American General, Lincoln Benefits and Prudential ("Executive Life Insurance"). The Debtors pay approximately $2,346.00 a month for the Executive Life Insurance. The Debtors further provide disability insurance to four executives through ACE and Lloyds of London ("Executive Disability Insurance"). I estimate that the Debtors pay approximately $721.00 a month for the Executive Disability Insurance.

(g) Travel and Accident Insurance.

72. The Debtors provide Business Travel Accident Insurance through ACE to all Employees which has a maximum benefit of $100,000.00 per person. I estimate that the

Debtors' obligations for premiums to ACE for the Business Travel Accident Insurance are approximately $1,500.00 a month.

(h) Accident and Dismemberment Insurance.

73. The Debtors provide Accident and Dismemberment Insurance through Life Insurance Company of North America. This insurance is fully funded by the approximately 90 Employees enrolled in the insurance and the Debtors' obligations are $600.00 a month, subject to off-set through Deductions.

(i) Education Assistance.

74. The Debtors maintain an education assistance program, available to Employees who enroll in an approved educational program. Prior to the Petition Date, there were approximately 13 Employees participating in the education assistance program at a total cost to the Debtors of approximately $2,500.00 per month. As of the Petition Date, I estimate the Debtors owe approximately $5,000.00 on account of the education assistance program.

(j) Retiree Benefits.

75. Approximately 15 of the Debtors' retirees receive medical insurance and prescription drug benefits for the duration of their respective lives (the "Retiree Medical Plan"). I estimate that the Retiree Medical Plan costs the Debtors approximately $7,500.00 a month and I estimate that the total prepetition liability for the Retiree Medical Plan is approximately $250,000.00.

76. Approximately five of the Debtors' retiree union members receive medical benefits for a five year period ("Retiree Medical Plan 2"). The Debtors estimate that the total prepetition liability for the Retiree Medical Plan 2 is approximately $51,358.00.

77. Approximately 78 of the Debtors' retirees receive medical insurance and prescription drug benefits for periods ranging from three to 12 months based on service at the

Debtors (the "Short Term Retiree Medical Plan"). The Debtors estimate that the Short Term Retiree Medical Plan costs the Debtors approximately $60,000.00 a month and the Debtors estimate that the total prepetition liability for the Short Term Retiree Medical Plan is approximately $400,000.00

78. Approximately 410 retirees and eligible family members receive term life insurance benefits pursuant to company retirement policies (the "Retiree Insurance Plan"). The Debtors estimate that the Retiree Insurance Plan costs the Debtors approximately $100.00 per month.

(k) Pensions Programs.

79. As of the Petition Date, the Debtors maintain seven pension plans (collectively, the "Pension Plans"). Of the seven pension plans, only one plan, the Chicago Sun-Times Guild Employees' Pension Plan, actively accrues additional benefits (the "Active Pension Plan"). The remaining six Pension Plans were amended by the Debtors to disallow new participants into the plans and to cease benefit accruals for existing plan participants (the "Frozen Pension Plans").[5] As of the Petition Date, the Active Pension Plan has 142 active participants.

80. The Debtors contributed an aggregate amount of $3,954,785.00 to the Pension Plans in 2008, which included $1,875,250.00 to the Frozen Pension Plans and $2,079,535.00 to the Active Pension Plan. As of the Petition Date, the Debtors estimate that the 2009 contributions to the Pensions Plans will be approximately $4,390,672.00, which are estimated to

[5] The Frozen Pension Plans include: (a) Chicago Sun-Times Office Employees' Pension Plan, (b) 1986 Chicago Sun-Times Pension Plan, (c) Retirement Plan for Employees of Star Publication, Inc., (d) Pioneer Press Retirement Plan, (e) Retirement Plan for Bargaining Employees of Daily Southtown, Inc. and (f) Holladay-Tyler Printing Corporation Pension Plan for Salaried Employees.

include approximately, $2,344,350.00 to the Frozen Pension Plans and $2,046,322.00 to the Active Pension Plan.

(1) **Multiemployer Pension Plans**

81. As of the Petition Date, the Debtors contribute to six multiemployer pension plans (the "Multiemployer Pension Plans").[6] The Debtors contributed an aggregate amount of $3,160,000.00 to the Multiemployer Pension Plans in 2008. As of the Petition Date, the Debtors estimate that the 2009 contributions to the Multiemployer Pensions Plans will be approximately $2,740,000.00.

H. Voluntary and Involuntary Severance Programs

82. Prior to the Petition Date, the Debtors pursued a series of voluntary and involuntary severance initiatives to eliminate workforce redundancies and certain personnel (the "Severance Programs"). The Debtors have the following severance plans: (a) a basic severance plan for which certain non-union employees are eligible (the "Basic Severance Plan"), (b) severance and dismissal plans instituted in accordance with the various CBAs to which the Debtors are party (the "CBA Mandated Severance Plans") and (c) approximately 50 severance agreements for employees in various levels of management (the "Key Employee Severance Agreements"). The Basic Severance Plan awards one week of severance pay for every six month period of completed service with a maximum of 52 weeks severance pay while the CBA Mandated Severance Plans offer similar awards, but in some instances have lower or higher maximum severance and/or dismissal payments.

6 The Multiemployer Pension Plans are (a) ITU Negotiated Pension Plan, (b) GCIU Employer Retirement Fund, (c) IAM National Pension Fund, (d) CNP (Amalgatrust), (e) Central Pension Fund and (f) GCIU Supplemental.

I. Workers' Compensation.

83. The Debtors provide workers' compensation insurance for the Employees at the statutorily required level (the "Workers' Compensation Program"). The Debtors place insurance policies to provide statutory workers' compensation benefits and employer's liability insurance with a commercial insurer, St. Paul Travelers, with one policy for Indiana (the "Indiana WC Policy") and one for all other states in which the Debtors operate (other than Indiana) (the "General WC Policy"). Under the General WC Policy, the Debtors agree to reimburse St. Paul Travelers for all claim costs up to $350,000.00 per claim. Under the Indiana WC Policy, the Debtors agree to reimburse St. Paul Travelers for all claim costs up to $100,000.00 per claim. The Debtors have an accrued aggregate liability of $4,100,000.00 as of March 1, 2009 for workers' compensation claims below the relevant policy deductibles and the Debtors pay approximately $132,000.00 per month in respect of claim reimbursements. The Debtors will pay annual insurance premiums to St. Paul Travelers for 2009 in an aggregate amount of approximately $411,000.00. As of the Petition Date, the Debtors have paid $207,500.00 in insurance premiums for 2009.

84. In short, I believe that the commencement of these chapter 11 cases will likely cause uncertainty and concern among the Debtors' employees. Nonpayment of compensation and benefits, in addition to imposing hardship on the employees, would likely also generate doubts regarding the stability of the Debtors and their prospects for reorganization. Failure to pay the employee obligations would undermine morale and create significant risk of attrition. Accordingly, I believe that the relief requested in the Wages Motion is in the best interests of the Debtors' estates and is necessary to prevent immediate and irreparable harm to the Debtors.

V. Debtors' Motion for Entry of Order Authorizing Debtors to (a) Continue Using Existing Cash Management System, Bank Accounts and Business Forms; and (b) Maintain Existing Investment Practices (the "Cash Management Motion")

85. The Debtors utilize a centralized cash management system (the "Cash Management System") to collect funds from their business operations and to pay operating and administrative expenses in connection therewith. The Cash Management System is managed primarily by the Debtors' financial personnel in their treasury department located at their headquarters in Chicago, Illinois. The Cash Management System is similar to those utilized by other companies of comparable size in the Debtors' industry to collect, concentrate, transfer, disburse and invest funds generated by operating entities in a cost-effective and efficient manner.

86. As of the Petition Date, the Debtors maintain or exercise signatory control over more than 44 bank accounts (the "Bank Accounts") established at various financial institutions (the "Banks"). Generally, the Bank Accounts fall into two categories: (a) operating accounts comprised of collection accounts used for revenue collection and disbursement accounts used for all employee-related, general operating and administrative business payments (the "Operating Accounts"); and (b) corporate-level, non-operating accounts used to manage and direct funds for the Debtors' investment and business needs (the "Corporate Accounts"). A summary of the Debtors' Bank accounts as of the Petition Date is as follows:

A. Operating Accounts - Collection Accounts

(1) Collection Accounts

(A) Concentration Account. The focal point of the Debtors' Cash Management System is the main operating account (Account No. xxx5939) at Bank of America, N.A. ("BofA"), which serves as the ultimate collection point for all funds moved into and through the Cash Management System (the "Concentration Account"). The Concentration Account holds and supplies cash to all other accounts, as necessary. Any excess cash remaining in the Concentration Account at the end of the day above a $6,500,000.00 "peg amount" is swept into the sweep account at

BofA (Account No. xxx199.7). In addition to funds from the BOA depository and lockbox accounts that are transferred to the Concentration Account, authorized employees of the Debtors make disbursements from time to time based on business operating needs of the Debtors from the Corporate Accounts into the Concentration Account. The Debtors also maintain a demand deposit account at JPMorgan Chase ("JPM") for managing activity of The Post Tribune Company (Account No. xxxxxxxx9034). Funds from the JPM demand depository account are transferred to the Concentration Account from time to time.

(B) Depository Accounts. The Debtors maintain six depository accounts at BofA. These accounts are used to facilitate a convenient collection process for revenue generated by the sale of newspaper advertisements and subscriptions, as well as revenue from the various websites operated by the Debtors. Funds from the five BofA depository accounts are initially swept via automated, zero-balance account transfers to the Concentration Account.

(C) Lockbox Accounts. The Debtors maintain seven lockbox accounts at BOA and two lockbox accounts at JPM. The lockbox accounts are used in conjunction with the BofA depository accounts and the JPM demand deposit account to assist in providing a convenient collection process for both local and national customers. Funds in the BofA lockbox accounts are automatically transferred twice daily to the Concentration Account.

(2) **Disbursement Accounts**

(A) Payables Account. The Debtors maintain one account at BofA for general accounts payable (Account No. xxxxxx4538). This is a zero-balance account that is funded from the Concentration Account as needed to satisfy the Debtors' general non-payroll operating obligations.

(B) Payroll Accounts. The Debtors maintain five payroll accounts at BofA and one payroll account at JPM exclusively used to fund all employee payroll, certain benefits and withholding obligations. The BofA payroll accounts are funded from the Concentration Account on Wednesday and Thursday of each payroll period. The JPM payroll account is funded from the JPM demand deposit account. The payroll accounts disburse funds via check and direct deposit. The Debtors' employees are paid bi-weekly. The employees of the Sun-Times newspaper and corporate employees, on the one hand, and the employees of all of the Debtors' other newspapers on the other hand, are paid in alternating weeks, so there are payroll disbursements each week.

B. Corporate Accounts - The Debtors maintain 17 Corporate Accounts. As more fully set forth below, the Corporate Accounts consist of non-operating accounts used for managing the Debtors' investments and periodically funding the Operating Accounts as needed, as well as certain restricted cash accounts. Additionally, the Debtors maintain certain dormant accounts at Wachovia Bank that are no longer actively used in the Debtors' Cash Management System and are in the process of being closed. In connection with the closure of such accounts, any remaining balances will be transferred to the BofA Accounts.

(1) **Active Corporate Accounts**. In the ordinary course of the Debtors' business, the Debtors utilize the following active corporate accounts:

(A) Corporate Deposit Accounts. The Debtors maintain demand deposit accounts ("DDAs") to fund investment and restricted cash accounts.

(B) Investment Accounts. Excess DDA cash (generally above a "peg" amount) is used to fund investment and sweep accounts consisting of short-term interest-bearing investments. Funds from the investment accounts are periodically transferred back to the DDAs based on the Debtors' business operating needs. All investments are made in compliance with the Debtors' Short Term Investment Policy as adopted on April 27, 2007 (the "Short Term Investment Policy").

(C) Restricted Cash Accounts. The Debtors maintain four restricted cash accounts, two at BofA, one at Fifth Third Bank and one at Wachovia Bank. The restricted cash accounts are used to collateralize approximately $10,271,715.00 of standby letters of credit as of March 25, 2009 (of which $9,248,601.00 and $1,023,114.00 of cash collateral was held at Fifth Third Bank and Wachovia Bank, respectively) and to backstop certain litigation and tax disputes in the aggregate amount of approximately $176,055.00. The standby letters of credit are required in connection with certain of the Debtors' operations (such as workers' compensation or real property leases). The letters of credit are required to be collateralized because the Debtors do not maintain lines of credit with the Banks. These standby letters of credit generally are not drawn upon (and therefore generally do not need to be replenished), but the Debtors' are restricted from using the cash collateralizing these letters of credit.

(2) **Dormant Accounts**. The Debtors have four DDAs at Wachovia Bank that are neither critical to the Debtors' Cash Management System or business needs. The Debtors are in the process of taking steps to close the dormant accounts. Funds in the dormant accounts will be transferred to BofA accounts.

87. The Cash Management System is similar to those commonly used by corporate entities of comparable size and complexity to the Debtors. Such systems provide numerous benefits, including, without limitation, the ability to: (a) quickly create status reports on the location and amount of funds, which allows management to track and control such funds; (b) ensure cash availability; and (c) reduce administrative costs through a centralized method of coordinating and tracking movement of funds. Indeed, the Debtors maintain current and accurate accounting records of all daily cash transactions.

C. The Debtors' Depository Banks

88. For each of the Banks at which the Debtors have accounts holding Debtor funds that are not party to a Uniform Depository Agreement with the Office of the United States Trustee for the District of Delaware (the "U.S. Trustee"), the Debtors intend to use their good faith efforts to cause the Bank to execute a Uniform Depository Agreement in a form prescribed by the U.S. Trustee within 30 days of the date of the Cash Management Order.

D. Intercompany Claims

89. The Debtors maintain business relationships with each other, resulting in intercompany receivables and payables (collectively, the "Intercompany Claims"). Indeed, in connection with the daily operation of the Debtors' business, as funds are disbursed throughout the Cash Management System at any given time, there may be Intercompany Claims owing by one Debtor to another Debtor (collectively, the "Intercompany Transactions"). The Debtors maintain records of all fund transfers and can ascertain, trace and account for Intercompany Transactions. At the same time, however, if the Intercompany Transactions were to be discontinued, the Cash Management System and the related administrative controls would be disrupted to the Debtors' detriment. The continued performance of the ordinary course

Intercompany Transactions is integral to ensuring the Debtors' ability to operate their business as debtors in possession.

E. Investment Practices

90. The Debtors adhere to certain prudent investment practices with regard to the Cash Management System (the "Investment Practices"), which have the primary goals of maximizing liquidity and preserving capital. It is the policy of the Debtors to invest in high-quality, short-term debt obligations in order to achieve the maximum yield consistent with safety of principal and maintenance of liquidity. I believe it is desirable to maintain the Debtors' excess cash in income-producing investments to the fullest extent possible. As part of their Cash Management System, the Debtors collect all of their operating cash in the Concentration Account, from which excess funds are automatically swept on a daily basis into sweep and investment accounts for investment in overnight money market funds and short-term interest bearing securities. Cash held in Corporate Accounts is similarly invested in money market funds, short-term interest bearing government securities and bank-backed certificates of deposit issued by large U.S. banks. All such investments are made by authorized persons in accordance with the Debtors' Short Term Investment Policy.

VI. Debtors' Motion for Entry of Order Authorizing, but not Directing, the Debtors to Continue to Maintain and Administer Customer Programs and Honor Prepetition Obligations Related Thereto (the "Customer Programs Motion")

91. The Debtors engage in certain practices to develop and sustain their positive reputations with subscribers, advertisers and the marketplace generally. The practices, many of which are customary in the Debtors' industry, include, among other things, prepayments, refunds, rebates, error credits, barter and trade agreements, billing adjustments, credit card programs and other programs (the "Customer Programs"). The Debtors' Customer Programs generate goodwill, meet competitive market pressures and ensure customer satisfaction, thereby

retaining current customers, attracting new ones and ultimately enhancing revenue and profitability. I believe that continuing all aspects of the Debtors' Customer Programs is essential to maximizing the value of their estates for the benefit of all creditors. Honoring prepetition commitments under the Customer Programs will benefit the Debtors and their creditors by allowing the Debtors' operations to continue without interruption. The Debtors estimate that prepetition obligations incurred by the Debtors pursuant to their Customer Programs are approximately $16,162,000.00 in the aggregate; however, the potential cash liability with respect to the Customer Obligations only is approximately $1,850,000.

92. Moreover, in an effort to maintain continuity with their relationships and business operations, the Debtors hope to continue during the postpetition period those Customer Programs that they believe were effective prepetition. The following is a summary of the Debtors' most significant Customer Programs:

A. Prepayments and Refunds

93. There are certain instances where the Debtors receive payments from their customers in advance of providing goods and services (the "Prepayments"). For instance, in the Debtors' newspaper businesses, approximately 50% of the newspaper's subscribers prepay for newspaper subscriptions before receiving the newspaper. The terms of these prepaid subscriptions range from four weeks to two years. The Debtors also receive payments from certain advertisers in advance of providing newspaper advertising space for such advertisers. For instance, the Debtors receive payments from certain small businesses and individuals for the purchase of classified advertisements two to five days before the publication of the advertisements in the newspaper. As of the Petition Date, I believe the Debtors are holding approximately $10,200,000.00 on account of Prepayments.

94. The Debtors generally do not incur actual cash liability on account of the foregoing Prepayments, but instead incur the obligation to deliver the prepaid newspaper or advertisements space. In certain instances, however, the Debtors are obligated to return unused prepaid amounts (the "Refunds"). For instance, certain retailers purchase newspapers from the Debtors to sell to third parties. To the extent these newspaper retailers do not sell all of their purchased copies to third parties, the Debtors refund the newspaper retailers the original purchase price of the unsold newspaper. As of the Petition Date, the Debtors estimate they owe newspapers retailers approximately $65,000.00. The Refunds to newspaper retailers typically take the form of credits applied to a particular newspaper retailer's account and thus the Debtors believe that, as of the Petition Date, their actual cash liability to newspaper retailers on account of Refunds is a *de minimis* amount. The Debtors also return prepaid subscription amounts to subscribers that cancel their subscription before the expiration of its term and to subscribers to newspapers that have been discontinued. The Debtors will not know the total amount of their obligations with respect to Refunds until they receive requests from their customers. However, as of the Petition Date, the Debtors estimate they owe a total of approximately $117,000.00 in potential cash payments on account of Refunds.

B. Advertising Programs

95. The majority of the Debtors' revenue comes from advertising, with the remainder mostly coming from subscriptions and singly copy newspaper sales. There are several types of Customer Programs related to the Debtors' advertising services (the "Advertising Programs"). The Debtors' Advertising Programs, each of which is described more fully below, include (a) advertising rebates and related discounts or price adjustments (the "Rebate Program"); (b) correction of improperly run ads (the "Error Credit Program"); and (c) barter agreements with advertisers for the mutual exchange of advertising services (the "Barter Program").

(a) Rebate Program

96. The Debtors offer rebates, allowances, discounts and other price adjustments (collectively, the "Rebates") to incentivize advertisers to purchase large volumes of print advertising from the Debtors. These Rebates are custom-negotiated by the Debtors and the advertisers to fit the specific demands of the advertisers or the needs of a particular vertical segment of the marketplace. The Rebate program is consistent with industry practice and has been done by the Debtors for several years.

97. Typically, the Debtors will accrue Rebates monthly, with such amounts paid in cash or otherwise credited to the advertiser monthly, quarterly or annually, depending on the specific terms of the applicable Rebate agreement. As of the Petition Date, I believe that there is approximately $385,000.00 of potential liability outstanding in connection with the Rebates. However, in light of the fact that many of these Rebates are granted in the form of additional advertisement space or credit applied to a particular advertiser's account, the Debtors believe that their actual cash liability to their advertisers with respect to Rebates is only approximately $38,500.00.

(b) Error Credit Program

98. Despite the Debtors' best efforts, given the size of the Debtors' print, media, and online advertising business, from time to time advertisements are run with errors or are otherwise not to the advertiser's satisfaction. To the extent such issues occur, under the Error Credit Program, the Debtors will re-run the advertisement at no additional charge. In certain limited circumstances, if an advertising error cannot be corrected by re-running the advertisement, the Debtors will issue a credit to the advertiser's invoice.

99. As of the Petition Date, I estimate that there may be as much as $1,400,00.00 of potential liability outstanding with respect to the Error Credit Program. However, because the

Debtors' primary obligations associated with the Error Credit Program are to rerun advertisements, or where necessary, to issue a credit to the advertiser's invoice, the Debtors do not believe that there are any cash payments outstanding to their advertisers as of the Petition Date on account of the Error Credit Program. I believe that their ability to continue providing the services rendered in connection with the Error Credit Program is an essential element of their print, media, and online advertising business.

(c) Barter Program

100. The Debtors have entered into agreements with certain advertisers whereby the Debtors exchange advertising space in their newspapers in return for services provided to the Debtors by the advertiser (the "Barter Agreements"). Thus, in some instances, instead of receiving a cash payment from the advertiser for the running of a particular advertisement or series of advertisements, the Debtors receive certain advertising services from the advertiser. Generally, the advertiser compensates the Debtors by agreeing to provide advertising and sales and marketing services. The Barter Agreements are custom-negotiated by the Debtors and the advertisers.

101. As of the Petition Date, I believe there is approximately $2,185,000.00 of potential liability in connection with the Barter Agreements. However, in light of the fact that the obligations under the Barter Agreements consist primarily of the obligation to provide future advertising services, the Debtors estimate that, as of the Petition Date, they do not have any potential cash liability with respect to the Barter Agreements. The Debtors' ability to continue performing their obligations under the Barter Agreements is an essential component to maintaining the satisfaction of their advertisers and generating additional subscribers for their newspapers. The Barter Agreements provide significant value to both the Debtors and the Debtors' advertisers. Specifically, the Barter Agreements offer the advertisers additional options

and flexibility in making payment to the Debtors, which helps to retain the long-term business of the advertiser. Further, the Debtors enjoy valuable opportunities to advertise their newspapers to potential subscribers and customers at no cash expense.

C. Billing Adjustments

102. Despite the Debtors' best efforts, from time to time in the Debtors' businesses, subscribers, advertisers and other customers are invoiced in error for amounts that they did not actually incur. Such errors include improper invoicing (when the invoice created does not properly reflect the items ordered by a customer), duplicate payment (when a customer makes two payments on account of the same order), mis-pricing (when a customer is charged or pays an incorrect price—either too high or too low—for the Debtors' products or services), and various other billing and payment errors (collectively, the "Invoicing Errors"). When a customer pays for the amounts invoiced in error, the Debtors correct the Invoicing Errors through billing adjustments (collectively, the "Billing Adjustments").

103. Because there is some delay from the time the invoice is first issued to the time the Debtors realize the Invoicing Error, it is difficult to predict with certainty the amount outstanding on account of such errors. However, as of the Petition Date, the Debtors estimate that approximately $135,000.00 is outstanding in connection with Billing Adjustments. However, the potential cash liability in connection with Billing Adjustments only is approximately $15,000.00. It is essential that the Debtors be able to continue to refund amounts due under such Invoicing Errors to their customers in order to maintain the Debtors' customer base and preserve the long-term goodwill of the Debtors' businesses.

D. Subscriber Discount

104. Prior to the Petition Date, the Debtors also offered discounts to customers that subscribe—i.e., purchase for a particular length of time and prepay or pay monthly—to the

Debtors' newspapers (the "Subscriber Discount"). The Subscriber Discount averages approximately 35% of the price that the Debtors charge a customer who purchases the newspaper or publication on a single copy basis. The Subscriber Discount provides a key incentive for customers to subscribe to the Debtors' newspapers and is consistent with industry practice. I estimate that the Debtors' customers receive approximately $1,960,000.00 per month in Subscriber Discounts, which amount is not a cash payment or reimbursement to the subscribers but rather is the aggregate revenue difference between single copy pricing and subscription pricing. It is essential that the Debtors be able to continue the Subscriber Discounts in order to meet competitive market pressures and retain current customers, thereby enhancing revenue and profitability.

E. Customer Contests and Award Programs

105. The Debtors run certain contests and award programs to create interest and induce customers to purchase print editions of the newspapers (collectively, the "Customer Contests"). These Customer Contests often span several months and require customers to enter the contest by a certain date. Under the terms of the Customer Contests, the Debtors incur the obligation to pay certain winning customers (collectively, the "Contest Winners") cash amounts at a date that is one to three months after the contest entry date. As of the Petition Date, I estimate the Debtors have approximately six such Customer Contests in effect. Potential cash payments to Contest Winners under these ongoing Customer Contests total less than $20,000.00. In addition, the Debtors request the authority to honor their obligations to two previous Contest Winners whose award amounts are paid on a monthly schedule. The total remaining payments to the previous Contest Winners are $920,000.00 over the next 12 years.

F. Solicitor Payments

106. The Debtors contract with approximately 25 individuals and agencies (collectively, the "Solicitors") who solicit newspaper subscription sales on behalf of the Debtors. Although the Solicitors' methods vary, it is common for the Solicitors to sign up new subscriptions for the Debtors' various publications by working at booths at grocery stores, sporting events and other locations with heavy foot traffic. As consideration for the Solicitors' efforts, the Debtors pay the Solicitors biweekly fees in arrears, based on the volume of new subscriptions. As of the Petition Date, I believe the Debtors owe the Solicitors approximately $390,000.00 for fees that were earned by the Solicitors prepetition (the "Unpaid Solicitor Fees").

107. Despite the best efforts of the Debtors and the Solicitors, it is common for some of the subscriptions obtained by the Solicitors to have either undeliverable addresses, names and addresses that do not match or other defects that render the subscriptions worthless. Or, some of the subscriptions may be cancelled shortly after they are purchased. In these circumstances, the Debtors would not owe a fee to the Solicitors, but due to the biweekly payment cycle, the fees may have already been paid.

108. To protect the Debtors against paying fees to Solicitors for valueless subscriptions and to ensure that the Solicitors continue to perform their services, the Debtors maintain a reserve against fees paid to Solicitors (the "Solicitor Reserve"); the Solicitor Reserve was funded through historical commissions earned by the Solicitors but held back by the Debtors. The Solicitor Reserve contains approximately one month's worth of fees owed to Solicitors, or approximately $235,000.00, and is accounted for on a Solicitor-by-Solicitor basis.

109. The Solicitors provide a vital link between the Debtors and their potential customer base. Depending on the newspaper or publication, the Debtors estimate that over 50% of new subscriptions are obtained through the Solicitors. The Debtors believe that many of the

Solicitors would be unlikely to continue to conduct business on behalf of the Debtors if the amounts in the Solicitor Reserve were to be forfeited or if the Debtors did not pay the Unpaid Solicitor Fees that had been earned prepetition. In addition, using the Solicitor Reserve System protects the Debtors from paying fees for worthless subscriptions.

G. Credit Card Processing Fees

110. The Debtors are parties to certain agreements with credit card processors (collectively, the "Credit Card Processors") under which the Credit Card Processors accept and process credit card payments made by the Debtors' customers for subscription and advertising purchases. The Credit Card Processors disburse to the Debtors the amounts received from the Debtors' customers, subject to certain adjustments, returns and refunds, and charge the Debtors a processing fee (the "Credit Card Processing Fee") for the Credit Card Processors' services.

111. As of the Petition Date, the Debtors estimate they owe approximately $95,000.00 on account of prepetition Credit Card Processing Fees. The Debtors' continued ability to allow their customers to pay by credit card is essential to the Debtor' ability to maximize the value of their estate for their creditors. Losing this ability would impose a significant burden on the Debtors' customers who prefer the option of making their subscription payments by credit card and would eliminate a major avenue for conducting sales transactions with future customers. Accordingly, I believe that the Debtors' ability to honor their obligations with respect to Credit Card Processing Fees is critical to maintaining the loyalty and goodwill of their subscribers.

VII. Debtors' Motion for Entry of Order (a) Authorizing the Debtors to Pay Prepetition Claims of Shippers and Lien Claimants and (b) Authorizing and Directing Banks and Other Financial Institutions to Honor Related Checks and Electronic Payment Requests (the "Shippers and Lien Claimants Motion")

112. The Debtors businesses involve the publication of multiple newspapers and the placement of advertisements in these newspapers. The Debtors frequently utilize third-party

common carriers and truckers (collectively, the "Shippers") to directly and indirectly transport completed newspapers from the Debtors' printing facilities to their subscribers and other customers. The Debtors employ approximately five Shippers to ensure that delivery of their newspapers runs smoothly. As of the Petition Date, I anticipate that certain Shippers will have outstanding invoices for the transportation services provided to the Debtors prior to the Petition Date (the "Shipping Claims"). As of the Petition Date, I estimate that approximately $800,000.00 remains outstanding with respect to the Shipping Claims. Absent payment of the Shipping Claims, the Shippers likely will refuse to continue to make timely delivery of the Debtors' goods and may seize the products in their possession as collateral securing their lien.

113. Additionally, the Debtors routinely transact business with a number of third parties (collectively, the "Lien Claimants") who have the potential to assert liens against the Debtors and their property or other assets if the Debtors fail to pay for the goods or services rendered (the "Lien Claims"). The Lien Claimants may perform various services for the Debtors, including certain archival and storage services. Although the Debtors generally make timely payments to the Lien Claimants, as of the Petition Date, a number of the Lien Claimants may not have been paid for certain prepetition goods and services. The Debtors do not expect the payments on account of the Lien Claims to exceed $20,000.00.

114. Payment of prepetition amounts owed to Shippers and Lien Claimants is integral to the Debtors' operations and is necessary to maintain the Debtors' operations, including the confidence and goodwill of the Debtors' customer base, which is critical to a successful reorganization. The sale of the Debtors' newspapers—the lifeblood of the Debtors' operations—depends upon the Debtors' ability to print and deliver newspapers in a timely fashion. Failure to satisfy obligations with respect to the Shippers and Lien Claimants will jeopardize the supply of

newspapers causing customers to turn to competitors thereby threatening the survival of the Debtors' business.

115. Moreover, it is the Debtors' business judgment that the continuation of their positive relationship with the Shippers and Lien Claimants greatly increases the likelihood of a successful reorganization. Payment of these prepetition amounts will save the Debtors the considerable time and expense of having to negotiate or litigate for the return of or right to use property of the estate that may be subject to these claims. The above payments will not prejudice unsecured creditors because the Debtors will only pay those claimants that they believe in their business judgment to be secured by valid liens, or that they believe are capable of being secured by perfecting liens in the Debtors' property.

116. Accordingly, I believe that the relief requested in the Shippers and Lien Claimants Motion is in the best interests of the Debtors' estates and is necessary to prevent immediate and irreparable harm to the Debtors.

VIII. Debtors' Motion for Entry of Order (a) Authorizing, but not Directing, the Debtors to Pay Certain Prepetition Taxes and (b) Directing Financial Institutions to Honor Related Checks and Electronic Payment Requests (the "Taxes Motion")

117. In connection with their business operations, the Debtors collect sales taxes from their customers and incur taxes, including, but not limited to, sales, use, franchise, real and property, business and other taxes arising from the operation of their businesses (collectively, the "Taxes") that are payable to various taxing, licensing and other governmental authorities (collectively, the "Authorities"). The Taxes are paid to the respective Authorities monthly, quarterly or annually, in each case in accordance with all applicable laws and regulations. It is my understanding that the total amount of prepetition Taxes owing to the various Authorities is approximately $2,100,000.00.

118. The Debtors own or lease facilities in California, Illinois, Indiana, New York and the District of Columbia, sell newspapers primarily in Illinois and Indiana, and market merchandise to customers in an Illinois store and across the entire United States via websites operated by the Debtors. Any disputes that could impact the Debtors' ability to conduct business in a particular jurisdiction could have a wide-ranging and adverse impact on the Debtors' operations as a whole.

IX. Debtors' Motion for Entry of Interim and Final Orders Determining Adequate Assurance of Payment for Future Utility Services (the "Utilities Motion")

119. In connection with the operation of their businesses and management of their properties, the Debtors obtain gas, water, sewer, electric, telephone and other similar utility services from approximately 30 utility companies (the "Utility Providers"). On average, the Debtors spend approximately $705,000.00 each month for utility services. As of the Petition Date, the Debtors are substantially current on utility payments. Moreover, the Debtors intend to pay postpetition obligations owed to Utility Providers in a timely manner. The Debtors expect that their cash flow from operations and cash on hand will be sufficient to pay postpetition obligations related to their utility services.

120. The Utility Providers provide various utility services to the Debtors' corporate headquarters, printing facilities, and administrative offices. The continuation of utility services, without interruption, is essential to the Debtors' ongoing operations and, therefore, to the success of these chapter 11 cases. Should the Utility Providers refuse or discontinue service, even for a brief period, I strongly believe that the Debtors' business operations would be severely disrupted, and the impact on the Debtors' business operations, customer relationships, revenue, and profits would be extremely harmful and would jeopardize the Debtors' reorganization efforts.

Accordingly, I believe that the relief requested in the Utilities Motion is necessary to prevent immediate and irreparable harm to the Debtors.

X. Debtors' Motion for Entry of Order Authorizing the Debtors to Continue Prepetition Insurance Coverage Policies and Practices (the "Insurance Motion")

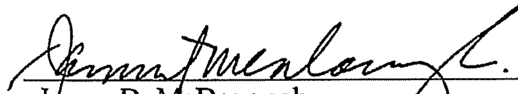
121. The Debtors maintain various insurance programs and related insurance policies including, without limitation, the following: directors' and officers' liability; property and casualty; general liability; umbrella liability; excess liability; fiduciary liability; crime and special crime; travel and accident; multimedia and errors and omissions professional liability; workers' compensation; auto liability and international truck policies (collectively, the "Policies"). The insured parties under the Policies include the Debtors and certain affiliates of the Debtors.

122. The Debtors maintain these Policies through several different insurance providers. The annual premiums for the Debtors' current Policies total approximately $3,860,000.00. The Debtors do not have an insurance financing program in effect. Premiums are paid to the insurance carriers either as prepayments or pursuant to an installment schedule. As of the Petition Date, the Debtors have paid approximately $3,510,000.00 towards premiums on the Policies and believe that they are current on all payment obligations with respect to the Policies; however, payments may come due in the future that relate to premium obligations incurred prepetition. As of the Petition Date, it is my understanding that approximately $350,000.00 remains outstanding with respect to premiums being paid on installment schedules for existing Policies. The uninterrupted maintenance of the Debtors' Policies is essential to the continued operation of the Debtors' businesses and to the preservation of the Debtors' estates' value.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: March 31, 2009

Sun Times Media Group, Inc., and its subsidiaries and affiliates, as proposed Debtors and Debtors in Possession

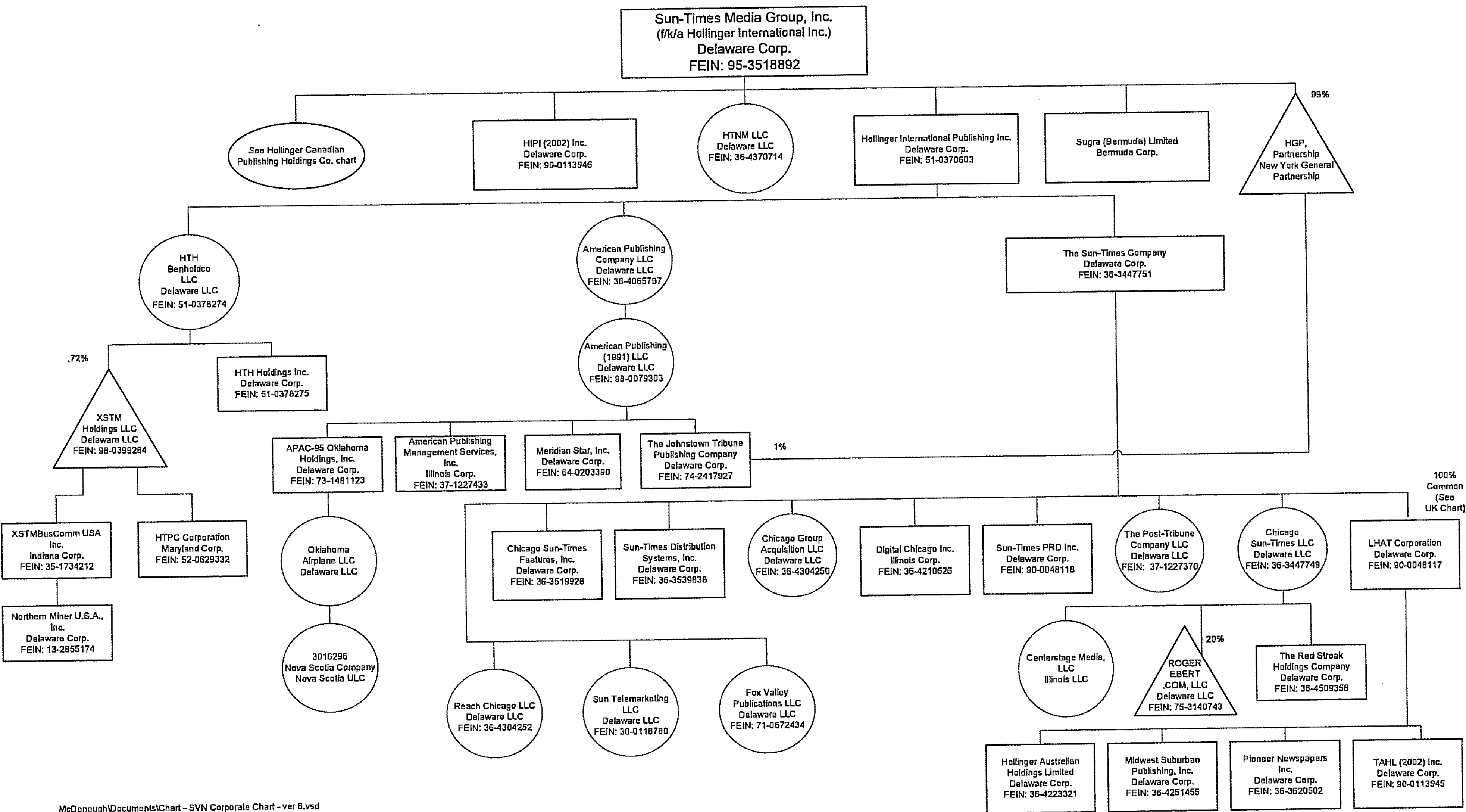


James D. McDonough
Senior Vice President, Chief Administrative Officer,
General Counsel and Secretary

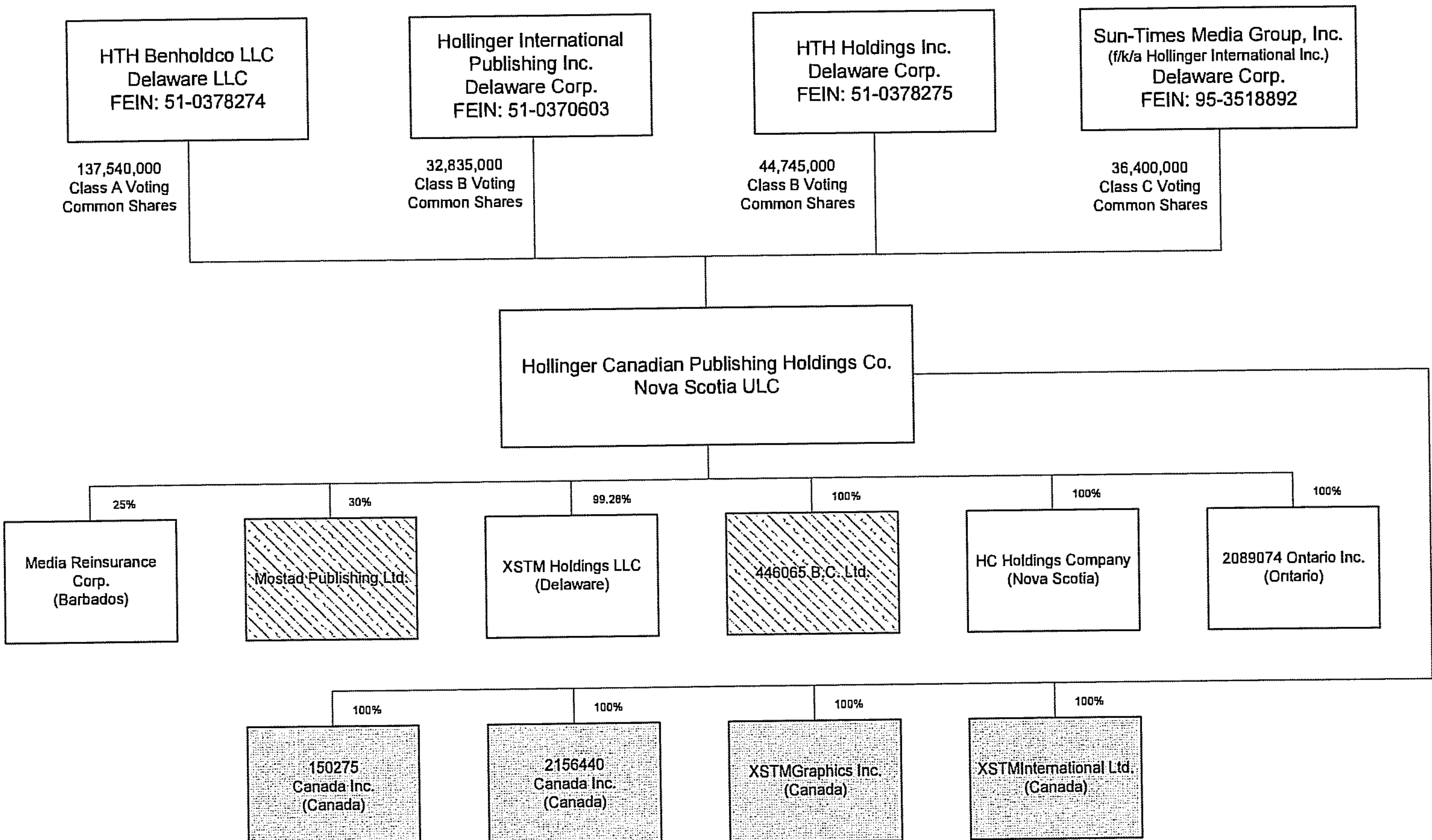
EXHIBIT A

Corporate Organization Chart

Sun-Times Media Group, Inc. (f/k/a Hollinger International Inc.)
Subsidiaries
as of January 1, 2009



Hollinger Canadian Publishing Holdings Co.
Ownership and Subsidiaries



Hollinger UK Holdings
Ownership and Subsidiaries