

THE COMPETITION TRIBUNAL

IN THE MATTER OF an application by the Commissioner of Competition for a Consent Order pursuant to sections 92 and 105 of the *Competition Act*, R.S.C. 1985, c. C-34 (as amended);

AND IN THE MATTER OF the acquisition of a majority share of Chapters Inc. by Trilogy Retail Enterprises L.P. and the proposed merger of Indigo Books & Music Inc. and Chapters Inc. and their respective affiliates, Indigo Online Inc. and Chapters Online Inc.;

B E T W E E N:

THE COMMISSIONER OF COMPETITION

Applicant

- AND -

**TRILOGY RETAIL ENTERPRISES L.P.
CHAPTERS INC.
AND INDIGO BOOKS & MUSIC INC.**

Respondents

AFFIDAVIT OF GLENN McDONALD

COMPETITION TRIBUNAL TRIBUNAL DE LA CONCURRENCE	
F I L E D	APR 18 2001 <i>gl</i> AVR 18 2001 REGISTRAR - REGISTRAIRE
OTTAWA, ONT. # 1(c)	

I, Glenn McDonald, of the City of Ottawa, in the Province of Ontario, **MAKE OATH AND SAY:**

1. I am a Senior Competition Law Officer with the Mergers Branch, Competition Bureau, Industry Canada and an authorized representative of the Applicant, the Commissioner of Competition (the "Commissioner").

2. In this capacity, I have been engaged in a review of the acquisition of a majority share of Chapters Inc. by Trilogy Retail Enterprises L.P. (“Trilogy”) and the proposed merger of Indigo Books & Music Inc. (“Indigo”) and Chapters Inc. (“Chapters”) and their respective affiliates, Indigo Online Inc. and Chapters Online Inc. (the “Merger”). As such, I have knowledge of the matters hereto deposed except that which is obtained upon information and belief and, where so stated, I verily believe such information to be true.
3. I have been involved in the conduct and management of the inquiry and assessment of the Merger, described in the Statement of Grounds and Material Facts filed in support of this application by the Applicant (the Commissioner) in this matter.
4. I have analysed the impact of the Merger by examining such relevant factors as the product and geographic markets, market shares and barriers to entry.
5. In addition, I have reviewed information obtained from the parties and other industry participants on a voluntary basis and pursuant to orders issued under section 11 of the *Competition Act*, R.S.C. 1985, c. C-34 (as amended). I have also reviewed the research undertaken by third parties and economic and industry experts retained by the Applicant (the Commissioner) to assist in the review of the Merger. As such, I have knowledge of the information contained in the Statement of Grounds and Material Facts (the “Statement”) and I believe that information to be true.
6. The Statement describes the transaction and provides a competitive analysis of the Merger. The Statement sets out the Commissioner’s conclusion that by reason of the removal of the most vigorous and effective competitor from the market, the high barriers to entry and expansion and other factors, the Merger will likely result in a substantial lessening and prevention of competition in the national market for the purchase of English language trade books in Canada and in the sale to consumers

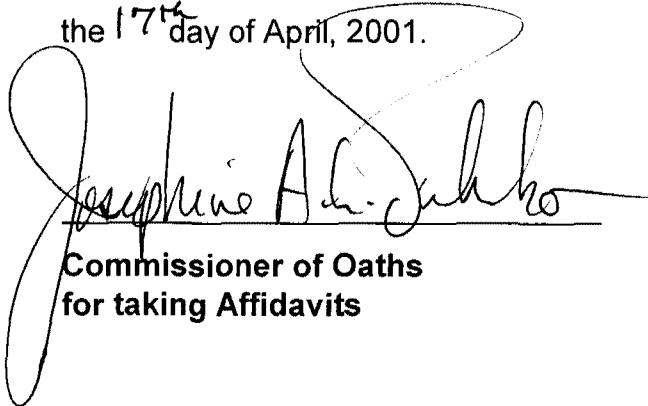
will likely result in a substantial lessening and prevention of competition in the national market for the purchase of English language trade books in Canada and in the sale to consumers of English-language trade books through large-format and small-format retail stores in a number of local markets throughout Canada.

7. I further believe that the proposed remedies to be put in place pursuant to the Draft Consent Order will remove the likelihood of these effects on competition, by circumscribing certain behaviour of the merged entity, and by encouraging entry or expansion of a competitor through the offering for sale of retail stores which approximate the retail book sales and overall financial performance of Indigo and through the reduction of barriers to entry and expansion in the markets for English-language trade books.

SWORN before me at
the City of Hull, in the
Province of Quebec on
the 17th day of April, 2001.



Glenn McDonald



**Commissioner of Oaths
for taking Affidavits**

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AFFIDAVIT OF GLENN McDONALD

Simon V. Potter
OGILVY RENAULT
1981 McGill College Avenue
Suite 1100
Montreal, QC H3A 3C1

Tel: (514) 847-4468
Fax:(514)286-5474/(613)230-5459

Josephine A.L. Palumbo
DEPARTMENT OF JUSTICE
Competition Law Division
Place du Portage, Phase 1
50 Victoria Street
Hull, Quebec K1A 0C9

Tel: (819) 997-3325
Fax:(819) 953-9267

Counsel to the Commissioner of Competition