PUBLIC VERSION

Public version

COMPETITION TRIBUNAL NO. CT-90/1

IN THE MATTER OF an application by the Director of Investigation and Research for orders pursuant to Section 92 of the Competition Act, R.S.C. 1985, C.C-34, as amended;

AND IN THE MATTER OF the direct and indirect acquisitions by Southam Inc. of equity interests in the businesses of publishing The Vancouver Courier, the North Shore News and the Real Estate Weekly

BETWEEN:

THE DIRECTOR OF INVESTIGATION AND RESEARCH

Applicant

- and -

SOUTHAM INC., LOWER MAINLAND PUBLISHING LTD., RIM PUBLISHING INC., YELLOW CEDAR PROPERTIES LTD., NORTH SHORE FREE PRESS LTD., SPECIALTY PUBLISHERS INC., ELTY PUBLICATIONS LTD.

Respondents

AFFIDAVIT OF D. JEFFREY HARDER

AFFIDAVIT

I, D. JEFFREY HARDER, of the City of Vancouver, and the Province of British Columbia, make oath and say as follows:

1. I am a Chartered Accountant, a Chartered Business Valuator, a Certified Management Consultant and an Accredited Senior Appraiser. My curriculum vitae is attached as Exhibit A. Since 1989 I have been a partner in the Firm of Dunwoody & Company, Chartered Accountants and a Vice-President of Dunwoody & Associates Limited, Management Consultants. From 1980 to 1989 I was employed by Dunwoody & Company, Chartered Accountants and Dunwoody & Associates Limited, Management Consultants. My professional practice is in the areas of business and securities valuation, mergers and acquisitions, litigation support and financial consulting.

2. I have been retained by the Director of Investigation and Research in connection with this proceeding to carry out business valuation and financial analyses in regard to Southam Inc.'s direct and indirect acquisitions of equity interests in the businesses of publishing The Vancouver Courier, the North Shore News and the Real Estate Weekly; to consider the business and strategic implications of the acquisitions from Southam Inc.'s perspective; and to report the results of my analyses and conclusions.

3. Attached to this my Affidavit as Exhibit B is a true copy of my report prepared for the Director of Investigation and Research.

SWORN before me at the)
City of Vancouver, in the)
Province of British Columbia)
on the 15th day of August 1991)

D. Jeffrey Harder

Commissioner for Taking
Affidavits

EXHIBIT A

D. JEFFREY HARDER
CURRICULUM VITAE

PROFESSIONAL STATUS

Partner, Dunwoody & Company, Chartered Accountants,
Vancouver, British Columbia

Vice-President, Dunwoody & Associates Limited, Management Consultants,
Vancouver, British Columbia

EDUCATION AND PROFESSIONAL DESIGNATIONS

BA, Political Science (Brandon University) 1979
CA, Institutes of Chartered Accountants of Manitoba and British Columbia (University of Manitoba, Faculty of Administrative Studies) 1983
CBV, Canadian Institute of Chartered Business Valuators (University of Toronto, Program of Studies in Business and Securities Valuation) 1987
CMC, Institute of Certified Management Consultants of Canada 1989
ASA, Senior Member of The American Society of Appraisers 1990

AREAS OF PRACTICE

Business and securities valuations
Mergers and acquisitions
Litigation support
Financial consulting

PROFESSIONAL EXPERIENCE

Four years in Dunwoody & Company's general practice areas of accounting, auditing and taxation.

Seven years in Dunwoody & Company's special practice areas involved exclusively in business and securities valuations, mergers and acquisitions, litigation support and financial consulting.

D. JEFFREY HARDER
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Industry experience includes:

- A broad range of manufacturing industries
- Service and retail/wholesale trading
- Communications
- Professional practices
- Hotels, restaurants and tourism and recreation facilities
- Consumer products
- Property ownership, construction and management
- Transportation
- Forest products, including logging, sawmilling and pulp mills
- Mining and oil and gas
- Food processing

Business and securities valuations of private and public companies for:

- Income tax matters
- Corporate reorganizations
- Loan guarantees
- Matrimonial settlements
- Employee share purchases
- Purchase and sale of business interests
- Securities regulations
- Estate and retirement matters
- Insolvency related assignments
- Shareholder/partner disputes

Litigation support assignments include:

- Economic loss calculations
- Loss of profit claims
- Insurance claims
- Accounting investigations
- Insolvency related assignments
- Income tax matters
- Matrimonial settlements
- Shareholder/partner disputes
- Product liability claims
- Guarantor actions

Financial consulting assignments include:

- Mergers, acquisitions, and divestitures
- Feasibility and investment analysis
- Financial proposals
- Workouts and investment monitoring
- Business and strategic planning

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D. JEFFREY HARDER
CURRICULUM VITAE

GENERAL

Mr. Harder is past Secretary and President of the British Columbia Chapter of the Canadian Institute of Chartered Business Valuators. He has lectured on financing for the Canadian Institute of Chartered Accountants and on valuation issues for law firms, financial institutions and the Canadian Institute of Chartered Business Valuators. Mr. Harder has written articles on valuation subjects for several professional publications, including CA Magazine. He has qualified as an expert witness and given testimony in the British Columbia Courts and the Tax Court of Canada.

EXHIBIT B

REPORT TO: THE DIRECTOR OF INVESTIGATION AND RESEARCH

BY: D. JEFFREY HARDER

RE: THE DIRECT AND INDIRECT ACQUISITIONS BY SOUTHAM INC. OF EQUITY INTERESTS IN THE BUSINESSES OF PUBLISHING THE VANCOUVER COURIER, THE NORTH SHORE NEWS AND THE REAL ESTATE WEEKLY

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INTRODUCTION

1. I have been retained by the Director of Investigation and Research (the "Director") in connection with this proceeding to carry out business valuation and financial analyses in regard to Southam Inc.'s direct and indirect acquisitions of equity interests in the businesses of publishing The Vancouver Courier, the North Shore News and the Real Estate Weekly; to consider the business and strategic implications of the acquisitions from Southam Inc.'s perspective; and to report the results of my analyses and conclusions.

2. My comments are divided into four areas:

    1. an overview of the transactions in which Southam Inc. acquired equity interests in the three publications;

    2. an overview of the theory related to the valuation and pricing of community newspapers and related business interests;

    3. valuation analyses relative to the three publications Southam Inc. acquired; and

    4. a discussion of the business and strategic implications of the acquisitions of the three newspapers from Southam Inc.'s perspective.

3. My understanding is that Southam Inc. carries on its newspaper business through an unincorporated division the Southam Newspaper Group (referred to as "SNG"). All references in this report to Southam, Southam Newspaper Group or SNG relate to this newspaper business and references to Southam Inc. refer collectively to the company and all of its unincorporated divisions and corporate subsidiaries and associates.

SCOPE OF REVIEW

4. In preparing this report I have been provided with information by the Director on the acquisitions as well as documents on the newspaper industry and companies related to the acquisitions. The following is a list of the principal information that I reviewed.

SNG ACQUISITION DOCUMENTS

1. SNG Acquisition Proposal for The North Shore News, dated 4 January 1989.
2. Memorandum, dated 11 April 1990, from David Perks to Russell Mills and John Craig regarding Vancouver Metroland.
3. SNG Acquisition Proposal for Lower Mainland Publishing Ltd., dated 25 April 1990.
4. Madison Group Review of Current Status, dated April 1990.
5. Madison Group financial statements as at 31 August 1989.
6. Madison Group combined balance sheet as at 31 May 1989.
7. Report, undated, outlining business advantages and disadvantages of the formation of Lower Mainland Publishing Ltd.
8. Report, undated, Lower Mainland Publishing Ltd. estimated operating income improvement.
9. Report, undated, strategy regarding the reorganization of Southam and Madison properties into Lower Mainland Publishing Ltd.

10. Coopers & Lybrand Lower Mainland Publishing Ltd. acquisition review reports, dated April and May 1990, prepared for SNG.

SNG AND SOUTHAM INC. CORPORATE DOCUMENTS

11. SNG 1988, 1989 and 1991 strategic plans.

12. Southam Inc. annual reports for the fiscal years ended 31 December 1982 to 1990.

13. Report, dated 10 November 1986, to Southam Inc. by Urban & Associates, Inc. entitled Future Value of the Vancouver, BC Marketplace.

PACIFIC PRESS LIMITED CORPORATE DOCUMENTS

14. Pacific Press Limited report to Board of Directors, dated July 1988, regarding a proposed satellite press and mailing operation.

15. Pacific Press Limited proposal, dated 24 April 1991, to reposition The Vancouver Sun and The Province.

16. Pacific Press Limited strategic plan, undated.

FINANCIAL STATEMENTS AND TAX RETURNS

17. Pacific Press Limited balance sheets as at 31 December 1989 and 1990.

18. Lower Mainland Publishing Ltd. financial statements for the periods ended 31 July 1990, 31 October 1990, 30 November 1990 and 31 December 1990.

19. Combined financial statements of Union Ink Ltd., Specialty Publishers Inc., Today Publishing Ltd. and One Cent Publishing Ltd. for the year ended 31 August 1989 and for the period 17 February 1988 to 31 August 1988.

20. North Shore Free Press Ltd. financial statements for the fiscal years ended 31 August 1988, 1989 and 1990.

21. North Shore Free Press Ltd. company income tax returns for the fiscal years ended 31 August 1988, 1989 and 1990.

22. North Shore Free Press Ltd. financial statements for the periods ended 28 February 1989 and 31 March 1989.

23. North Shore Free Press Ltd. sales reports for the month from April 1989 to July 1991.

24. North Shore Free Press Ltd. profit centre summaries for the month from May 1986 to June 1991.

25. Elty Publications Ltd. financial statements for the periods ended 3 August 1986 to 1 August 1987, 2 August 1987 to 16 February 1988, 17 February 1988 to 31 August 1988 and 1 September 1988 to 31 August 1989.

26. Specialty Group 1991 forecast financial statement of earnings, from March 1989 to February 1990, and 1989 group balance sheet and group statement of earnings.

27. Bex Publishing Ltd. financial statements for the fiscal year ended 31 July 1989.

28. Tepnyl Holding Co. Ltd. financial statements for the fiscal year ended 31 July 1989.

29. Rim Publishing Inc. financial statements for the fiscal years ended 30 April 1984 to 1990 and for the periods ended 8 May 1990 and 31 August 1990.

30. Rim Publishing Inc. financial projections for the periods ended January 1987 to December 1987, January 1988 to December 1988 and May 1990 to April 1991.

31. Vancouver Courier (1979) Ltd. financial statements for the fiscal years ended 31 July 1980 to 31 July 1983.

32. The Flyer Force, Vancouver financial statements for the fiscal years ended 31 December 1986 to 31 December 1990.

CLOSING DOCUMENTS

33. Share Purchase Agreement, dated 27 January 1989, among SNG, Peter Speck and Yellow Cedar Properties Ltd.

34. Shareholders' Agreement, dated 27 January 1989, among SNG, Yellow Cedar Properties Ltd. and North Shore Free Press Ltd.

35. Management contract, dated 27 January 1989, among North Shore News Ltd. and North Shore Free Press Ltd.

36. Amendment, dated 8 May 1990, to the North Shore Free Press Ltd. Shareholders' Agreement.

37. Share purchase agreement, dated 8 May 1990, among North Shore Free Press Ltd., R. Phillip Hager, Peter F. Ballard, Martha Lane Henley, A. Geoffrey Wellens, Beryl Wellens, James A. Davis and SNG.

38. Put/Call Agreements, dated 8 May 1990, among North Shore Free Press Ltd., R. Phillip Hager, Peter F. Ballard and Rim Publishing Inc.

39. Management Agreements, dated 8 May 1990, among R. Phillip Hager, Peter F. Ballard, Rim Publishing Inc. and SNG.

40. Non-Competition Agreement, dated 8 May 1990, among R. Phillip Hager, Peter F. Ballard, Martha Lane Henley, A. Geoffrey Wellens, Beryl Wellens, James A. Davis, North Shore Free Press Ltd. and SNG.

41. Share Purchase Agreement, dated 8 May 1990, among North Shore Free Press Ltd., SNG, Peter Bexley, Lynn Cameron, Beatrice Bexley and Ernest Bexley.

42. Management Agreement, dated 8 May 1990, among Bex Publishing Ltd. and Peter Bexley.

43. Non-Competition Agreement, dated 8 May 1990, among Peter Bexley, Lynn Cameron, Beatrice Bexley, Ernest Bexley, Bex Publishing Ltd., North Shore Free Press Ltd. and SNG.

44. Share Purchase Agreement, dated 8 May 1990, among Lower Mainland Publishing Ltd., Netmar Inc. and Madison Venture Corporation.

45. Share Subscription Agreement, dated 8 May 1990, among Lower Mainland Publishing Ltd., SNG, Madison Venture Corporation, 78032 Holdings Ltd., Madison Publishing Ltd., REW Holdings Ltd. and 294660 BC Ltd.

46. Lower Mainland Publishing Ltd. Shareholders' Agreement, dated 8 May 1990, among SNG, Madison Venture Corporation, 78032 Holdings Ltd., Madison Publishing Ltd., REW Holdings Ltd., 294660 BC Ltd. and Lower Mainland Publishing Ltd.

PLEADINGS AND EXAMINATIONS FOR DISCOVERY

47. David W. Perks Examination for Discovery in connection with these proceedings, dated 3, 4, 5, 6, 17 and 18 June 1991 and 17 and 18 July 1991.

48. Peter Speck Examination for Discovery in connection with these proceedings, dated 19 and 20 June 1991 and 10 July 1991.

49. John Collison Examination for Discovery in connection with these proceedings, dated 16 and 27 May 1991 and 11 July 1991.

50. Andre Brantz Examination for Discovery in connection with these proceedings, dated 29, 30 and 31 May 1991 and 3, 4 and 11 July 1991.

51. Peter Ballard Examination for Discovery in connection with these proceedings, dated 13, 14 and 15 May 1991 and 18 July 1991.

52. Notice of Application, Amended Notice of Application, Response and Reply and Amended Response and Reply in regard to these proceedings.

53. Letter, dated 17 September 1990, and related enclosures from Blake, Cassels & Graydon to the Director responding to Question 6 of the Director's 31 August 1990 Information Request.

5. In addition to these documents, I reviewed publicly available information in regard to economic conditions and the newspaper industry. Also, I performed such other financial analyses, investigation and research I deemed appropriate given my mandate. I did not discuss matters relating to these proceedings with representatives of SNG, Madison Venture Corporation, Lower Mainland Publishing Ltd. or related subsidiary and associated companies.

SNG'S ACQUISITION OF THE NORTH SHORE NEWS, THE COURIER AND THE REAL ESTATE WEEKLY

THE NORTH SHORE NEWS

6. On 27 January 1989 SNG directly acquired 49% of the issued shares of North Shore Free Press Ltd. ("North Shore News") from Peter Speck and his holding company, Yellow Cedar Properties Ltd. ("Yellow Cedar"), for cash consideration of [redacted] million. SNG was given an option by Yellow Cedar to acquire the remaining 51% of the North Shore News it owned in two years' time for an option price of [redacted] million. Thus, the cash consideration for 100% of the issued shares of the North Shore News was the sum of these two amounts, or [redacted] million.

7. Concurrent with the initial purchase of a 49% interest by SNG, the North Shore News entered into a two year management agreement with North Shore News Ltd., a company controlled by Peter Speck. North Shore News Ltd. appointed as its employee Peter Speck to act as Publisher, Chairman, President and Chief Executive Officer of the North Shore News. The annual management fee called for under the agreement was [redacted] thousand. Based on my review of SNG internal documents and David Perks' Examination for Discovery, this management fee was considered as additional consideration to Peter Speck. The cost to SNG of this management fee, on a pre-tax basis, was [redacted] thousand [redacted] If one considers that the management fee was indirectly tax deductible by SNG, its approximate post-tax cost was [redacted] thousand.

8. Shortly after SNG acquired its 49% interest in the North Shore News, SNG and Yellow Cedar Properties advanced [redacted] million to the North Shore News to repay its indebtedness to the Toronto-Dominion Bank. SNG advanced [redacted] thousand and Yellow Cedar Properties advanced [redacted] thousand. The option agreement indicated that SNG would purchase Yellow Cedar Properties' advance for its principal amount

in two years. In my view these advances are part of the consideration paid by SNG to acquire the North Shore News.

9. The total consideration, exclusive of management fees, paid by SNG for 100% of the North Shore News may be summarized as follows:

	($000's)
North Shore News shares	[redacted]
Advances to North Shore News	

Inclusive of the post-tax cost of [redacted] thousand for management fees, the total consideration is [redacted] million.

10. On 8 May 1990 SNG transferred its 49% equity interest in the North Shore News to Lower Mainland Publishing Ltd. ("LMPL") in exchange for common shares in LMPL. I understand that SNG exercised its option to acquire the remaining 51% of the North Shore News and transferred these shares to LMPL in exchange for preferred shares in LMPL.

THE COURIER

11. On 8 May 1990 SNG indirectly acquired 75% of the issued shares of Rim Publications [redacted]. ("Courier") from its co-publishers and other employees for [redacted] million. Messrs. Hager and Ballard, the Courier's co-publishers, retained the remaining 25% of the Courier's issued shares. The Courier shares were acquired by the North Shore News with funds advanced to it by SNG.

12. The North Shore News and Messrs. Hager and Ballard entered into put/call agreements. Either Mr. Hager or Mr. Ballard could require that the North Shore News purchase their collective 25% shareholding in the Courier for [redacted] million. The

North Shore News could purchase the remaining 25% of the Courier in two years or on the termination of Messrs. Hager's and Ballard's employment with the Courier. Assuming that SNG, through the North Shore News, intended to exercise its option, its cost for 100% of the Courier's issued shares was [redacted] million. On 8 May 1990 SNG transferred its equity interest in the Courier, through its transfer of the North Shore News, to LMPL in exchange for common shares in LMPL.

THE REAL ESTATE WEEKLY

13. On 8 May 1990 SNG indirectly acquired an equity interest in Elty Publications Ltd. ("Real Estate Weekly"). The Real Estate Weekly was a 100% subsidiary of Specialty Publications Inc. ("Specialty") which was indirectly owned as to 50% each by Netmar Inc. and Madison Venture Corporation ("Madison"). Through a series of transactions, 100% of the Real Estate Weekly was acquired by LMPL.

14. LMPL was the corporate vehicle to which both SNG and Madison transferred their respective interests in Lower Mainland community newspapers and related printing, distribution and specialty publications businesses. In exchange for transferring these businesses both SNG and Madison received equity shares in LMPL. Having completed all of the transactions contemplated as part of the transfers, SNG owns 63% of LMPL and Madison owns 37% of LMPL.

15. My review of the transactions through which LMPL was formed indicates that SNG and Madison negotiated a value for each of the businesses transferred to LMPL. The value assigned to the Real Estate Weekly in a presentation to SNG's Board of Directors on 25 April 1990 was [redacted] million. Coopers & Lybrand's acquisition review reports prepared for SNG indicate that the Real Estate Weekly was Specialty's only active subsidiary. The assigned value of [redacted] million includes the publication of the Real Estate Weekly paper and related printing, insert and distribution activities.

16. The following table is extracted from page 25 of the 25 April 1990 LMPL proposal to the Southam Newspaper Group's Board. It is an allocation of the [redacted] million value assigned to the Madison businesses, transferred to LMPL in exchange for its equity interest in LMPL. This extracted value allocation is the basis on which I have indicated that [redacted] million value was assigned to the Real Estate Weekly.

	($000's)		
Madison Business	1989 Operating Revenues	1989 Operating Earnings (Loss)	Assigned Value
Now Community papers	[redacted]	[redacted]	[redacted]
Netmar distribution	[redacted]	[redacted]	[redacted]
Fraser Valley distribution	[redacted]	[redacted]	[redacted]
Real Estate Weekly	[redacted]	[redacted]	[redacted]
College Printers	[redacted]	[redacted]	[redacted]
New papers and publications	[redacted]	[redacted]	[redacted]
	[redacted]	[redacted]	[redacted]

THE VALUATION AND PRICING OF COMMUNITY NEWSPAPERS AND RELATED BUSINESSES

17. The value of a business is based on prospective considerations. It is equivalent to the present value (or economic worth) of all future benefits anticipated to accrue from ownership. Future economic benefits include the earnings and cash flow generated by the enterprise as well as cash flow received by the owner from the sale of redundant assets or from the sale of the business to a new owner. There are numerous techniques utilized to value or price businesses but the underlying premise of each technique is that value is a function of future economic benefits.

18. A generally accepted technique applied to value a business that is a going concern is the capitalization of maintainable earnings or cash flow generated by the

enterprise. The future economic benefits that the owner receives from the business are its normalized earnings and cash flow. The value of the business is derived by converting all future maintainable earnings of the business to a present value by "capitalizing" maintainable earnings. A capitalization of maintainable earnings is a mathematical technique to value a business given the required rate of return for an investment in the subject business. It involves multiplying maintainable earnings by a selected capitalization rate (the reciprocal of which is called the "price-earnings multiple", or simply the "multiple"). For instance, if the maintainable earnings of a business are $100, and the required rate of return on investment in the business is 20%, the business is valued at $500 ($100 x 5 = $500). The price-earnings multiple of five is converted to a capitalization rate of 20% by determining its reciprocal (1/5 = 20%). The higher the multiple applied to the business' earnings, the lower the return on investment in the business and conversely the lower the multiple, the higher the return on investment. A low multiple is applied when a business is considered to be risky. A high multiple is utilized when earnings are at less risk.

19. In certain industries, basic valuation techniques are modified or adapted to produce so called "rules of thumb". A rule of thumb is simply a short-hand version of a formal technique. Rules of thumb are developed because knowledgeable buyers and sellers of businesses in the industry have developed key financial measures against which the value of the business can be measured. In the community newspaper business, the rules of thumb for valuing a publication are based on a multiple of operating revenues for the publication and/or a multiple of operating earnings. These rules of thumb are market-derived from market transactions. Rules of thumb are not a substitute for careful consideration and analysis of the many factors that affect the value of a business. Rather, they provide an indication of value when considered in conjunction with other factors.

20. In Canada, community newspaper businesses are generally bought and sold for between 75% of, to one and one-half times operating revenues, or between four times to eight times operating earnings. Operating earnings in this context are

earnings from the business before the deduction of unusual or non-recurring items, excessive management compensation, interest charges or income taxes. This is a very wide range of variables which has to be adapted to the subject business to arrive at a reasonable value determination. An average publication would be valued in the middle of the range of revenue multiples, or one times operating revenues. The typical operating earnings multiple would be at the lower end of the range, four to five times operating earnings, depending on profitability. Usually, a good proportion, if not all, of the value determined using these rules of thumb will be intangible. Intangible value is that portion of the purchase price not represented by equity in tangible assets such as equipment.

21. It is important to realize that a valuation of a community newspaper using a multiple of operating revenues may not be consistent with a valuation utilizing a multiple of operating earnings. This is usually because the subject business does not earn a high enough return on revenues. Return on revenues is the ratio of operating earnings to operating revenues. For example, if a community newspaper business has operating earnings of $150 thousand and operating revenues of $1 million its return on revenues is 15% ($150/$1,000 = 15%). To achieve consistency between the two rules of thumb the subject paper has to achieve a return on revenues of 15% to 25%.

22. In valuing or arriving at a price for a community newspaper there are a number of specific economic-related issues that have to be considered. These considerations are relevant in that they are the business realities which will determine: the risk associated with maintaining the paper's existing operating earnings; the likelihood of growth in the newspaper's operating earnings; and the strategic importance of the paper to potential acquirors. These factors will significantly influence a purchaser's required return on investment and the value of the business. The competitive aspects of assessing the value of a paper includes: its longevity; its reputation; circulation; the quality of the product; relations with advertisers; and the effectiveness of its distribution system.

23. The strategic implications for newspaper acquisitions are an important aspect of why a relatively high value is placed on community newspaper operating earnings and operating revenues as compared to other industries. In many cases it is less expensive to purchase an existing newspaper rather than invest the capital to build one. The following is a summary of why this is the case.

1. A key success factor for a community newspaper is its ability to distribute the publication and advertiser inserts effectively. It takes time and investment in the form of operating and capital costs to build a carrier network and distribution system.

2. An existing paper will have employees who are familiar with the community and have contact with advertisers. Existing employees will also know how to effectively operate a community paper.

3. Title recognition and circulation can only be built-up with time. Until a publication has established itself advertisers will not consider the paper as a credible medium for delivering their message to advertisers.

24. Each of these factors in combination translates into operating losses for a new publication until it can generate sufficient ad revenues to earn a profit. It may take years to earn a profit and the operating losses incurred form part of the capital invested in the paper. If there is an existing paper in the market, the new entrant will have to share ad revenues to at least some degree. Consequently, even if it is successful, its return on revenues will not be as high as if it was the only paper in the market.

25. In comparison to a manufacturing entity, the capital investment in tangible assets for a community paper is not substantial if it does not print its own publication. The entry cost to establish a publication is represented by operating losses and not by capital equipment. If a manufacturer is unsuccessful, it can at least recoup some of

its investment through the sale of its plant. If a community newspaper is unsuccessful, the operator will not recover any of its operating losses if it exits the industry. This is partially why the majority of the purchase price for a community newspaper is comprised of intangible assets. A purchaser of a community newspaper pays the vendor for a publication that is accepted by consumers rather than risk capital on a potentially unsuccessful product.

26. The marketplace for community newspapers is heavily influenced by the fact that other newspaper operators are the most probable buyers for papers. These buyers set the valuation comparables against which other papers are priced. An existing operator will typically be able to generate higher earnings from an acquired paper than if it were operated independently. This results from "synergistic" economic benefits such as savings in paper costs, the rationalization of distribution systems, selling its existing advertisers on the acquired paper or savings in printing costs. Because of these synergies existing operators can afford to pay more for a community newspaper than an investor who does not own other papers. The synergistic economic benefits improve the return on investment.

VALUATION ANALYSES OF SNG'S ACQUISITION OF THE NORTH SHORE NEWS, THE COURIER AND THE REAL ESTATE WEEKLY

THE NORTH SHORE NEWS

27. Included as Appendix A (Schedules 1 to 4) is a summary of the North Shore News' financial statements for the fiscal years ended 31 August 1987 to 31 August 1990. The following is a summary of the North Shore News' reported operating earnings for the 12 months ended 31 August 1988. This was the last fiscal year ended prior to SNG's purchase of its equity interest in the publication during January of 1989.

	[redacted]	[redacted]
Operating revenues	[redacted]	([redacted])
Costs and expenses		
General and administrative	[redacted]	[redacted]
Operating and payroll	[redacted]	[redacted]
Printing	[redacted]	[redacted]
	[redacted]	[redacted]
Operating margin	[redacted]	[redacted]
Depreciation	[redacted]	[redacted]
Operating earnings	[redacted]	[redacted]

28. In the acquisition proposal to SNG's Board of Directors, dated 4 January 1989, the North Shore News' normalized operating earnings for the year ended 31 August 1988 were reported as [redacted] million. The [redacted] thousand difference between my calculation of reported operating earnings and normalized operating earnings as presented to the SNG Board relates primarily to adjustments for excess management fees indirectly paid to Peter Speck and to losses from an unrelated venture included in the North Shore News' accounts. For purposes of my analysis I will accept the 1988 normalized operating figure of [redacted] million presented to SNG's Directors. I have not included the previously noted management fees indirectly paid to Peter Speck for two years as additional consideration in calculating the valuation multiples for the transaction. If the purchase price was increased to [redacted] million by management fees and operating earnings were reduced to [redacted] million the calculated valuation multiples paid by SNG would increase.

29. Based on a purchase price of [redacted] million for 100% of the North Shore News as compared to operating revenues and operating earnings for fiscal 1988, the actual valuation multiples are as follows:

Multiple of operating revenues	[redacted]
[redacted]	
Multiple of operating earnings	[redacted]
[redacted]	

30. The multiple of operating revenues is at the high end of the general range. The multiple of operating earnings is outside the typical valuation parameters. This is further exacerbated if one considers that Peter Speck would receive excess management fees for two years. The multiple of operating earnings represents a pre-tax capitalization rate of [redacted] In comparison, the pre-tax return for an investment in Government of Canada long-term bonds was [redacted] on 31 January 1989 (Appendix H, Schedule 1). All of the purchase price o[redacted] million was comprised of intangible assets (goodwill) and not supported by equity in tangible assets. Sometime between 31 August 1988 and 27 January 1989, North Shore News redeemed [redacted] of its common shares from either Yellow Cedar Properties or Peter Speck for [redacted] million effectively reducing its tangible equity to nil.

31. Judged against relevant operating criteria, the North Shore News is a quality publication. It has a reasonably high circulation, it is of good quality, it serves an affluent area of the Lower Mainland and it has been in production since 1969. I would anticipate that a sale of the publication would occur at the high end of normal valuation parameters. Even after considering the positive attributes of the North Shore News, the multiple of operating earnings paid by SNG was high, certainly outside the bounds of what a non-industry purchaser could afford to pay. To me this indicates that the Southam Newspaper Group placed considerable strategic importance on the North Shore News and/or that SNG thought it could achieve economies of scale sufficient to improve the North Shore News' earnings.

32. SNG anticipated that under its stewardship the North Shore News' operating earnings would grow t[redacted] million in 1989 and t[redacted] illion by 1993. Based on a [redacted] million purchase price, SNG's Board was presented with a valuation for the North Shore News of [redacted] 1992 operating earnings. The North Shore News already had a distribution system in place on the North Shore of the Lower Mainland as did Pacific Press Limited ("Pacific Press") and SNG's The Flyer Force. By rationalizing distribution on the North Shore, SNG thought that it could save about [redacted] thousand pre-tax in 1989 increasing to [redacted] thousand in 1993. The combination of increased

operating earnings and distribution cost savings enhanced SNG's returns from its investment in the North Shore News and made the price paid for the North Shore News more economically justifiable. However, SNG estimated that it would take two to three years before synergistic benefits would increase to the point where its return on investment would be enhanced by earnings improvement.

33. Another important consideration to outline from a valuation perspective is the impact of SNG's purchase on the value of Pacific Press. As noted in the North Shore News' acquisition proposal to SNG's Board, Pacific Press' value was increased by the purchase of the North Shore News. This stems from the fact that the purchase of the North Shore News reduced the risk associated with Pacific Press' earnings. By acquiring a paper operating in a competing marketplace, Pacific Press protected itself from any competitive threat that could have been initiated by the owner of the North Shore News or by a hostile purchaser.

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34. Attached as Appendix B (Schedules 1 to 4) is a summary of the Courier's financial statements for the fiscal years ended 30 April 1987 to 30 April 1990 and the Courier's balance sheet at 8 May 1990. The following is a summary of the Courier's reported operating earnings for the 12 months ended 30 April 1990. This was the last fiscal year ended prior to SNG's purchase of its equity interest in the publication during May of 1990.

	[redacted]	[redacted]
Operating revenues	[redacted]	[redacted]
Costs and expenses		
General and administrative	[redacted]	[redacted]
Operating and payroll	[redacted]	[redacted]
Printing	[redacted]	[redacted]
	[redacted]	[redacted]
Operating margin	[redacted]	[redacted]
Depreciation	[redacted]	[redacted]
Operating earnings	[redacted]	[redacted]

35. The LMPL proposal to SNG's Board of Directors, dated 25 April 1990, represented that the Courier's operating earnings for the year ended 30 April 1990 would be [redacted] thousand before management fees of [redacted] thousand, presumably paid to the co-publishers. After adjusting for a normalized publisher's salary of [redacted] thousand, operating earnings for 1989 were [redacted] thousand. My analyses of the Courier's operating earnings for fiscal 1990 of [redacted] thousand are based on the same assumptions in regard to a normalized publisher's salary. The difference between the two figures likely relates to year end adjustments which were not known when the Board proposal was prepared.

36. On a purchase price of [redacted] million for 100% of the Courier in comparison to operating revenues and operating earnings for fiscal 1990, the actual valuation multiples are as follows:

Multiple of operating revenues	[redacted]
[redacted]	
Multiple of operating earnings	[redacted]
[redacted]	

37. As compared to the North Shore News, the multiple of operating revenues paid for the Courier is close at [redacted] The Courier's operating revenues multiple is again at the top end of typical ranges. The multiple of operating earnings paid for the Courier at [redacted] is significantly higher than that paid for the North Shore News of [redacted] This is owing to a less favourable return on revenues for the Courier at [redacted] while the adjusted return on revenues for the North Shore News is [redacted] The Courier operating earnings multiple is very high relative to typical valuation parameters. The multiple of operating earnings represents a pre-tax capitalization rate of [redacted] The pre-tax return for an investment in Government of Canada long-term bonds was [redacted] on 30 April 1990 (Appendix H, Schedule 2). As was the case with the North Shore News, the [redacted] million purchase price was comprised of intangible assets and not supported by equity in tangible assets. Between 30 April 1989 and 30 April 1990, the Courier paid a dividend of [redacted] thousand reducing tangible equity to [redacted] thousand.

38. I would anticipate that the Courier would change hands at the top of typical valuation parameters. The Courier, and its predecessors, had been in publication since 1908, it circulates to one of Vancouver's wealthy areas and it is of high quality. However, the multiple of operating earnings paid by the Southam Newspaper Group is extremely high. A non-industry purchaser could not afford to pay such a high multiple unless a subsequent sale to a strategic buyer at a profit was contemplated. Similar to the North Shore News acquisition, the price paid by SNG measured against the Courier's operating earnings means that SNG considered the publication to be of considerable business importance.

39. SNG did not isolate the synergistic economic benefits relative to the Courier acquisition in its Board proposal. Synergistic benefits were considered in the context of the LMPL acquisition. It is fair to say that if a separate analysis of synergistic benefits were completed it would show increased financial returns specifically from the Courier, improving the returns from the [redacted] million acquisition price.

40. It is also reasonable to conclude that SNG viewed the Courier addition as an enhancement to the value of Pacific Press. The Courier distributed in Pacific Press' Vancouver market. The acquisition protected Pacific Press from whatever competitive threat the Courier might make and thereby protected Pacific Press' existing earnings and its value.

THE REAL ESTATE WEEKLY

41. The following is a summary of Specialty's reported operating earnings for the 12 months ended 31 August 1989. My understanding from the documents I have reviewed is that the Real Estate Weekly and related businesses formed all of Specialty's operations. Consequently, Specialty's operating earnings are synonymous with the Real Estate Weekly's operating earnings.

	[redacted]	[redacted]
Operating revenues	[redacted]	[redacted]
Costs and expenses		
General and administrative	[redacted]	[redacted]
Operating and payroll	[redacted]	[redacted]
	[redacted]	[redacted]
Operating margin	[redacted]	[redacted]
Depreciation	[redacted]	[redacted]
Operating earnings	[redacted]	[redacted]

42. The consolidated financial information available to me in respect of the Real Estate Weekly was limited. The operating results I have presented are based on a summarized 1989 financial statement which I believe was prepared for SNG by Madison. I have assumed that these figures are accurate. Appendix C (Schedules 1 and 2) is Specialty's balance sheet at 31 August 1989 and statement of earnings for the year ended 31 August 1989. Appendix D (Schedules 1 to 4) is a summary of the

Real Estate Weekly's financial statements for the periods ended 1 August 1989, 16 February 1988, 31 August 1988, 31 August 1989, 8 May 1990 and 31 August 1990. These financial statements are not consolidated with Specialty to show an accurate account of the Real Estate Weekly's earnings.

43. Utilizing a value allocation of [redacted] million for the Real Estate Weekly in the formation of LMPL the relevant valuation multiples are summarized below.

Multiple of operating revenues [redacted]	[redacted]
Multiple of operating earnings [redacted]	[redacted]

44. The multiple of operating earnings represents a pre-tax capitalization rate o[redacted] The valuation parameters for the Real Estate Weekly are considerably more modest than for either the North Shore News or the Courier. This is because a portion of the Real Estate Weekly's revenue was derived from printing rather than advertising or distribution. More importantly, the Real Estate Weekly is not a newspaper. It is a specialty publication for advertising residential real property by real estate sales organizations. Advertising revenues are earned from one industry. The Real Estate Weekly's revenues are at greater risk than a community newspaper which has a diversity of customers. Furthermore, a specialty publication does not necessarily have the same loyalty of readership or mass appeal as a newspaper.

45. The 31 August 1989 financial statements for Specialty show[redacted] Of the[redacted] million assigned to the Real Estate Weekly,[redacted]million was [redacted] The Real Estate Weekly's tangible equity was invested in printing equipment, working capital and an investment in what I believe was a Madison related company. In comparison, there was essentially no tangible equity in the

purchase price for either the North Shore News or the Courier. Generally, if a business has a higher risk associated with it, or if it is of less strategic importance, a purchase price will include a smaller component for intangible assets.

46. As previously outlined (Madison value allocation in the 25 April 1990 SNG Board proposal), Real Estate Weekly had the [redacted] million out of a [redacted] million total for all the Madison publications. In comparison, the Now community newspapers were only assigned a value of [redacted] thousand (this represents [redacted] of 1989 operating revenues of [redacted] million and [redacted] operating earnings of [redacted] thousand). The Real Estate Weekly was the largest contributor to earnings for 1989 with [redacted] of operating earnings. The Real Estate Weekly represente [redacted] of 1989 operating revenues. The relative assigned value to the Real Estate Weekly versus other Madison businesses indicates to me that it was an important strategic asset in the formation of LMPL. The strategic importance of the Real Estate Weekly could have included using the publication as a vehicle for new distribution activities or for establishing the Real Estate Weekly in other Canadian cities.

SNG BUSINESS CONSIDERATIONS ON THE ACQUISITION OF THE NORTH SHORE NEWS, THE COURIER AND THE REAL ESTATE WEEKLY

INTRODUCTION

47. My comments in this section of this Affidavit are based on my professional experience and my review of SNG's strategic planning documents, Board proposals and other similar materials. The business considerations relevant to the acquisition cover a broad range of issues relative to SNG's future in the Lower Mainland. While certain of my comments are specific to the three papers at issue, to a degree my comments relate more generally to the formation of LMPL.

INDUSTRY CONSIDERATIONS

48. SNG was aware of inherent industry difficulties with its daily papers. Partially as a result of changing demographics and shifting social priorities, readership and circulation of its dailies were declining. Advertisers were moving to other forms of advertising (ie. mail, cable and inserts). Advertising was shifting from run of the press to inserts. Inserts were being targeted to specific zones within a trading area. A proliferation of community newspapers and shoppers (free circulation newspapers) had also taken place. Community papers were publishing more frequently and aligning themselves with other regionals to offer market-coverage to major advertisers. Where major advertisers used community papers as a vehicle for market-coverage advertising, SNG's newspaper and flyer distribution operations suffered from a loss of advertising and distribution revenues.

49. Against this backdrop, SNG's strategic planning papers indicate that it wanted to achieve real revenue growth (ie. exclusive of growth through inflation) of 7% annually. Without acquisitions its analysis was that it would only be able to achieve real growth of 2.5% per annum. As the community and specialty newspapers were growing and taking a larger share of print media advertising, the acquisition of an equity interest in LMPL provided SNG with a vehicle for growth. It provided SNG with the opportunity to provide market-coverage to advertisers in the Lower Mainland and to participate in a significant community newspaper enterprise. SNG's equity interest in LMPL also gave SNG the opportunity to influence community newspaper activities in the Lower Mainland to its strategic advantage.

THE FLYER FORCE

50. The Flyer Force, a division of SNG, commenced operations in the Lower Mainland during February of 1986 and ceased operations during February of 1991. The Flyer Force was created to earn revenues from flyer distribution and to provide market coverage to advertisers. The Flyer Force provided distribution services for

advertisers to those homes that did not subscribe to the Vancouver Sun. By providing this distribution service, Pacific Press was able to maintain its own profitable insert business in the Lower Mainland. The Flyer Force's competitors were community newspapers, shoppers and other advertising distribution companies.

51. Included as Appendix E (Schedules 1 to 4) are summarized financial statements for The Flyer Force, Vancouver for the fiscal years 1986 through 1990. By 1988 The Flyer Force was generating revenues in excess of [redacted] per annum; [redacted]

52. SNG's involvement with LMPL afforded it the opportunity to rationalize The Flyer Force's operations with those of LMPL. LMPL's publication distribution system could be utilized to deliver inserts to geographic areas previously covered by The Flyer Force. It is difficult to comment in detail on the potential savings available without an intimate knowledge of both LMPL's and The Flyer Force's distribution system in the Lower Mainland. One can reasonably conclude, however, that a portion of the revenues earned by The Flyer Force would be maintained by LMPL. Distribution cost savings would also be realized. The net financial impact on SNG is that The Flyer Force's operating losses would be reduced or eliminated and LMPL would have a positive earnings contribution from new revenues. Moreover, SNG could still offer market-coverage distribution services to its advertisers without having to sustain losses and Pacific Press could continue its insert activities.

NORTH SHORE EXTRA

53. The North Shore Extra, a Vancouver Sun zoned publication, began publication in September 1988 and it was last published during April of 1990. It was distributed to Vancouver Sun subscribers on the North Shore and controlled distribution copies were also distributed on the North Shore. Delivery was completed by either the

Vancouver Sun carriers or The Flyer Force carriers. Circulation grew from about 70,000 in 1988 to 80,000 in 1990. The North Shore Extra was published every other Wednesday.

54. Appendix F to this Affidavit is a summary of the operating margin (operating earnings before depreciation) for the North Shore Extra during its life span. Based on my review of submissions to the Director, the North Shore Extra had a positive operating margin during the last four months of 1988 only because of traditional increases in advertising for the holiday season. For 1989, the last full year of operation, the [redacted] Internal Pacific Press documents indicate that if all true costs of the publication were attributed to the publication [redacted] per month, [redacted] per year.

55. The North Shore Extra was commenced to improve Vancouver Sun subscriptions on the North Shore and to compete with other print media on the North Shore. If Pacific Press continued publishing the North Shore Extra once it had purchased an equity interest in the North Shore News it would have been competing with itself. As the North Shore Extra was not financially successful, stopping the publication curtailed losses without having to commit additional financial resources to compete with the North Shore News.

PACIFIC PRESS LIMITED

56. **Pacific Press is SNG's largest Canadian newspaper operation. Appendix G (Schedules 1 to 4) is a summary of Pacific Press financial information in comparison to other Southam Newspaper Group daily papers. For fiscal 1990 (Schedule 1)** Pacific Press had operating revenues of about [redacted] million [redacted] which was a [redacted] return on revenues. Pacific Press represented [redacted] (Schedule 2) daily newspaper operating revenues but [redacted]

57. SNG's target return on revenues is at leas[redacted] As highlighted in Appendix G, Schedule 3, Pacific Press only once achieved this target during the last five fiscal years. In contrast to SNG's Edmonton, Calgary and Ottawa papers[redacted] Appendix G, Schedule 4, is a comparison of Pacific Press 1989 operating costs to other SNG papers. These costs comparisons point to the fact that[redacted] Several SNG documents indicate [redacted]

58. Given that Pacific Press is SNG's largest paper measured by revenues, but one of its poorest performers measured by return on revenues, it was of significant strategic importance to SNG to ensure its daily newspaper earnings in the Lower Mainland were not eroded. Any deterioration in Pacific Press' financial performance (reduced revenues or earnings) would have an important negative impact on SNG's overall performance. Ownership of the LMPL papers prevented other communication companies from acquiring these papers and competing with Pacific Press for advertising or insert business. SNG's ownership of LMPL ensured that Pacific Press' earnings would not be jeopardized by a hostile owner. While LMPL was to be operated independently from Pacific Press, I do not think that SNG would allow LMPL to operate in such a way as to materially impair Pacific Press' revenues or earnings.

59. Trinity (NA) Holdings Inc. ("Trinity") operates the Metro-Valley Newspaper Group of community papers in the Lower Mainland. It is LMPL's main competitor. Trinity does not publish a community newspaper for Vancouver Westside, home of the Courier, or the North Shore, home of the North Shore News. If Trinity had acquired these newspapers it could have offered its advertising customers broad-based coverage of the Lower Mainland and two of its important markets. SNG's acquisition of the Courier and the North Shore News prevented this from occurring. Also of importance is that if Trinity did not acquire either of these two papers, another competitor could have purchased them to establish a presence in the Lower

Mainland. Because of the importance of the Westside and North Shore markets, SNG was motivated to acquire the papers as a defensive posture.

60. Pacific Press had ongoing difficulties with labour relations. In the past these difficulties resulted in strikes, causing a halt to publication for an extended period of time. SNG's materials outline senior management's concerns for a lack of flexibility imposed on Pacific Press by its labour force. The acquisition of LMPL countered this negative business factor. If Pacific Press' management and labour could not agree on labour related issues, for instance the staffing of its new Surrey plant, a strike could ensue. Under a strike scenario, LMPL with broad market coverage, would be in a position to meet the needs of Pacific Press' customers and maintain customer loyalty. Furthermore, Pacific Press' advertisers would not have to go to a competing organization for print media coverage during a labour disruption.

61. Prior to acquiring an equity interest in LMPL the Southam Newspaper Group owned the two Lower Mainland daily papers. LMPL provided ownership in a network of community papers covering the Lower Mainland. Adding LMPL, SNG was positioned to continue its dominance of the Lower Mainland print media business. It could offer its advertisers a diversity of products covering all Lower Mainland markets or specific target markets. SNG was also strategically placed to develop new products to suit changing print media developments.

62. In summary, the strategic considerations I have reviewed relative to Pacific Press were important to maintaining and enhancing its value as an asset of SNG. This would have been an important consideration to the Southam Newspaper Group's senior management and Board of Directors when they considered the formation of LMPL. LMPL afforded SNG the opportunity to deal with certain of Pacific Press' weak points, it provided greater operating flexibility and it kept a network of community newspapers from falling into the hands of a competitor. The acquisition meant that Pacific Press' revenues and earnings would not deteriorate through the

action of a competing community newspaper group. Accordingly, Pacific Press' earnings were at less risk and its value as an income producing asset was improved.

SYNERGISTIC ECONOMIC BENEFITS

63.

64.

65.

66.

67.

68.

APPENDIX A

NORTH SHORE FREE PRESS LTD.

Financial statement summaries for the fiscal years ended 31 August 1987 to 1990.

NORTH SHORE FREE PRESS LTD.

Balance Sheet Summary

Appendix A

Schedule 1

APPENDIX B

RIM PUBLISHING INC.

Financial statement summaries for the fiscal years ended 30 April 1987 to 1990 and balance sheet at 8 May 1990.

APPENDIX C

SPECIALTY PUBLISHERS INC.

Balance sheet as at 31 August 1989 and statement of earnings for the year ended 31 August 1989.

SPECIALTY PUBLISHERS INC.

Statement of Earnings

Appendix C

Schedule 2

APPENDIX D

ELTY PUBLICATIONS LTD.

Financial statement summaries for the periods ended 1 August 1987, 16 February 1988, 31 August 1988, 31 August 1989, 8 May 1990 and 31 August 1990.

APPENDIX E

THE FLYER FORCE, VANCOUVER

Financial statement summaries for the fiscal years ended 31 December 1986 to 1989.

APPENDIX F

NORTH SHORE EXTRA

Operating margin summary for the period 1 September 1988 to 30 April 1990.

APPENDIX G

PACIFIC PRESS LIMITED

Revenue, costs and earnings comparisons.

PACIFIC PRESS LIMITED

Comparison of Operating Revenues, Operating Earnings and Return On Revenues
With Other Southam Newspaper Group Daily Newspapers

PACIFIC PRESS LIMITED

Five Year Earnings Comparisons

With Selected Southam Newspaper Group Daily Newspapers

Appendix G

Schedule 3

PACIFIC PRESS LIMITED

Comparison of 1989 Operating Costs

With Selected Southam Newspaper Group Daily Newspapers

Appendix G

Schedule 4

APPENDIX H

DIRECTOR OF INVESTIGATION AND RESEARCH

Economic, share and money market indicators at 31 January 1989 and 30 April 1990.

DIRECTOR OF INVESTIGATION AND RESEARCH Appendix H

Economic, Share And Money Market Indicators Schedule 1

31 January 1989

	31 January 1989	31 January 1988	31 January 1987
Short term interest rates			
Prime	**12.25%**	9.75%	9.25%
90 day treasury bills	**11.54%**	8.63%	7.74%
Long term interest rates			
Government of Canada long-term bonds	**10.18%**	9.74%	8.94%
Corporate long-term bonds	**10.96%**	10.56%	9.74%
Chartered bank 5 year mortgage rate	**12.25%**	11.75%	10.50%
Inflation			
Consumer price index	**147.0**	141.0	135.4
Change in the year	**4.3%**	4.1%	3.9%
GDP implicit price deflator (4th quarter)	**137.6**	131.5	126.0
Change in the year	**4.6%**	4.4%	3.0%
General			
British Columbia unemployment rate	**10.2%**	10.2%	13.8%
Canadian unemployment rate	**7.6%**	8.0%	9.5%
C$ in US$	**$0.845**	$0.784	$0.746
GDP at constant prices (4th quarter)	**448,440**	433,708	408,944
Change in the year	**3.4%**	6.1%	1.2%
Share exchange			
TSE 300			
Index value	**3,617**	3,057	3,349
Change in the year	**18.3%**	-8.7%	15.9%
Dividend yield	**3.2%**	3.2%	2.7%
Price-earnings ratio	**11.63 x**	13.42 x	18.91 x
Publishing and printing sub-group index			
Index value	**8,281**	7,758	6,936
Change in the year	**6.7%**	11.9%	31.4%
Dividend yield	**1.9%**	2.1%	1.8%
Price-earnings ratio	**19.35 x**	17.61 x	20.27 x
Southam Inc.			
Common share price	**$32.00**	$24.00	$16.50
Change in the year	**33.3%**	45.5%	-1.5%
Dividend yield	**2.0%**	2.0%	3.7%
Price-earnings ratio	**21.2 x**	18.2 x	13.7 x

Sources: Bank of Canada Review and Toronto Stock Exchange Review

DIRECTOR OF INVESTIGATION AND RESEARCH

Appendix H
Schedule 2

Economic, Share And Money Market Indicators
30 April 1990

	30 April 1990	30 April 1989	30 April 1988
Short term interest rates			
Prime	**14.75%**	13.50%	10.25%
90 day treasury bills	**13.55%**	12.37%	8.87%
Long term interest rates			
Government of Canada long-term bonds	**11.54%**	10.19%	10.36%
Corporate long-term bonds	**12.56%**	10.94%	11.03%
Chartered bank 5 year mortgage rate	**14.25%**	12.75%	11.25%
Inflation			
Consumer price index	**156.5**	149.0	142.5
Change in the year	**5.0%**	4.6%	2.4%
GDP implicit price deflator (1st quarter)	**117.4**	113.4	107.8
Change in the year	**3.5%**	5.2%	4.8%
General			
British Columbia unemployment rate	**8.0%**	9.3%	10.4%
Canadian unemployment rate	**7.2%**	7.7%	7.6%
C$ in US$	**$0.859**	$0.841	$0.813
GDP at constant prices (1st quarter)	**573,724**	561,288	542,856
Change in the year	**2.2%**	3.4%	5.4%
Share exchange			
TSE 300			
Index value	**3,341**	3,628	3,340
Change in the year	**-7.9%**	8.6%	-10.1%
Dividend yield	**3.8%**	3.3%	3.1%
Price-earnings ratio	**14.44 x**	11.09 x	12.54 x
Publishing and printing sub-group index			
Index value	**6,231**	7,865	7,165
Change in the year	**-20.8%**	9.8%	-0.4%
Dividend yield	**3.4%**	2.3%	2.0%
Price-earnings ratio	**14.64 x**	17.9 x	19.17 x
Southam Inc.			
Common share price	**$23.00**	$31.63	$21.75
Change in the year	**-27.3%**	45.4%	-7.4%
Dividend yield	**3.5%**	2.0%	2.6%
Price-earnings ratio	**15.3 x**	25.7 x	15.0 x

Sources: Bank of Canada Review and Toronto Stock Exchange Review