

CT-901

IN THE FEDERAL COURT OF CANADA
TRIAL DIVISION

COMPETITION T TRIBUNAL DE LA C	
FILED	MAR 4 1991 <i>ep</i>
REGISTRAR	REGISTRARE
OTTAWA, ONT.	#32(2)

B E T W E E N:

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

Plaintiffs

- and -

THE ATTORNEY GENERAL OF CANADA, THE COMPETITION
TRIBUNAL and THE DIRECTOR OF INVESTIGATION
AND RESEARCH UNDER THE COMPETITION ACT

Defendants

to the affidavit of

ANABE BRANTZ

sworn before me this

4th day of March

1991

Madeline Desautel, not. pub.
A Commissioner
Notary Public, etc. *Que.*

AFFIDAVIT OF PAUL RENAUD

I, Paul Renaud of the City of Mississauga, in the
Province of Ontario MAKE OATH AND SAY AS FOLLOWS:

1. I am the Vice President, Finance of The Southam
Newspaper Group, a division of Southam Inc. ("Southam"), and as
such have knowledge of the matters hereinafter deposed to.

2. Southam is a company incorporated under the laws of
Canada with its head office in Toronto, Ontario; and carries on
through The Southam Newspaper Group, inter alia, the business
of publishing newspapers and related businesses in the
Provinces of Quebec, Ontario, British Columbia and elsewhere in
Canada.

3. Pacific Press Limited ("Pacific Press"), a
wholly-owned subsidiary of Southam, incorporated under the laws
of British Columbia, owns and publishes two daily newspapers,
The Vancouver Sun and The Province. Both of these are
circulated throughout the Vancouver Metropolitan area and the
remainder of the Lower Mainland of British Columbia. The
"Lower Mainland" refers to that part of the Fraser River Valley
south of Hope, including the Vancouver census Metropolitan
area, Abbotsford, Chilliwack, Clearbrook, Matsqui and Mission.

4. Pursuant to transactions which took place on January 27, 1989 and May 8, 1990, Southam acquired direct and indirect equity interests in 13 community newspapers (including The Vancouver Courier and the North Shore News), a real estate advertising publication (the Real Estate Weekly), three flyer distribution businesses and two printing businesses, all operating in the Lower Mainland.

5. The transaction completed on January 27, 1989 involved the acquisition by Southam of 49% of the issued and outstanding shares of North Shore Free Press Ltd. ("NSFP"). NSFP publishes and distributes a controlled circulation community newspaper in north and west Vancouver, called the the North Shore News.

6. The transactions which took place on May 8, 1990, were substantially as follows:

- (a) Lower Mainland Publishing Ltd. ("LMPL") was incorporated as a wholly-owned subsidiary of Southam. Through a series of transactions, Southam acquired approximately 63% of the issued and outstanding common shares of LMPL, with the remaining 37% of the common shares of LMPL being held by Madison Venture Corporation through some of its subsidiaries;
- (b) LMPL acquired Southam's 49% interest in NSFP;
- (c) LMPL acquired from Netmar Inc. its 50% interest in the Madison Group and acquired from subsidiaries of Madison Venture Corporation their 50% interest in the Madison Group. The Madison Group which is made up of Union Ink Ltd., Specialty Publishers Inc., One Cent Publishing Ltd., BMA Holdings Limited and their subsidiaries. The Madison Group publishes and distributes free of charge the following controlled circulation community newspapers in the Lower

Mainland: Burnaby Now, Royal City Record, Now (Coquitlam, Port Coquitlam, Port Moody), Maple Ridge--Pitt Meadows Times, Surrey Now, North Delta Today, South Delta Today, Abbotsford--Clearbrook Times, Chilliwack Times and Haney-Maple Ridge Pennysaver. Madison Group also publishes and distributes the Real Estate Weekly, and owns a one-half interest in the Richmond News;

- d) NSFP acquired all of the issued and outstanding shares of Tepnyl Holdings Co. Ltd., which through its wholly-owned subsidiary, Bex Publishing Ltd. carries on the businesses of publishing the Delta Optimist and the Richmond Times;
- e) NSFP also acquired 75% of the issued and outstanding common shares and 100% of the issued and outstanding preferred shares of RIM Publishing Inc. ("RIM"), which publishes The Vancouver Courier, a twice-weekly newspaper circulated in an area which comprises most of the City of Vancouver; and,
- f) put/call arrangements were also put in place, which, if exercised, would result in Southam acquiring 100% control of LMPL; LMPL acquiring 100% control of NFSP and NFSP acquiring 100% control of RIM.

As a result of these transactions Southam acquired the interests referred to in paragraph 4 hereof.

7. In December, 1988, prior to the foregoing transactions, Southam notified the Director in writing of its proposed acquisition of an interest in NSFP and requested the Director's confirmation that the proposed transaction would not result in an inquiry under the Competition Act (the "Act"), or

cause the Director to make an application to the Competition Tribunal under Section 92 of the Act. Following discussions with the Director, in the course of which Southam provided additional information to respond to the Director's concerns, the Director provided Southam with the written confirmation requested on March 6, 1989. Attached as Exhibit "A" to this my Affidavit is a true copy of a letter from the Director dated March 6, 1989, confirming that Southam's proposed acquisition of an interest in NFSP would not, in the Director's opinion, result in a substantial lessening of competition.

8. In May, 1990, Southam entered into discussions with the Director with respect to the May 8, 1990 transactions, as described herein. Southam co-operated with the Director by providing information with respect to the various transactions as well as responding to specific questions posed by the Director and his staff.

9. On June 7, 1990 at the Director's request and to facilitate his on-going review of the subject transactions, Southam provided the Director with a written undertaking to "hold separate" the businesses acquired until August 17, 1990. Attached as Exhibit "B" to this my Affidavit is a true copy of the hold separate undertakings given by Southam to the Director, dated June 7, 1990.

10. In consultation with the Director, Southam has agreed to extend the hold separate undertakings from time to time, in terms agreed upon by the parties. Attached as Exhibit "C" to this my Affidavit is a true copy of a letter from John J. Quinn to George Addy, dated August 15, 1990 consenting to an extension of the June 7, 1990 undertakings until August 24, 1990. Attached as Exhibit "D" to this my Affidavit is a true copy of a letter from George Addy to John J. Quinn, dated August 31, 1990, confirming extension of the undertakings to

September 4, 1990. Attached as Exhibit "E" to this my Affidavit is a true copy of a letter from John J. Quinn to Andre Brantz, dated September 18, 1990 enclosing amended undertakings effective September 14, 1990. Attached as Exhibit "F" to this my Affidavit is a true copy of a letter from John J. Quinn to George Addy, dated October 5, 1990 extending the September 14, 1990 undertakings to October 10, 1990. Attached as Exhibit "G" to this my Affidavit is a true copy of a letter dated October 10, 1990, from John J. Quinn to George Addy extending the September 14, 1990 undertakings to October 11, 1990. Attached as Exhibit "H" to this my Affidavit is a true copy of a letter dated October 11, 1990 from John J. Quinn to George Addy modifying the September 14, 1990 undertakings by releasing the "Distribution Companies", Surrey/North Delta Now and the Richmond News from the undertakings. Attached as Exhibit "I" to this my Affidavit is a true copy of a letter from J.D. Kendry to Peter Humber dated October 18, 1990 extending the September 14, 1990 undertakings as modified to October 26, 1990. Attached as Exhibit "J" to this my Affidavit is a true copy of a letter dated October 24, 1990 from J. D. Kendry to Gilles Menard extending the September 14, 1990 undertakings as modified to November 2, 1990. Attached as Exhibit "K" to this my Affidavit is a true copy of a letter from J. D. Kendry dated November 15, 1990 to Gilles Menard, extending the September 14, 1990 undertakings as modified to November 23, 1990.

11. By letter dated November 23, 1990 Southam's counsel advised the Director that these undertakings had expired and would not be extended beyond a two week grace period. I am advised by counsel and verily believe that this action was taken in order to encourage the Director to respond to Southam's requests for an explanation of the reasons for the Director's position. Notwithstanding this action Southam is prepared to continue to hold separate the businesses in respect

of which the Director has competition law concerns as a condition of the granting of the order sought in these proceedings. Attached as Exhibit "L" to this my Affidavit is a true copy of the letter of November 23, 1990 referred to above.

12. On November 29, 1990, the Director filed with the Tribunal an Application pursuant to Section 92 of the Act, seeking orders which, if granted, would effectively require Southam to dispose of any direct or indirect interests in the businesses carried on as the Vancouver Courier, the North Shore News and the Real Estate Weekly, which Application named Southam and others as respondents. Attached as Exhibit "M" to this my Affidavit is a true copy of the Application dated November 29, 1990.

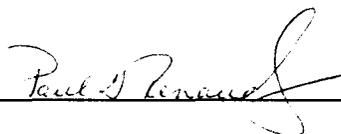
13. I am advised by counsel and do verily believe that, if there were a full Tribunal hearing on the merits, Southam will suffer irreparable harm including:

- a) vast amounts of management time and money will be expended preparing for and attending the Tribunal hearings, which could ultimately be found to be null and void;
- b) Tribunal hearings would involve extensive public disclosure of confidential information pertaining to Southam and its business operations in the form of productions and oral evidence under oath which has the potential to damage Southam's competitive and business position. That is particularly so given that interventions may be granted to persons who are adverse in interest to Southam; and

c) in the event that the Director's Application is successful, Southam may be required to divest some or all of the assets which are the subject of the Application. These assets could likely not be re-acquired in the event that the Tribunal proceedings were subsequently struck down on constitutional grounds.

No irreparable harm will come to the Director's position or the public interest, because Southam is hereby agreeing to preserve the status quo by continuing to hold separate those businesses in respect of which the Director has alleged competition law concerns.

SWORN before me at the City)
of Toronto in the Province)
of Ontario on December 6,)
1990.)





A Commissioner etc.

ALBERT CARLISLE GOURLEY
STUDENT-AT-LAW, a Commissioner, etc., in and
for the PROVINCE OF ONTARIO for Blake, Cassels
& Graydon, Barristers and Solicitors.
Expires August 31, 1993.

Schedule "A"

DIRECTORS AND OFFICERS

<u>COMPANY</u>	<u>DIRECTORS</u>	<u>NAME OF OFFICER</u>	<u>OFFICE HELD</u>
RIM PUBLISHING INC.	Perks Hager Ballard	Hager Ballard	President & Co-Publisher Secretary & Co-Publisher
VANCOUVER COURIER (1979) LTD.	Perks Hager Ballard	Hager Ballard	President Secretary
TEPNYL HOLDING CO. LTD.	Perks Peter Bexley	Peter Bexley	President & Secretary
BEX PUBLISHING LTD.	Perks Peter Bexley	Peter Bexley	Publisher, President & Secretary
LOWER MAINLAND PUBLISHING LTD.	Perks Grippe Collison	Perks Grippe Aunger	COB & CEO President Secretary/Treasurer
NORTH SHORE FREE PRESS LTD.	Perks Speck Foot	Speck Foot	President Vice-President & Secretary
(Four Subsidiaries of NSFP)	Speck	Speck Foot	President Vice-President & Secretary

2649B(7)

SCHEDULE "B"

Managerial Employees

REM

Peter Ballard	Co-publisher
Phil Hager	Co-publisher
Jim Davis	General Manager
Dave Bell	Advertising Manager
Michael Maloney	Editor

MADISON GROUP

Sam Grippo	President
John Collison	Vice-President - REW
Bruce Auger	Vice-President, Finance
Sam Joe	Vice-President, College & NOW
Tim Siba	Publisher
Spencer Levan	Distribution
Derek Chamberlain	Publisher, NOW

NSFP

Peter Speck	Publisher
Doug Foot	Controller
Linda Stewart	Advertising Manager
Tim Renshaw	Editor
Chris Johnston	Operations Manager

BEX

Peter Bexley	Publisher
Lynn Cameron	Business Manager
Ernie Bexley	Operations Manager

Schedule "C"

RIM Managers: Philip Hager
Peter Ballard

Bex Manager: Peter Bexley

Madison Group Managers: Sam Grippo
Bruce Aunger
John Collison
Sam Joe

NSFP Managers: Peter Speck
Douglas Foot

2649B(9)

This is Exhibit "C" to the Affidavit of

Paul Renaud
sworn before me this 3rd day of Dec. 1990

[Signature]
A Commissioner

ELAKE, CASSELS & GRAYDON

Barristers & Solicitors
Patent & Trade-mark Agents

1600-50 O'Connor Street
Ottawa, Ontario
K1P 6L2

Telephone: (613) 788-2200
Facsimile: (613) 594-3965

August 15, 1990

VIA FACSIMILE

Mr. George Addy
Deputy Director
Bureau of Competition Policy
Place du Portage 1
Hull, Quebec K1A 0C9

Dear George:

**Re: Southam Newspaper Group / Lower Mainland Publications Limited
re: Extension of Hold Separate Undertakings**

At our meeting with you and your colleagues yesterday, you indicated that the Merger Branch's investigation of Southam's transactions in the Lower Mainland had raised a few competition law concerns which have not yet been satisfactorily resolved. You indicated only four remaining areas of concern:

- (1) competition between the affected weekly papers in both Delta and Richmond;
- (2) competition for real estate advertisers in the Lower Mainland;
- (3) competition for the distribution of flyer advertising in the Lower Mainland; and
- (4) competition between the Vancouver Courier and the Southam daily papers within the Courier's controlled circulation area.

In addition to discussing the substance of your concerns, you also indicated that a satisfactory resolution of these matters will require additional investigation and analysis by the Merger Branch.

Toronto • York Region • Ottawa • Montreal • Calgary • Vancouver • London, England

*Associated firm: Lavery, O'Brien

At our meeting yesterday, David Perks of Southam explained that the fall retailing season is fast approaching, and that the contemplated plan to coordinate the marketing of advertising and distribution of the affected publications would need to be completed soon in order for these publications to compete successfully with their unencumbered rivals in the Lower Mainland. In particular, David indicated that the most time-sensitive concern raised by you involved your continued examination of any potential competitive overlap between the Vancouver Courier and the Southam dailies. Since the Courier would need to participate in any future cooperative arrangements with the other publications in order to insure their economic success, David expressed a strong preference that priority be given to resolving concerns with respect to the Courier. In order to permit a satisfactory resolution of your concerns with respect to the Courier and the other three matters raised, Southam is prepared to extend its current undertakings to the close of business on the 24th of August, 1990. In return, we understand that you and your colleagues will use your reasonable best efforts to resolve your concerns in respect of the Vancouver Courier prior to the expiry of the extended undertakings on August 24th.

Southam is also willing to revisit the issue of an additional extension of the undertakings in respect of the other three areas of concern noted above in order to permit the conclusion of your investigations. We feel that it would be appropriate to defer any discussion with you of such further extension until a date closer to August 24th, by which time you will have had an opportunity to do additional work and to form a better idea of the additional time which will likely be required in order to complete the investigations.

I trust this arrangement conforms with what we discussed at our meeting yesterday. If not or if you have any additional suggestions or comments, I would appreciate hearing from you at your earliest convenience.

Yours very truly,



John J. Quinn

JJQ:nd

cc: Ian McNaughton
Andre Brantz

bcc: Dave Perks
John Phillips

This is Exhibit "D" to the Affidavit of

Paul Renaud
sworn before me this 27th day of Dec. 1990

H. Gaudet
A Commissioner



Consommation
et Corporations Canada

Consumer and
Corporate Affairs Canada

Directeur des
enquêtes et recherches

Director of
Investigation and Research

Bureau de la
politique de concurrence

Bureau of
Competition Policy

Piece du Portage 1
50 Victoria
Hall, Québec
K1A 0G5

Facsimile - Facsimile
(71) 953-5013
Fusionnements - Mergers
(71) 953-5159

More reference Your file

More reference Car file

Tel - Te.

BY FACSIMILE

August 31, 1990

Mr. J. J. Quinn
Blake, Cassels & Graydon
Box 25, Commerce Court West
Toronto, Ontario
M5L 1A6

Dear Jack:

RE: Southam Newspaper Group
Re Lower Mainland Publishing Ltd.

I wish to acknowledge receipt of your facsimile of August 31, 1990 wherein Southam Newspaper Group, North Shore Free Press Ltd. and David Perks have agreed to extend the current undertakings in the above captioned matter to midnight on Tuesday, September 4, 1990, as discussed. I am also enclosing a further Request for Information dated August 31, 1990 and look forward to receiving your response as soon as possible.

I note that on Tuesday, we will advise you about those aspects of the acquisition about which the Director presently has no concerns. We will also be discussing with you the terms and conditions of further undertakings and the request by your clients concerning the Van Network proposal for joint marketing of advertising.

Yours very truly,

George N. Addy
Senior Deputy Director of
Investigation and Research

Canada

This is Exhibit "E" to the Affidavit of

Paul Renaud
sworn before me this 9th day of Dec. 1990

[Signature]
A Commissioner

BLAKE, CASSELS & GRAYDON

Barristers & Solicitors
Patent & Trade Mark Agents

Box 25, Commerce Court West
Toronto, Canada M5L 1A9

Telephone 416-863-2400
Facsimile 416-863-2653
Telex 06-219687

Our Reference:

JOHN J. QUINN
Direct Dial: (416) 863-2648

Direct Fax: (416) 863-4251
Reference: 00266/00212

September 18, 1990

VIA FACSIMILE

Mr. Andre Brantz, Esq.
Commerce Officer
Merger Branch
Bureau of Competition Policy
Place du Portage, Phase I
Hull, Quebec

Dear Andre:

Re: The Southam Newspaper Group
re: Lower Mainland Publishing Limited

Attached please find the Amended Undertakings in connection with the creation of Lower Mainland Publishing Ltd. The Amended Undertakings were signed in counterparts by David Perks, Peter Speck and Russ Mills, and were effective September 14, 1990.

I trust this is satisfactory. Should you have any questions in connection with this matter please do not hesitate to contact me.

Yours very truly,

Jack

John J. Quinn

JJQ/jap

c: David Perks, Esq.
Russ Mills
Peter Speck
Stanley Wong, Esq.
J.D. Kendry, Esq.
Ian McNaughton, Esq.
Andrew Jackson, Esq.

2452B(36)

Northumbrian House, 14 Devonshire Square, London, England EC2M 4TE Telephone 01-377-6800
Facsimile 01-377-2917 Telex 94-13236

York Corporate Centre, 100 York Boulevard, Richmond Hill, Canada L4B 1J8 Telephone 416-733-4040
Facsimile 416-764-5127 Telex 06-219687

BLAKE, CASSELS & GRAYDON

AMENDED UNDERTAKINGS TO DIRECTOR

September 14, 1990

Re: Southam Inc.'s Recent Newspaper
Acquisitions in the Lower
Mainland of British Columbia

1. The Southam Newspaper Group, a division of Southam Inc. ("Southam"), North Shore Free Press Ltd. ("NSFP"), and David Perks, Publisher of The Gazette, Montreal, hereby provide the Director of Investigation and Research (the "DIR") the following amended undertakings (which incorporate amendments to the original undertakings dated June 7, 1990) in connection with Southam's and NSFP's recent newspaper and related acquisitions as part of the creation of Lower Mainland Publishing Ltd. ("LMPL") in British Columbia.

2. In these undertakings, the following definitions shall apply:

- (a) "Acquired Businesses" means RIM, NSFP, the Madison Papers and the Distribution Companies and "Acquired Business" means one of the four (identified by the context of use). "Acquired Business" means one of the four (identified by the context of use).
- (b) "Confidential Information" means competitively sensitive or proprietary information of the Acquired Businesses not independently known to Southam, NSFP or David Perks from sources other than LMPL and the Acquired Businesses and includes, but is not limited to, price lists, marketing methods, strategic plans or other trade secrets.
- (c) "Distribution Companies" means the three operating companies of LMPL involved in the distribution of flyers, namely Netmar City-Wide Distribution Systems Ltd., Fraser Valley Flyer Service Ltd. and Chilliwack Flyer Service Ltd.
- (d) "Interim Period" means the period of time commencing on the date of these undertakings and ending on October 2, 1990.
- (e) "Madison Papers" means the Richmond News, the South Delta Today, the Surrey/North Delta Now, and the Real Estate Weekly.

- (f) "Managers" means the managers of the Acquired Businesses set forth in Schedule "B".
- (g) "RIM" means RIM Publishing Inc. and Vancouver Courier (1979) Ltd.

3. During the Interim Period, Southam will:

- (a) not sell, transfer, assign, grant any option for the purchase of, pledge or otherwise dispose of or encumber the shares it directly or indirectly owns in LMPL;
- (b) not alter the boards of directors or the officers of LMPL and the Acquired Businesses as set forth in Schedule "A" except to replace directors who voluntarily resign provided, however, that no replacement director shall be appointed or elected without the consent of the DIR;
- (c) not make any changes to the managerial employment of LMPL and the Acquired Businesses as set forth in Schedule "B" except to replace managerial employees who voluntarily resign or who are discharged for cause provided, however, that no replacement managerial employee shall be appointed without the consent of the DIR;
- (d) direct the Managers to continue to operate the businesses of their respective Acquired Businesses independently of each other and of the businesses of Southam;
- (e) direct the Managers to maintain, in accordance with generally accepted accounting principles, separate and complete financial ledger books and records of material financial information for their respective Acquired Businesses;
- (f) not receive, have access to, or use any Confidential Information relating to the Acquired Businesses except for such Confidential Information as would be available to Southam in the normal course of business if the Acquired Businesses had not been acquired by LMPL;
- (g) instruct the Managers not to make any material changes to the financial arrangements of any of the Acquired Businesses without the consent of the DIR;

- (h) not to seek any information in connection with or attempt to exert any influence, direction or control over the Managers, including without limiting the generality of the preceding, not attempt to influence any operational, sales, distribution, circulation, marketing or financial decisions of the Acquired Businesses including decisions relating to:
 - (i) advertising rates;
 - (ii) persons who advertise in the newspapers owned by the Acquired Businesses;
 - (iii) production, printing, materials procurement, marketing, distribution and other costs;
 - (iv) contracts with third parties;
 - (v) accounting procedures and other financial information;
 - (vi) editorial policy;
 - (vii) strategic planning; and
 - (viii) administration;
- (i) instruct the Managers to maintain the business and goodwill of the Acquired Businesses and not to sell, lease or otherwise dispose of material assets thereof without the consent of the DIR;
- (j) without limiting the generality of the provisions of any of the preceding paragraphs, not take any action towards combining any of the businesses, assets or operations of the Acquired Businesses with the businesses, assets or operations of Southam or any other person;
- (k) without limiting the generality of paragraph 3(j), not directly or indirectly move, relocate, destroy or dismantle any assets of the Acquired Businesses, or take any steps to physically integrate those assets with the assets of any other business, without the consent of the DIR; unless, due to circumstances beyond the control of Southam or the Acquired Businesses, an Acquired Business is forced to move, relocate or dismantle any of its assets to preserve such assets and Southam has notified the DIR;

- (l) continue to abide by the terms of any contracts that are in place with any of the Acquired Businesses, provided, however, Southam shall notify the DIR if performance of any contractual obligation conflicts with these undertakings;
- (m) not agree to, make or suggest any changes to the contracts referred to in paragraph 3(l) without the consent of the DIR;
- (o) direct LMPL and NSFP not sell, lease or otherwise dispose of the shares or material of the Acquired Businesses during the Interim Period without the consent of the DIR.

4. Notwithstanding the foregoing, Southam shall be entitled to appoint David Perks, full-time publisher of The Gazette in Montreal, to provide such direction to, and control of, the Managers as is necessary to assure compliance with these undertakings and provide direction to the Managers with respect to decisions on matters that are not of a day-to-day nature, including:

- (a) coordination of the efforts of the Managers as necessary to maintain the viability of LMPL and the Acquired Businesses;
- (b) entering into new, lower cost, contracts for newsprint procurement and publication distribution and printing services, provided, however, any such contracts shall be assignable by each Acquired Business in the event of divestiture; and
- (c) entering into contractual arrangements with Van-Network for the joint placement of advertising, provided, however, any such contracts shall be assignable by each Acquired Business in the event of divestiture, and the assignment provisions in such contracts shall be reviewed with the DIR in advance of their execution.

5. During the Interim Period, NSFP will:

- (a) not sell, transfer, grant any option for the purchase of, pledge or otherwise dispose of or encumber the shares it directly or indirectly owns in RIM; and
- (b) comply with paragraphs 3(b) through 3(o) as if they referred to NSFP instead of Southam to the extent they apply to RIM.

6. During the Interim Period, David Perks will not communicate Confidential Information and similar confidential information about the operations or assets of LMPL to Southam or NSFP without the consent of the DIR except for confidential financial information required by Southam and NSFP to prepare their standard financial reports.

7. Southam and NSFP will provide to the DIR and his staff such information, other than privileged information, as the DIR may require to complete their examination under the Competition Act of the acquisitions of the Acquired Businesses.

8. Southam and NSFP will provide to the DIR, when requested to do so, access to the premises of LMPL and the Acquired Businesses, upon reasonable notice, and any information relating to the operations and assets of the LMPL and the Acquired Businesses as is required by the DIR to monitor compliance with these undertakings.

9. Except as provided otherwise herein, these undertakings will terminate on the earlier of the end of the Interim Period or the date the DIR notifies Southam and NSFP that he does not intend to challenge the acquisitions of the Acquired Businesses under the provisions of the Competition Act.

10. These undertakings shall be binding upon David Perks and Southam, NSFP and their corporate successors, replacements or agents, and their affiliates, and on the directors, officers, servants and employees of Southam and NSFP.

11. Southam and NSFP confirm that the DIR may publicize the terms of the undertakings hereby given by Southam and NSFP. They also recognize that it is the DIR's intention to issue public statements or press materials at an appropriate time; and they consent to the DIR's use of this document in those statements.

12. Notwithstanding that any or all of these undertakings have been fulfilled, the DIR retains all his rights under the Competition Act, including, without limitation, the right to bring an application under section 92 of the Act, at any time within three years of the substantial completion of the mergers.

13. In the event the DIR gives written notice to Southam, NSFP and David Perks prior to the end of the Interim Period that he will challenge any of the acquisitions under the provisions of the Competition Act, Southam, NSFP and David Perks agree to the extension of these undertakings until the

earlier of the date the DIR files an application with the Competition Tribunal pursuant to s.92 of the Competition Act or two weeks have expired subsequent to the date of notification.

DATED this 14th day of September, 1990.

SOUTHAM INC.


Per: Russ Mills

NORTH SHORE FREE PRESS LTD.

Per: Peter Speck

DAVID PERKS

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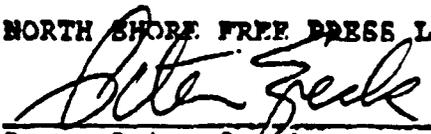
earlier of the date the DIR files an application with the Competition Tribunal pursuant to s.92 of the Competition Act or two weeks have expired subsequent to the date of notification.

DATED this 14th day of September, 1990.

SOUTHAM INC.

Per: Russ Mills

NORTH SHORE FREE PRESS LTD.


Per: Peter Speck

DAVID PERKS

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earlier of the date the DTR files an application with the Competition Tribunal pursuant to s.92 of the Competition Act or two weeks have expired subsequent to the date of notification.

DATED this 14th day of September, 1990.

SOUTHEAN INC.

Per: Russ Mills

NORTH SHORE FREE PRESS LTD.

Per: Peter Speck

DAVID PERKS



9-1/1990

PAGE.207

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Schedule "A"

DIRECTORS AND OFFICERS

<u>COMPANY</u>	<u>DIRECTORS</u>	<u>NAME OF OFFICER</u>	<u>OFFICE HELD</u>
RIM PUBLISHING INC.	Perks Hager Ballard	Hager Ballard	President & Co-Publisher Secretary & Co-Publisher
VANCOUVER COURIER (1979) LTD.	Perks Hager Ballard	Hager Ballard	President Secretary
LOWER MAINLAND PUBLISHING LTD.	Perks Grippo Collison	Perks Grippo Aunger	COB & CEO President Secretary/Treasurer
NORTH SHORE FREE PRESS LTD.	Perks Speck Foot	Speck Foot	President Vice-President & Secretary
(Four Subsidiaries of NSFP)	Speck	Speck Foot	President Vice-President & Secretary

Schedule "B"

RIM Managers:

Philip Hager

Peter Ballard

Madison Papers Managers:

Sam Grippo

Bruce Aunger

John Collison

Distribution Companies Manager:

John Collison

NSFP Managers:

Peter Speck

Douglas Foot

This is Exhibit "F" to the Affidavit of

Paul Renaud

sworn before me this 5th day of Dec. 1990.

Alouk
A Commissioner

BLAKE, CASSELS & GRAYDON

Barristers & Solicitors
Patent & Trade Mark Agents

Box 25, Commerce Court West
Toronto, Canada M5L 1A9

Telephone 416-863-2400
Facsimile 416-863-2653
Telex 06-219687

Our Reference:

JOHN J. QUINN
Direct Dial: (416) 863-2648

October 5, 1990

VIA FACSIMILE

Direct Fax: (416) 863-4251
Reference: 00266/00212

Mr. George Addy, Esq.
Deputy Director
Bureau of Competition Policy
Place du Portage, Phase I
Hull, Quebec

Dear George:

Re: The Southam Newspaper Group
Re: Lower Mainland Publishing Limited

In light of our recent discussions, I am writing to confirm to you that The Southam Newspaper Group, North Shore Free Press Ltd. and David Perks have agreed to extend the September 14, 1990 undertakings given in connection with the creation of Lower Mainland Publishing Ltd. to the close of business on October 10, 1990.

Yours very truly,

John J. Quinn
John J. Quinn

JJQ/jap

c: David Perks, Esq.
Stanley Wong, Esq.
J.D. Kendry, Esq.
Andre Brantz, Esq.
Ian McNaughton, Esq.
Andrew Jackson, Esq.

2452B(39)

Northumbrian House, 14 Devonshire Square, London, England EC2M 4TE Telephone 01-377-6800
Facsimile 01-377-2917 Telex 94-13236

York Corporate Centre, 100 York Boulevard, Richmond Hill, Canada L4B 1J8 Telephone 416-733-4040
Facsimile 416-764-5127 Telex 06-219687

This is Exhibit "G" to the Affidavit of

Paul Renaud
sworn before me this 5th day of Dec 1990

[Signature]
A Commissioner

BLAKE, CASSELS & GRAYDON

Barristers & Solicitors
Patent & Trade Mark Agents

October 10, 1990

VIA FACSIMILE

Mr. George Addy, Esq.
Deputy Director
Bureau of Competition Policy
Place du Portage, Phase I
Hull, Quebec

Dear George:

Re: The Southam Newspaper Group
Re: Lower Mainland Publishing Limited

In light of our discussions last Friday and my need to seek further instructions from our client, I am writing to confirm to you that The Southam Newspaper Group, North Shore Free Press Ltd. and David Perks have agreed to extend the September 14, 1990 undertakings given in connection with the creation of Lower Mainland Publishing Ltd. to the close of business on October 11, 1990.

Yours very truly,

[Signature]
John J. Quinn

JJQ/jap

c: David Perks, Esq.
Stanley Wong, Esq.
Andre Brantz, Esq.

bc: J.D. Kendry, Esq.
M. Katz

2452B(40)

Northumbrian House, 14 Devonshire Square, London, England EC2M 4TE Telephone 01-377-6800
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COPY
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TORONTO

Box 25, Commerce Court West
Toronto, Canada M5L 1A9

Telephone 416-863-2400
Facsimile 416-863-2653
Telex 06-219687

Our Reference:

JOHN J. QUINN
Direct Dial: (416) 863-2648

Direct Fax: (416) 863-4251
Reference: 00266/00212

This is Exhibit "H" to the Affidavit of

Paul Renaud
sworn before me this 3rd day of Dec. 19 90

Almond
A Commissioner

BLAKE, CASSELS & GRAYDON

Barristers & Solicitors
Patent & Trade Mark Agents

October 11, 1990

Box 25, Commerce Court West
Toronto, Canada M5L 1A9

Telephone 416-863-2400
Facsimile 416-863-2653
Telex 06-219687

Our Reference:

JOHN J. QUINN
Direct Dial: (416) 863-2648
Direct Fax: (416) 863-4251
Reference: 00266/212

VIA FACSIMILE

Mr. George Addy
Deputy Director
The Bureau of Competition Policy
Department of Consumer &
Corporate Affairs
Hull, Quebec
K1A 0C9

Dear Mr. Addy:

Re: Southam Newspaper Group
re: Investments in Lower Mainland Newspapers

I apologize for my delay in responding to your letter of October 4 concerning the Director's decision with respect to the above-referenced transaction. I was unable to discuss your letter with all of the affected parties until last evening, and I have been unable this morning to speak to you, so I thought it best to write regarding our client's response to the Director's decision.

With respect to the businesses which the Director has determined do not raise competitive concerns, our client wishes to complete their integration into the Lower Mainland Publishing Limited group without further delay. We assume the Director's decision reflects an implicit acknowledgment that these businesses will no longer be subject to the hold-separate undertakings, as amended, dated August 14, 1990. My client, for its part, acknowledges the conditions stated in your letter of October 4, 1990, and, in particular, the qualification that the Director reserves his right to apply to the Tribunal for the statutory three year period.

Your letter also identified four markets in which the Director continues to have concerns sufficient to justify the commencement of an inquiry under Section 10 of the Competition Act (the "Act") and the instruction to counsel to prepare an application to the Tribunal. Our client was surprised and disappointed that the Director has reached this decision with

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Facsimile 416-764-5127 Telex 06-219687

respect to the first two markets identified, that is the retail advertising markets in the City of Vancouver and the North Shore. As I indicated to you in our conversation last Friday afternoon, our client acknowledges that there is justification for the Director's concerns with respect to the print advertising market in South Delta and the real estate advertising market in the Lower Mainland area. While we do not agree with all of the concerns raised with respect to the real estate advertising market, our client is prepared to dissolve the transaction with respect to the Real Estate Weekly, or to divest competitive publications in communities within the Lower Mainland where material competition law concerns exist. Moreover, our client is prepared to divest a competitive publication in South Delta.

We do not agree, however, that the acquisitions of RIM and North Shore Free Press will lead to a likelihood of a substantial lessening of competition in the retail advertising markets concerned. I realize that, to some extent, our difference of opinion turns on questions of expert judgement upon which reasonable people can differ. Nevertheless, it is my conviction that the evidence we have produced provides a complete and comprehensive record of the material facts relevant to an application with respect to the two markets in question. My intensive study of this factual record has caused me to form the opinion that the Director has no reasonable basis to proceed with an application under Section 92 in respect of these two retail advertising markets. I have conveyed this advice to our client, and have been instructed to request a further opportunity to persuade you that our view of the evidence is correct.

Would it be possible, at your earliest convenience, to meet with me to discuss the evidence with respect to the only two markets on which we continue to differ? I know you are terribly busy, but this investigation has been a lengthy and costly process for our client. I would very much appreciate it if we could meet as soon as possible. Would it be possible for either you, or Gilles, to call me with respect to a meeting after you have received this letter?

In light of our request for a meeting, I have been instructed to extend the undertakings given by The Southam Newspaper Group, North Shore Free Press Ltd. and David Perks on September 14, 1990, in connection with the creation of Lower Mainland Publishing Ltd. to the close of business on Tuesday, October 16, 1990.

I am sorry I didn't have an opportunity to speak with you on the phone before sending this letter. If you have any questions or concerns with respect to this matter, please do not hesitate to contact me at any time.

Yours very truly,

John J. Quinn

JJQ/jap

c: David Perks, Esq.
Russ Mills, Esq.
Stanley Wong, Esq.
Andre Brantz, Esq.

bc: Ted Donegan
John Phillips
J.D. Kendry
M. Katz

70130/39-41

This is Exhibit "I" to the Affidavit of

Paul Renaud
sworn before me this 6th day of Dec. 1990

Albrow
A Commissioner

BLAKE, CASSELS & GRAYDON

Barristers & Solicitors
Patent & Trade-mark Agents

Box 25, Commerce Court West
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Facsimile: (416) 863-2653
Telex: 06-219687

Jay D. Kendry
Direct Dial: (416) 863-3053

October 18, 1990

VIA FACSIMILE

Direct Fax: (416)863-4251
Reference: 00266/00212

Mr. Peter Humber, Esq.
Senior Commerce Officer
Bureau of Competition Policy
Place du Portage, Phase I
Hull, Quebec

Dear Peter:

Re: Southam Newspaper Group
Re: Investments in Lower Mainland Newspapers

Further to the meeting of October 15, we are collecting data for presentation to the Bureau on the concerns raised at that meeting. In light of the progress being made on this matter, we have been instructed to extend the undertakings given by The Southam Newspaper Group, North Shore Free Press Ltd. and David Perks on September 14, 1990 in connection with the creation of Lower Mainland Publishing Ltd. as modified according to the letter of October 11 of John J. Quinn to the close of business Monday, October ~~15~~²⁶, 1990.

Yours very truly,


Jay D. Kendry

JDK/pa

c: David Perks, Esq.
Russ Mills, Esq.
George Addy, Esq.
Stanley Wong, Esq.
Andre Brantz, Esq.
J. J. Quinn, Esq.

2452B(42)

Toronto • York Region • Ottawa • Montreal* • Calgary • Vancouver • London, England

*Associated firm: Lavery, O'Brien

This is Exhibit "A" to the Affidavit of

Paul Renaud
sworn before me this 5th day of Dec. 1990

A Commissioner

Consommation
et Corporations Canada

Consumer and
Corporate Affairs Canada

Directeur des
enquêtes et recherches

Director of
Investigation and Research

Votre référence Your file

Bureau de la
politique de la concurrence

Bureau of
Competition Policy

Notre référence Our file

Place du Portage 1
50 Victoria
Hull, Québec
K1A 0C9

Fac-similé - Facsimile
(819) 953-5013
Fusions - Mergers
(819) 953-6169

Tél - Tel:

March 6, 1989

Mr. John J. Quinn
Blake, Cassels & Graydon
Box 25
Commerce Court West
Toronto, Ontario
M5L 1A9

RE: Acquisition by Southam Newspaper Group of a minority
interest in North Shore Free Press Ltd.

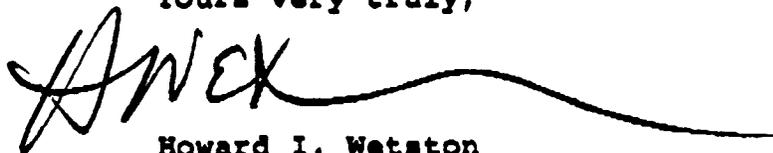
Dear Mr. Quinn:

You have requested confirmation that the above transaction will not, in the opinion of the Director of Investigation and Research, cause him to commence an inquiry under section 10 of the Competition Act or to make an application to the Competition Tribunal under section 92 of the Act.

The information provided by you has been assessed carefully in light of the merger provisions of the Competition Act. I am satisfied that on the basis of that information and information obtained from other sources, the Director does not have grounds, at this time, to commence an inquiry under section 10 in respect of this transaction. However, I should mention that this opinion is subject to the provisions of section 97 which provides that an application may be made in respect of a merger up to three years after it is substantially completed. Should the Director obtain information which provides him reasons to initiate an inquiry or make an application to the Competition Tribunal, he will not hesitate to do so.

I wish to express our appreciation for your initiative to bring this matter to our attention even though, as you note in your letter, this is not a notifiable transaction under the Act.

Yours very truly,



Howard I. Wetston
Senior Deputy Director

Canada

This is Exhibit "B" to the Affidavit of

Paul Renaud

sworn before me this 27th day of Dec. 19 90

[Signature]
A Commissioner

Re:

**Southam Inc.'s Recent Newspaper
Acquisitions in the Lower
Mainland of British Columbia**

1. The Southam Newspaper Group, a division of Southam Inc. ("Southam"), North Shore Free Press Ltd. ("NSFP"), and David Perks, Publisher of The Gazette, Montreal, hereby provide the Director of Investigation and Research (the "DIR") the following undertakings in connection with Southam and NSFP's recent newspaper acquisitions relating to the creation of Lower Mainland Publishing Ltd. ("LMPL") in British Columbia.

2. In these undertakings, the following definitions shall apply:

- (a) "Acquired Companies" means RIM, Bex, NSFP and the Madison Group and "Acquired Company" means one of the four (identified by the context of use).
- (b) "Bex" means Tepnyl Holding Inc. and Bex Publishing Ltd.
- (c) "Confidential Information" means competitively sensitive or proprietary information of the Acquired Companies not independently known to Southam, NSFP or David Perks from sources other than LMPL and the Acquired Companies and includes, but is not limited to, price lists, marketing methods, strategic plans or other trade secrets.
- (d) "Interim Period" means the period of time commencing on the date of these undertakings and ending on August 17, 1990.
- (e) "Madison Group" means Union Ink, Ltd., Specialty Publishers Ltd., BMA Holdings Ltd. and One Cent Publishing Ltd. and their subsidiaries and affiliates.
- (f) "Managers" means the managers of the Acquired Companies set forth in Schedule "C".

(g) "RIM" means RIM Publishing Inc. and Vancouver Courier (1979) Ltd.

3. During the Interim Period, Southam will:

- (a) not sell, transfer, assign, grant any option for the purchase of, pledge or otherwise dispose of or encumber the shares it directly or indirectly owns in LMPL;
- (b) not alter the boards of directors or the officers of LMPL and the Acquired Companies as set forth in Schedule "A" except directors who voluntarily resign provided, however, that no replacement director shall be appointed or elected without the consent of the DIR;
- (c) not make any changes to the managerial employment of LMPL and the Acquired Companies as set forth in Schedule "B" except to replace managerial employees who voluntarily resign or who are discharged for cause provided, however, that no replacement managerial employee shall be appointed without the consent of the DIR;
- (d) direct the Managers to continue to operate the businesses of their respective Acquired Companies independently of each other and of the businesses of Southam;
- (e) direct the Managers to maintain, in accordance with generally accepted accounting principles, separate and complete financial ledger books and records of material financial information for their respective Acquired Companies;
- (f) not receive, have access to, or use any Confidential Information relating to the Acquired Companies except for such Confidential Information as would be available to Southam in the normal course of business if the Acquired Companies had not been acquired by LMPL;
- (g) instruct the Managers not to make any material changes to the financial arrangements of any of the Acquired Companies without the consent of the DIR;

- (h) not to seek any information in connection with or attempt to exert any influence, direction or control over the Managers, including without limiting the generality of the preceding, not attempt to influence any operational, sales, distribution, circulation, marketing or financial decisions of the Acquired Companies including decisions relating to:
 - (i) advertising rates;
 - (ii) persons who advertise in the newspapers owned by the Acquired Companies;
 - (iii) production, printing, materials procurement, marketing, distribution and other costs;
 - (iv) contracts with third parties;
 - (v) accounting procedures and other financial information;
 - (vi) editorial policy;
 - (vii) strategic planning; and
 - (viii) administration;
- (i) instruct the Managers to maintain the business and goodwill of the Acquired Companies and not to sell, lease or otherwise dispose of material assets thereof without the consent of the DIR;
- (j) without limiting the generality of the provisions of any of the preceding paragraphs, not take any action towards combining the businesses, assets or operations of the Acquired Companies with the businesses, assets or operations of Southam or any other person;
- (k) without limiting the generality of paragraph 3(j), not directly or indirectly move, relocate, destroy or dismantle any assets of the Acquired Companies, or take any steps to physically integrate those assets with the assets of any other business, without the consent of the DIR; unless, due to circumstances beyond the control of Southam or the Acquired Companies, an Acquired Company is forced to move, relocate or dismantle any of its assets to preserve such assets and Southam has notified the DIR;

- (l) continue to abide by the terms of any contracts that are in place with any of the Acquired Companies, provided, however, Southam shall notify the DIR if performance of any contractual obligation conflicts with these undertakings;
- (m) not agree to, make or suggest any changes to the contracts referred to in paragraph 3(1) without the consent of the DIR;
- (o) direct LMPL and NSFP not sell, lease or otherwise dispose of the shares of the Acquired Companies during the Interim Period without the consent of the DIR.

4. Notwithstanding the foregoing, Southam shall be entitled to appoint David Perks, full-time publisher of The Gazette in Montreal, to provide such direction to, and control of, the Managers as is necessary to assure compliance with these undertakings and provide direction to the Managers with respect to decisions on matters that are not of a day-to-day nature, including:

- (a) coordination of the efforts of the Managers as necessary to maintain the viability of LMPL and the Acquired Companies; and
- (b) entering into new, lower cost, contracts for newsprint procurement and publication distribution and printing services, provided, however, any such contracts shall be assignable by each Acquired Company in the event of divestiture;

5. During the Interim Period, NSFP will:

- (a) not sell, transfer, grant any option for the purchase of, pledge or otherwise dispose of or encumber the shares it directly or indirectly owns in RIM and Bex, and;
- (b) comply with paragraphs 3(b) through 3(o) as if they referred to NSFP instead of Southam to the extent they apply to Bex and RIM.

6. During the Interim Period, David Perks will not communicate Confidential Information and similar confidential information about the operations or assets of LMPL to Southam or NSFP without the consent of the DIR except for confidential financial information required by Southam and NSFP to prepare their standard financial reports.

7. Southam and NSFP will provide to the DIR and his staff such information, other than privileged information, as the DIR or his staff may require to complete their examination under the Competition Act of the acquisitions of the Acquired Companies.

8. Southam and NSFP will provide to the DIR, when requested to do so, access to the premises of LMPL and the Acquired Companies, upon reasonable notice, and any information relating to the operations and assets of the LMPL and the Acquired Companies as is required by the DIR to monitor compliance with these undertakings.

9. Except as provided otherwise herein, these undertakings will terminate on the earlier of the end of the Interim Period or the date the DIR notifies Southam and NSFP that he does not intend to challenge the acquisitions of the Acquired Companies under the provisions of the Competition Act.

10. These undertakings shall be binding upon David Perks and Southam, NSFP and their corporate successors, replacements or agents, and their affiliates, and on the directors, officers, servants and employees of Southam and NSFP.

11. Southam and NSFP confirm that the DIR may publicize the terms of the undertakings hereby given by Southam and NSFP. They also recognize that it is the DIR's intention to issue public statements or press materials at an appropriate time; and they consent to the DIR's use of this document in those statements.

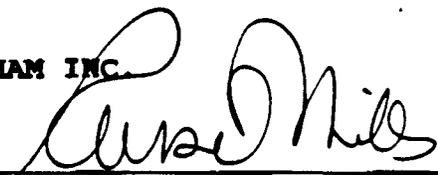
12. Notwithstanding that any or all of these undertakings have been fulfilled, the DIR retains all his rights under the Competition Act, including, without limitation, the right to bring an application under section 92 of the Act, at any time within three years of the substantial completion of the mergers.

13. In the event the DIR gives written notice to Southam, NSFP and David Perks prior to the end of the Interim Period that he will challenge any of the acquisitions under the provisions of the Competition Act, Southam, NSFP and David Perks agree to the extension of these undertakings until the

earlier of the date the DIR files an application with the Competition Tribunal pursuant to s.92 of the Competition Act or two weeks have expired subsequent to the date of notification.

DATED this 6th day of June, 1990.

SOUTHAM INC.


Per: Russ Mills

NORTH SHORE FREE PRESS LTD.

Per: Peter Speck

DAVID PERKS

2649B(1-6)

- 6 -

earlier of the date the DIR files an application with the Competition Tribunal pursuant to s.92 of the Competition Act or two weeks have expired subsequent to the date of notification.

DATED this 7th day of June, 1990.

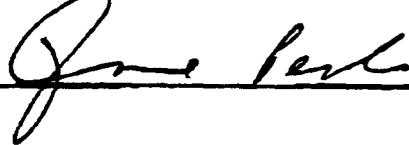
SOUTHAM INC.

Per: Russ Mills

NORTH SHORE FREE PRESS LTD.

Per: Peter Speck

DAVID PERKS



2649B(1-6)

- 6 -

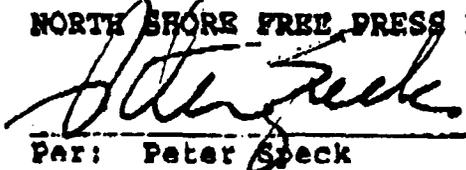
earlier of the date the DIR files an application with the Competition Tribunal pursuant to s.92 of the Competition Act or two weeks have expired subsequent to the date of notification.

DATED this 7th day of June, 1990.

SOUTHAM INC.

Per: Russ Mills

NORTH SHORE FREE PRESS LTD.



Per: Peter Speck

DAVID PERKS

This is Exhibit "J" to the Affidavit of

Paul Renaud
sworn before me this 27th day of Dec. 1990

[Signature]
A Commissioner

BLAKE, CASSELS & GRAYDON

Barristers & Solicitors
Patent & Trade-mark Agents

Box 25, Commerce Court West
Toronto, Ontario
M5L 1A9

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Facsimile: (416) 863-2653
Telex: 06-219687

Jay D. Kendry
Direct Dial: (416) 863-3053

October 24, 1990

VIA FACSIMILE

Direct Fax: (416) 863-4251
Reference: 00266/00212

Mr. Gilles Menard
Senior Commerce Officer
Bureau of Competition Policy
Place du Portage, Phase I
Hull, Quebec

Dear Gilles:

Re: The Southam Newspaper Group
Re: Investments in Lower Mainland Newspaper

Further to the discussion of John J. Quinn and George Addy of yesterday, we confirm that we are preparing further submissions to the Bureau in regard to the above-mentioned acquisitions. Accordingly, we have been instructed to extend the undertakings given by The Southam Newspaper Group, North Shore Free Press Ltd. and David Perks on September 14, 1990 in connection with the creation of Lower Mainland Publishing Ltd., as modified according to a letter of October 11 of John J. Quinn, to the close of business Friday, November 2.

Yours very truly,

[Signature]
Jay D. Kendry

JDK/pa

c: David Perks, Esq.
George Addy, Esq.
Stanley Wong, Esq.
Andre Brantz, Esq.
Ian McNaughton, Esq.
J. J. Quinn, Esq.

2452B(43)

This is Exhibit "K" to the Affidavit of

Paul Renaud
sworn before me this 6th day of Dec 19 90

[Signature]
Commissioner

November 15, 1990

VIA FACSIMILE

Direct Fax: (416)863-4251
Reference: 00266/00212

Mr. Gilles Menard
Senior Commerce Officer
Bureau of Competition Policy
Place du Portage, Phase I
Hull, Quebec

Dear Gilles:

Re: The Southam Newspaper Group
Re: Investments in Lower Mainland Newspaper

This is to confirm that The Southam Newspaper Group, David Perks and North Shore Free Press, Ltd. undertake to extend the current undertakings which have been given to the Director in regard to this matter until November 23, 1990.

Yours very truly,

Jay D. Kendry

JDK/pa

c: David Perks, Esq.
George Addy, Esq.
Andre Brantz, Esq.
Ian McNaughton, Esq.
Stanley Wong, Esq.
J. J. Quinn, Esq.
J. H. Phillips, Esq.

2452B/44

This is Exhibit "L" to the Affidavit of

Paul Renaud
sworn before me this 19th day of Dec. 19 90

A Commissioner

BLAKE, CASSELS & GRAYDON

Barristers & Solicitors
Patent & Trade Mark Agents

November 23, 1990

Box 25, Commerce Court West
Toronto, Canada M5L 1A9

Telephone 416-863-2400
Facsimile 416-863-2653
Telex 06-219687

Our Reference:

JOHN J. QUINN
Direct Dial: (416) 863-2648

Direct Fax: (416) 863-4251
Reference: 00266/00212

VIA FACSIMILE (613) 953-6169

Mr. George Addy
Deputy Director
The Bureau of Competition Policy
Department of Consumer &
Corporate Affairs
Hull, Quebec
K1A 0C9

Dear Mr. Addy:

Re: Southam Newspaper Group/Investments in Lower Mainland

In your letter of October 4, 1990, you advised that the Director has concerns that certain aspects of the above-referenced transactions prevent or lessen, or are likely to prevent or lessen, competition substantially in a number of Lower Mainland advertising markets. You identified these markets as the following:

- (a) the retail advertising market in the City of Vancouver;
- (b) the retail advertising market in the North Shore;
- (c) the print advertising market in South Delta; and
- (d) the real estate advertising market in the Lower Mainland area of British Columbia.

Your letter also indicated that the Director "... has concerns that certain aspects of the transactions prevent or are likely to prevent competition substantially in the print advertising market in the Lower Mainland area of British Columbia." At the conclusion of your letter, you asked that our client extend its "hold-separate" undertakings for an additional 30 days for the

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Facsimile 01-377-2917 Telex 94-13236

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Facsimile 416-764-5127 Telex 06-219687

purpose of permitting your counsel additional time to prepare an application to the Competition Tribunal in respect to the matters outlined above. Our client has now extended those undertakings for more than 50 days since your letter of October 4. These extensions have been in addition to the first extensions from the original August expiry date.

At our meeting with Stan Wong, Gilles Menard, Andre Brantz and Ian McNaughton in your offices last Monday, Mr. Wong indicated that he is still in the process of drafting the Director's application. Our client is extremely frustrated by and disappointed in the lack of progress in achieving a constructive resolution of this investigation. Our client believes that our extensive submissions with respect to retail advertising in the North Shore and City of Vancouver have been largely ignored by Mr. Wong and the Bureau personnel conducting this investigation.

In my letter to you of October 11, I indicated that our client is prepared to make substantial concessions with respect to both the South Delta community newspaper market, and the only remaining community market in which a significant competitive overlap exists with respect to real estate advertising, that is the North Shore market for real estate advertising. Since our discussions at our meeting with you of October 15, our client has developed these proposals in more concrete detail. Attached to this letter please find Appendix A, which pertains to the South Delta market, and Appendix B which deals with real estate advertising. We would appreciate your comments after you have had an opportunity to discuss them with your counsel and Bureau colleagues.

As I indicated earlier, our client has been increasingly frustrated and disappointed at the continued refusal of Mr. Wong and Bureau personnel to engage in a meaningful dialogue on the available evidence surrounding competition in retail advertising in the City of Vancouver and the North Shore. Our submissions on these matters have been voluminous and comprehensive. Yet, our submissions have been answered by vague rejections and anecdotal replies. I offer the following as an example of our frustrations.

At our meeting on November 19, 1990, Mr. Wong indicated that, indeed, "substantial" competition for major retail advertisers does exist between the relevant community papers and the Southam daily papers.

In support of this assertion, Mr. Wong presented two examples of retail advertisers who use both the dailies and the North Shore News and Vancouver Courier for advertising. One of

those advertisers is Save-On Foods. Save-On Foods is one of only three advertisers we have identified to date that makes substantial use of the Southam dailies and both community papers at issue. The other two are Safeway and Sears Canada. Safeway and Save-on use flyers as their primary advertising vehicle. Save-on has recently started to use community newspaper advertising as a substitute for flyers because such advertising can also provide the total market coverage which is highly prized by food retailers. Both Safeway and Save-on have continued to use ads in the dailies to complement this total market coverage.

Sears is the other company which makes significant use of the Southam dailies and both the community newspapers. However, as fully explained in our letter of November 9, 1990, this is another example of complementary use. The national head-office of Sears runs national campaigns which go into mass media (i.e., Southam Papers). The local store managers, who have significant ad budgets, use local media (i.e., community papers) to promote local stores. For example, a client of North Shore News is the Metrotown Store of Sears Canada. A client of the Vancouver Courier is the Burnaby Store of Sears Canada. It should be noted that the Burnaby Sears Canada Store just started placing ads in the Vancouver Courier on April 1, 1990 on an experimental basis.

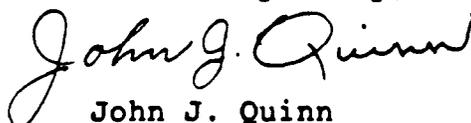
As a result, we do not see the advertising practices of this set of three advertisers as demonstrating or even suggesting that our framework for analyzing this case is inaccurate or incorrect. To the contrary, we addressed these issues in great detail in our previous correspondence and in particular our letter of November 9, 1990. Moreover, no explanation has been given to us about how these examples actually fit into the theory of the Director's case.

We are advising our client that its position ultimately will be upheld by the Tribunal and that the Bureau is wrong. We have no grounds at all for thinking or advising otherwise. Please immediately try to convince us that you have a case that competition will be reduced. If not, please confirm that there are no grounds for further proceedings by the Director.

I look forward to your responses on the Appendices and on the main issue.

The undertakings expire today. They will not be extended. Therefore the two-week grace period applies.

Yours very truly,



John J. Quinn

JJQ/jap
Encls.

c: Howard Wetston
Stan Wong
David W. Perks - Lower Mainland Publishing Ltd.
Russell A. Mills - The Southam Newspaper Group
John H. Phillips - Blake, Cassels & Graydon
Glenn F. Leslie - Blake, Cassels & Graydon ✓

7013D/80-83



This is Exhibit "19" to the Affidavit of

Paul Renaud
Sworn before me this 27th day of Dec. 1990

[Signature]
A Commissioner

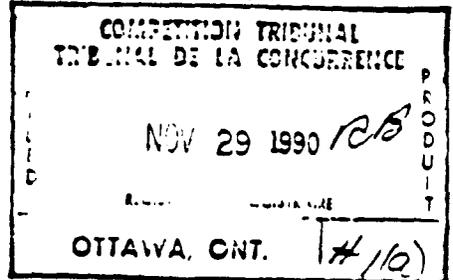
SUBJECT TO PROTECTIVE ORDER No.

THE COMPETITION TRIBUNAL

CT-90/11

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



B E T W E E N:

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

I hereby certify this to be a true copy of the original document.
Je certifie en ce qui précède que ceci est une copie conforme du document original.
Dated this / Fait ce 29th day of /
jour de December 1990.
[Signature]
For Registrar, Competition Tribunal /
Pour le registraire, Tribunal de la concurrence

NOTICE OF APPLICATION