

SECTION ELEVEN

**DETAILED FINDINGS—
GROUPE POLYGONE
AND EXPOUR**

II.1

Business Background

Expour Inc., Expour 2000 Inc. (jointly referred to as "Expour") and Groupe Polygone are owned by Mr. L. Lemay.

Expour organizes expositions while Groupe Polygone publishes magazines and other periodicals.

II.2

Level of Business

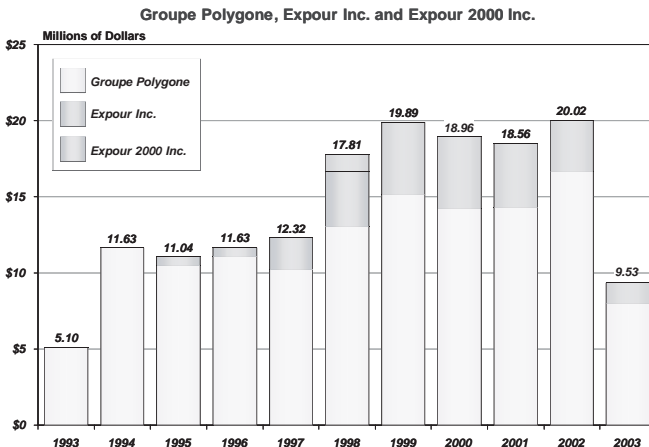
II.2.1 Revenues Generated by Groupe Polygone and Expour

The following table provides a summary of revenues generated by Groupe Polygone and Expour from 1993 to 2003. The receipt of SPS funds began in 1997 for Expour and in 1998 for Groupe Polygone.

Table 78: Groupe Polygone, Expour and Expour 2000 Annual Revenues for the Years Ended 1993 to 2003

Year	Groupe Polygone	Expour Inc.	Expour 2000 Inc.	Total
1993	\$5,096,532	-	-	\$5,096,532
1994	11,632,800	-	-	11,632,800
1995	10,515,875	519,322	-	11,035,197
1996	11,123,887	506,333	-	11,630,220
1997	10,269,335	2,046,748	-	12,316,083
1998	13,043,749	3,658,782	1,107,997	17,810,528
1999	15,146,991	-	4,738,480	19,885,471
2000	14,201,103	-	4,753,832	18,954,935
2001	14,299,036	-	4,218,063	18,517,099
2002	16,664,745	-	3,356,509	20,021,254
2003	8,206,444	-	1,322,990	9,529,434
Total	<u>\$130,200,497</u>	<u>\$6,731,185</u>	<u>\$19,497,871</u>	<u>\$156,429,553</u>

Table 78a - Annual Revenues of Selected Communication Agencies - 1993 to 2003



II.3

Events and Amounts Sponsored by GOC

Expour received its first sponsorship from the GOC for the 1997 Salon National du Grand Air de Montréal, in the amount of \$450,000.

During 1996-97 to 2001-02 GOC fiscal years, Groupe Polygone and Expour received \$36.7 million in sponsorship and related production costs from the GOC via communication agencies, as summarized in Table 79 and detailed at Exhibit P-326, page 4:

**Table 79: Groupe Polygone, Expour and Expour 2000
GOC SPS Funds Received for the
1996-97 to 2001-02 GOC Fiscal Years**

Year	Groupe Polygone	Expour & Expour 2000	Production Costs	Total
1996-97	-	\$450,000	-	\$450,000
1997-98	\$3,167,580	1,236,000	-	4,403,580
1998-99	5,498,965	2,546,550	-	8,045,515
1999-00	4,858,022	2,954,780	807,500	8,620,302
2000-01	7,896,000	2,362,500	600,000	10,858,500
2001-02	<u>2,905,500</u>	<u>1,400,000</u>	<u>-</u>	<u>4,305,500</u>
Total	<u>\$24,326,067</u>	<u>\$10,949,830</u>	<u>\$1,407,500</u>	<u>\$36,683,397</u>

This Table does not include \$2.5 million in SPS that was approved but not paid to Groupe Polygone and Expour by the GOC for various events in 2001-2002.

A chart summarizing the flow of funds associated with the Expour and Groupe Polygone sponsorship events is presented as Schedule 23 of this report.

In addition, Groupe Polygone received \$1.9 million from Armada related to an advertising contract for the CIO. Inclusive of this amount, Groupe Polygone and Expour received a total of \$38.6 million from GOC, SPS and advertising contracts.

II.4

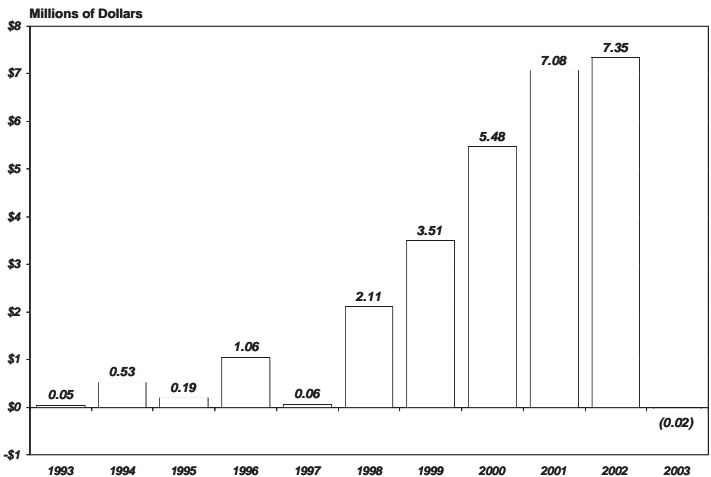
Financial Impact of GOC Sponsorship on Financial Results

The following chart provides a summary of the earnings before income taxes generated by Groupe Polygone and Expour from 1993 to 2003.

**Table 80: Groupe Polygone, Expour and Expour 2000
Earnings Before Income Taxes for the Years Ended 1993 to 2003**

Year	Groupe Polygone	Expour Inc.	Expour 2000 Inc.	Total
1993	\$46,033	-	-	\$46,033
1994	531,154	-	-	531,154
1995	189,135	3,664	-	192,799
1996	981,941	77,417	-	1,059,358
1997	150,603	(91,548)	-	59,055
1998	1,780,945	57,165	273,213	2,111,323
1999	2,852,456	-	652,421	3,504,877
2000	4,796,593	-	683,331	5,479,924
2001	6,422,719	-	659,480	7,082,199
2002	7,316,508	-	31,847	7,348,355
2003	<u>(42,772)</u>	<u>-</u>	<u>22,034</u>	<u>(20,738)</u>
Total	<u>\$25,025,315</u>	<u>\$46,698</u>	<u>\$2,322,326</u>	<u>\$27,394,339</u>

**Table 80a - Earnings Before Income Taxes -
Groupe Polygone, Expour and Expour 2000**



II.5

Notable Uses of Funds

II.5.1 Dividends

From 1998 to 2000 Groupe Polygone paid \$12.6 million in dividends to its shareholder, a company controlled by Mr. L. Lemay (\$5,240,000 in 1998, \$5,150,000 in 1999 and \$2,250,000 in 2000). These funds were co-mingled with other existing amounts in Mr. L. Lemay's primary investment company. Mr. L. Lemay's investments were primarily in marketable securities and in real estate.

II.5.2 Payments to PluriDesign Canada

Groupe Polygone and Expour have paid \$5.8 million to PluriDesign Canada, a company owned by Mr. J. Corriveau, as detailed in Exhibits P-322(A) and P-322(B).

Originally Mr. J. Corriveau was retained by Mr. L. Lemay to help with the concept and design of the first Salon National du Grand Air de Montréal. For this event, Mr. J. Corriveau was paid \$108,000 in professional fees for his services, based on the invoices produced as Exhibit P-338.

Later invoices issued by PluriDesign provide descriptions for specific work based on professional services contracts prepared by Mr. J. Corriveau. Also, the invoices are mostly associated with the salon events, an area where Mr. J. Corriveau had originally performed some work for Mr. L. Lemay. No invoices were issued by Mr. J. Corriveau in relation to the radio capsules.

The invoices issued by PluriDesign indicate Mr. J. Corriveau invoiced Expour fees totaling \$136,500 for the cancelled Salon in Québec City and \$241,000 for the cancelled Salon International de la Machinerie Agricole. In addition, PluriDesign also invoiced Expour \$1,015,600 for salons held in Sherbrooke and Trois-Rivières. Expour was not the promoter of these events and purchased visibility at those salons for \$100,000.

The \$5.8 million paid by Mr. L. Lemay's companies to PluriDesign Canada represents 15.9% of the \$36.7 million in sponsorship funds received by Mr. L. Lemay's companies from the GOC.

II.5.3 Payments to Jean Brault Companies

Mr. L. Lemay's companies have paid \$2.1 million to Mr. J. Brault's companies, as summarized in Schedule 20 and on the flow of funds chart presented in Section 5 of this report.

II.5.4 Political Contributions

Mr. L. Lemay's companies have contributed \$23,361 to the Liberal Party of Canada, as detailed at Exhibit P-328(B) pages 560 to 568.

II.6

Scope Limitations

The following documentation was requested but not available for our review..

1. Groupe Polygone bank accounts, cancelled cheques and deposit books from April 1997 to March 2000.
2. Groupe Polygone general ledger for the 1998 to 2000 year-ends.
3. Groupe Polygone supplier invoices for the 1998 to 2000 year-ends.
4. Expour Inc. bank accounts, cancelled cheques and deposit books from April 1996 to March 1998.
5. Expour Inc. general ledger for the 1997 and 1998 year-ends.
6. Expour Inc. supplier invoices for the 1997 and 1998 year-ends.
7. Expour 2000 Inc. supplier invoices from April 1998 to January 1999.

Luc Lemay has indicated the above-noted documentation no longer exists.