

SECTION THIRTEEN

**DETAILED FINDINGS—
GROUPE EVEREST****13.1****Business Background****13.1.1 Groupe Everest C.M.-P.C.R. Inc.**

Groupe Everest C.M.-P.C.R. Inc. ("Groupe Everest") was established on March 26, 1985. Groupe Everest, was a holding company for the various entities that operated under the Groupe Everest umbrella of companies ("Groupe Everest Companies") which provided communication services to the GOC prior to and during the SPS period as well as other private and public clients. Refer to Exhibit P-340(B) for corporate structure and ownership.

Groupe Everest's various investments in subsidiaries, satellite companies and Interpublic GRP Inc. for the period 1993 to 2003, are detailed in Schedule 24 attached to this report.

13.1.2 Groupe Everest Companies

The Groupe Everest Companies' operating structure is described in detail in exhibits P-340(A) and summarized in Table 86. The Groupe Everest Companies had approximately 200 employees during the SPS period.

Table 86: Summary of Operations of the Groupe Everest Companies

Company	Date Established	Principal Operations	Notes
Everest Commandites (G.E.C.M.) Inc.	February 1, 1985	Sponsorship/Promotions	Formerly Everest Promotion (G.E.C.M.) Inc.
Everest Estrie Publicité (G.E.C.M.) Inc.	November 1, 1976	Communication and Marketing Services for the Eastern Township Area	
Everest Relations Publiques (G.E.C.M.) Inc.	June 15, 1987	Public Relations	
Lambert Multimedia Inc.	October 31, 1995	Audio visual production services	
Sensas (G.E.C.M.) Inc.	August 28, 1998	Production services and sale of promotional items	
Everest Versant Ouest Inc.	August 27, 1996	Communication and Marketing Services in Ottawa	Formerly 3289796 Canada Inc.
Everest Publicité (G.E.C.M.) Inc.	February 13, 1980	Communication services	Merged with Everest Publicité Promotions (G.E.C.M.) Inc.)
Everest Publicité Promotions (G.E.C.M.) Inc.	August 10, 1984	Advertising and Promotion services	Formerly 176698 Canada Inc. also known as Ascension Creation. Merged with Everest Publicité (G.E.C.M.) Inc. in 1999
Média/I.D.A. Vision Inc.	August 1, 1997	Agency of Record effective April 1, 1998	Formerly 3397823 Canada Inc.
Mediavision W.W.P.	September 21, 1998	Management, planning, negotiations and purchase of advertising, mainly for Média/I.D.A. Vision	

The complex operating structure and incomplete financial records made it difficult to determine who received funds from the SPS contracts, which companies were party to the contracts with PWGSC and the ultimate cost to the Groupe Everest Companies for executing the contracts. A review of the available financial information of the companies shows that the Groupe Everest Companies were involved in many intercompany transactions.

On February 14, 2000, Draft Worldwide Canada Inc, ("Draft") purchased all the issued and outstanding shares of five subsidiaries of Groupe Everest:^{1,2} Everest Commandites (G.E.C.M.) Inc. ("Everest Commandites"), Lambert Multimedia Inc., Everest Relations Publiques (G.E.C.M.) Inc. ("Everest Relations Publiques"), Sensas (G.E.C.M.) Inc. ("Sensas"), and Everest Estrie Publicité (G.E.C.M.) Inc. ("Everest Estrie"). Draft is part of the Interpublic Group of Companies ("IPG"), a US public company.

Subsequent to the transaction with Draft, Groupe Everest continued to obtain contracts from PWGSC related to the SPS. The subsidiaries owned by Draft together with the companies that remained under the Groupe Everest umbrella continued to service these contracts in the same manner as prior to the transaction.

On December 27, 2002, Draft purchased the remaining operating subsidiaries of Groupe Everest.

The purchase price paid by Draft to various Sellers³ was paid in cash and shares as follows:

¹ Refer to Exhibit P-340(A) Annexe III for a summary of the transactions and P-362 for the various related Agreements between the purchaser and sellers.

² Just prior to the transaction, these subsidiaries had been transferred into 3698866 Canada Inc., a wholly owned subsidiary of Groupe Everest.

³ The Sellers are defined as Groupe Everest C.M.-P.C.R. Inc., Ms Diane Deslauriers, Mr. Charles Choquette and 9086-8225 Québec Inc. We were not provided the details of how the cash was distributed between the Sellers.

**Table 87: Consideration Paid by Draft
(000s)**

	<u>Cash</u>	<u>Value of Shares</u>	<u>Total</u>
December 15, 2000	7,000	-	7,000
February 27, 2001	16,045	1,783	17,828
June 13, 2002	<u>24,750</u>	<u>2,750</u>	<u>27,500</u>
Total	<u>\$47,795</u>	<u>\$4,533</u>	<u>\$52,323</u>

Details of the transaction are in Exhibit P-362.

13.1.3 Caliméro Partenariat Inc.

In addition to the Groupe Everest Companies, Ms Diane Deslauriers, Mr. Claude Boulay's wife, owned Caliméro Partenariat Inc. ("Caliméro"). This company sought out and managed sponsorship events for Everest Commandites for both private and public clients. This company was not part of the Groupe Everest Companies.

On February 14, 2000, Draft purchased all the issued and outstanding shares of Caliméro.

Ms D. Deslauriers was the sole employee of Caliméro and she worked with employees of Everest Commandites to manage sponsorship events, as necessary.

13.1.4 Groupe Everest's First Dealings with the GOC

Prior to the Liberal Party of Canada taking office in 1993, Groupe Everest generated advertising revenues from Canada Communication Group of \$1.1 million from the GOC fiscal years 1990-91 to 1992-93.

13.2

GOC Selection Processes

13.2.1 Advertising Selection Process

Table 88 identifies the agency selection competitions where Groupe Everest was the winning agency. A full listing of all known selection competition has been compiled and produced as Exhibit P-416.

Table 88: Advertising Agency Competitions

Date of Final Report	Department	Winning Agency or Consortium
April 25, 1994	Bank of Canada – Savings Bonds	Consortium of Everest and Gingko
February 8, 1995	Heritage Canada	Groupe Everest; BCP Canada; Compass Communications; Palmer Jarvis Communications; Vickers and Benson
August 8, 1995	Finance – Canada Savings Bonds	Consortium of Vickers & Benson and Groupe Everest
September 1, 2000	Canada Information Office	Allard and Johnson Communications Inc.; Armada; Groupe Everest; Ensemble Consortium (made up of Groupaction, Vickers and Benson, Focus, formerly known as Palmer Jarvis, Compass Communications and Coffin)
February 6, 2001	Heritage Canada and Parks Canada	Groupe Everest and a consortium of Publicite Martin and Scott Thornley
May 11, 2001	PWGSC	Groupe Everest; Gosselin; Lafleur; Groupaction, TNC Multicom; Compass; Armada; Bristol; Coffin

13.2.2 Heritage Canada 1995

In January 1995, Groupe Everest entered the advertising competition for Heritage Canada. The agency search questionnaire prepared by Groupe Everest, dated January 12, 1995,¹ noted that the total value of Groupe Everest's billing for 1993 and 1994 was \$32.0 and \$33.5 million respectively. However, Groupe Everest's consolidated financial statements report consolidated revenues of only \$7.6 million and \$6.4 million respectively.

¹ Addendum to Exhibit P-19.

13.2.3 SPS Selection Process

Subsequent to the advertising competition for Heritage Canada, the agencies that were selected were added to the qualified suppliers list for communication and advertising contracts on behalf of PWGSC/APORS by Mr. J.C. Guité (refer to Exhibit P-19, Tab 20). Groupe Everest was one of the qualified suppliers on this list.

13.2.4 AOR: Média/I.D.A. Vision

On December 12, 1997, Groupe Everest, Paul Martel Inc. and Médiavision, an entity representing 3428265 Canada Inc. and I.D.A. Vision (3289796 Canada Inc.) made a presentation to the GOC in response to a request for tender to become the AOR for media purchases. On March 31, 1998, the GOC entered into a contract with Média/I.D.A. Vision (3397823 Canada Inc.), and Groupe Everest as guarantor, to provide AOR services to the GOC for advertising and sponsorship contracts. The term of the contract was from April 1, 1998 to March 31, 2003.

13.3

Contracts with GOC

13.3.1 SPS Contracts

Between 1994-95 and 2002-03 GOC fiscal years, the Groupe Everest Companies managed SPS contracts with a total value of \$67.7 million consisting of \$42.6 million in contracts with Groupe Everest and related companies, including \$25.6 million related to contracts for Attractions Canada and \$25.1 million of directions with Genesis Media or Média/I.D.A. Vision, as summarized in Table 89:

**Table 89: Contracts Managed by Groupe Everest for GOC
Fiscal Years 1994/95 to 2002/03**

Fiscal Year	Contracts with Groupe Everest and Related Companies	Direction with Genesis Media or Média/I.D.A. Vision	Total
1994/1995	\$ 348,753	\$ 0	\$ 348,753
1995/1996	1,120,890	1,339,200	2,460,090
1996/1997	7,076,343	553,318	7,629,661
1997/1998	12,332,472	367,645	12,700,117
1998/1999	8,344,192	4,913,309	13,257,501
1999/2000	5,204,927	4,209,000	9,413,927
2000/2001	4,410,183	5,640,750	10,050,933
2001/2002	3,724,308	6,034,625	9,758,933
2002/2003	<u>35,851</u>	<u>2,012,500</u>	<u>2,048,351</u>
Total	<u>\$42,597,919</u>	<u>\$25,070,347</u>	<u>\$67,668,266</u>

For a detailed listing of the contracts awarded to the Groupe Everest Companies, refer to Exhibit P-346 pages 4 to 22.

Attractions Canada

Attractions Canada was a partnership program between the GOC, private enterprises and the media¹. Its purpose was to inform Canadians about Canadian attractions including historic sites, natural parks, museums, and similar attractions through the use of advertisements and promotions. Groupe Everest considered this an advertising program and the work was to be executed and invoiced primarily through Everest Publicité Promotions. Attractions Canada was a concept developed by Groupe Everest for the CIO and their proposal was accepted by the GOC.

Attractions Canada started in GOC fiscal year 1996-97. In total, there were thirteen contracts totaling \$25.6 million related to the program from the GOC fiscal years 1996-97 to 2001-02. In addition, in its final year, fiscal year 2002-03, an advertising contract was issued for \$3.5 million which was later revised down to \$2.25 million prior to being cancelled. The total amount of contracts awarded in respect to Attractions Canada was \$27.9 million.

¹ www.attractionscanada.com - Exhibit P-90C, page 99.

Over the period 1996-97 to 2002-03, the contracts generally did not specify the allocation of the funds between media placement, sponsorship and production costs. The actual terms of the various contracts noted that \$25.5 million was for production costs, and \$2.263 million was to be spent on media placement, \$56,718 was for sponsorship.

We have analyzed invoices for the years 1996-97 to 2000-01, in respect of contracts totaling \$22.1 million. Our analysis indicates that the amount invoiced in connection thereto is \$21.8 million which was invoiced by Groupe Everest companies as follows:

**Table 90: Attractions Canada - Summary of Invoices
(\$ millions)**

	Total
Production Costs	12.3
Media Placement	8.1
Agency Commissions	<u>1.4</u>
Total	<u>\$21.8</u>

Refer to Exhibit P-347 pages 14 to 19 for details by contract. Of the \$12.3 million in production costs, \$6.2 was sub-contracted to third party suppliers and \$6.1 million was retained by the Groupe Everest Companies for professional fees, production costs and commissions as summarized below:

Table 91: Attractions Canada - Breakdown of Production Costs¹
(\$000's)

Description	Internal Costs ²			Total Internal Costs	Total External Costs	Total Costs
	Professional Fees	Agency Commission	Production Costs			
Media related production	\$383.5	\$334.5	\$554.9	\$1,273.0	\$1,413.9	\$2,686.8
Fixed Fee – "Structure Permanente"	1,150.0	-	-	1,150.0	-	1,150.0
Galas	303.2	36.7	95.2	435.1	318.1	753.3
Website	0.4	62.3	258.8	321.5	137.3	458.8
Serdy Video – "Le Gout de Chez Nous"	60.2	141.2	-	201.4	800.0	1,001.4
Millenium Events	197.4	-	-	197.4	-	197.4
Contests	105.5	38.0	2.1	145.6	360.9	506.5
Promotional items	0.2	31.8	18.2	50.2	162.2	212.4
Logo	44.2	0.2	1.2	45.5	-	45.5
Other invoices	<u>1,170.8</u>	<u>218.4</u>	<u>950.7</u>	<u>2,339.9</u>	<u>2,979.1</u>	<u>5,319.0</u>
Total	<u>\$3,415.3</u>	<u>\$863.2</u>	<u>\$1,881.1</u>	<u>\$6,159.6</u>	<u>\$6,171.5</u>	<u>\$12,331.2</u>

13.3.2 Advertising Contracts

From 1995 to 2003, Groupe Everest acted as the communication agency for advertising contracts for various government departments totaling \$40.45 million, providing media planning and production services. For a complete list of the advertising contracts refer to Schedule IO.

In summary, the \$40.45 million was allocated in the contracts as follows:

¹ Source: Groupe Everest Companies' and supplier invoices where available.

² Costs billed by or subcontracted to one of the Groupe Everest Companies and there was no third party subcontractor invoice noted.

Table 92: Advertising Contract Breakdown
(\$ millions)

	<u>Total</u>
Media Placement	15.11
Production	<u>25.34</u>
Total	<u>\$40.45¹</u>

13.4

Management of Contracts

13.4.1 Special Programs and Sponsorship

Almost all of the SPS contracts were contracted by PWGSC with "Groupe Everest". The contracts were executed by companies operating within the Groupe Everest umbrella of companies mainly Everest Commandites, Everest Publicité and Everest Publicité Promotions.

The Groupe Everest Companies invoiced PWGSC or Média/ I.D.A. Vision on Groupe Everest letterhead with a notation at the bottom of the invoice with instructions as to which Groupe Everest company should be paid. The invoice and corresponding revenue would then be recorded in the Groupe Everest company to which payment was to be directed. In addition to the invoices issued by the Groupe Everest Companies, we noted six invoices totaling \$3.8 million before taxes, that were billed directly by Groupe Everest Inc. (i.e., Groupe Everest C.M.-P.C.R. Inc.) to PWGSC related to various Attractions Canada contracts. However, we note that these invoices were not recorded as revenues by Groupe Everest but rather by the subsidiary to which the work was subcontracted. These invoices are summarized in Schedule 25.

After certain subsidiaries of Groupe Everest were sold to Draft in February 2000, there was no change in the execution of the contracts; the contracts were still issued to "Groupe Everest" and continued to be executed by the

¹ The total and allocation on Exhibit P-346 are slightly different. The data presented in Table 92 is based on more recent information.

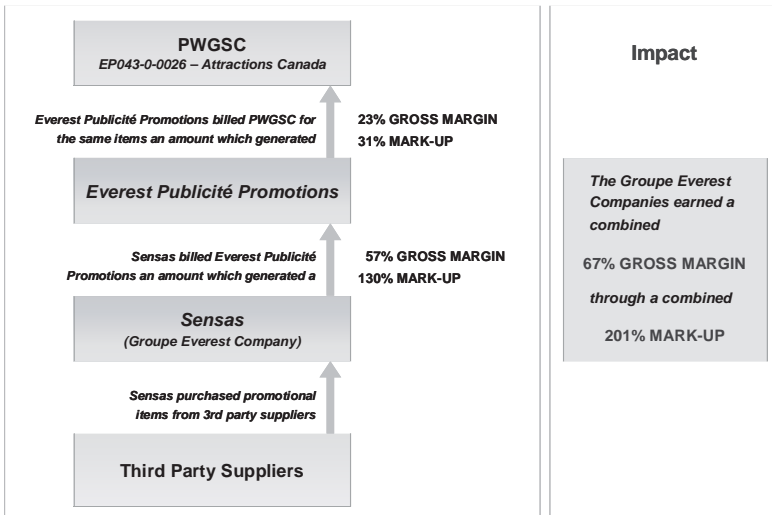
subsidiaries now owned by Draft, including Everest Commandites and the subsidiaries still owned by Groupe Everest. We note that Draft was not an agency selected by PWGSC.

Inter-company Billings

In order to execute a sponsorship and production contract, Groupe Everest drew upon the expertise and services of its various companies to fulfill its contract requirements. Services provided to a related company were invoiced either at cost or with a mark-up. We noted several instances where the GOC was ultimately billed for amounts that generated mark-ups within each of Groupe Everest's related companies that had provided services, in addition to the 17.65% agency commission.

For instance, under contract EP043-0-0026 Everest Publicité Promotions issued invoices to PWGSC for promotional items purchased for Attractions Canada which were purchased by Sensas, a related company. Table 93 summarizes the transaction. Refer to Schedule 26 for a detailed analysis of this contract.

Table 93: Groupe Everest - Intercompany Billings and Mark-ups (EP043-0-0026)



Due to the complex nature of the Groupe Everest Companies' accounting systems and the lack of supporting documentation, we were unable to review and quantify all the instances where there were mark-ups charged to the GOC on inter-company billings.

Other Remuneration from Sponsees

We reviewed six sponsorship events where the Groupe Everest Companies received "finder's fees" from the sponsee in addition to the agency fee received from PWGSC. We also noted one instance where the sponsee, Riopelle, paid a finder's fee directly to Caliméro. In total, the Groupe Everest Companies and Caliméro received \$0.6 million in finder's fees and agency commissions relating to the six contracts. Of this amount, the Groupe Everest Companies and Caliméro received finder's fees of \$341,750 or 16.5% of the sponsorship amount. Table 94 lists those six contracts and related fees and commissions.

**Table 94: Summary Fees Paid to Everest and Caliméro
(\$000's)**

Event	Contract	PWGSC Sponsorship Amount	Communication Agency Commissions	Finder's Fee	AOR Commission	Total Fees Paid to Everest & Caliméro
Jeux du Québec	EN771-7-0016	220.0	26.4	37.0	-	63.40
Jeux du Québec	EP043-01-0115	150.0	18.0	30.0	4.50	52.50
Parc des îles	EN771-7-0016	500.0	60.0	100.0	-	160.00
Parc des îles	EN771-8-0010	625.0	75.0	93.75	18.75	187.50
Parc des îles	EP043-9-0047	500.0	60.0	75.0	15.00	150.00
Riopelle	EN771-8-0010	<u>75.0</u>	<u>9.0</u>	<u>6.0</u>	<u>2.25</u>	<u>17.25</u>
Total		<u>\$2,070.0</u>	<u>\$248.4</u>	<u>\$341.75</u>	<u>\$40.50</u>	<u>\$630.65</u>

Refer to Exhibits P-324, P-354, P-355 and P-357 for event details.

Caliméro was remunerated by the Groupe Everest Companies by way of commissions. Caliméro invoiced Everest Commandites 25% of the commission received by this company for finding the event. In addition, if Ms D. Deslauriers was involved in managing the event, Caliméro would invoice Groupe Everest another 25% of the agency commission from PWGSC.

Time Charges for Ms D. Deslauriers

During our review of the Groupe Everest Companies' production invoices to PWGSC from the GOC fiscal years 1996-97 to 1999-2000, we noted that on certain invoices the Groupe Everest Companies charged professional fees for Ms D. Deslauriers. We note, however that Ms D. Deslauriers was not an employee of any of the Groupe Everest Companies over this period. In our production analysis, the contracts for which we noted these time charges are as follows:

Table 95: Ms D. Deslauriers Time Charges

Contract	Event	Total Hours
EN771-6-0169	325e Ville de Terrebonne	187.0
EN771-8-0010	Multi-events	354.5
EN771-8-0093	Challenge Automobile sur Glace du Canada	5.0
EP043-9-0040	CFL	146.0
EP043-9-0041	NHL	181.0
EP043-9-0042	Club des Marins	3.0
EP043-9-0043	Expos de Montréal	39.0
EP043-9-0044	Maximum Blues	15.0
EP043-9-0226	Championnat du Monde de Triathlon	<u>5.5</u>
Total		<u>936.0</u>

Further, in the documents available for our review, we note that Ms D. Deslauriers corresponded with sponsorees as if she were a manager working for Everest Promotion's sponsorship division.

Art Tellier Contract

On April 1, 1999 PWGSC issued contract EP043-9-005I to Everest Estrie for \$461,827 of production costs relating to the supply of promotional items. Everest Estrie subcontracted the work to Communications Art Tellier Inc. ("Art Tellier")¹. According to a purchase order dated April 16, 1999, Mr. Guité of PWGSC had approved a purchase order directly with Art Tellier. Art Tellier performed the work for the contract and billed Everest Estrie for \$390,000. Everest Estrie billed PWGSC \$68,835 (17.65%) in agency commissions related to the contract.

Based on the documentation provided to the COI, it appears that Everest Estrie earned their agency commissions of \$68,835 for preparing a purchase order to Art Tellier, billing PWGSC and paying Art Tellier for promotional items.

Média/I.D.A. Vision Responsibilities as AOR for SPS Contracts

Média/I.D.A. Vision had one or two employees who were responsible for the management of the sponsorship files as an AOR. These employees did administrative verification for the receipt of funds from PWGSC and the issuance of cheques to agencies and sponsorees.

According to the contract between the GOC and Média/I.D.A. Vision dated March 31, 1998², some of Média/I.D.A. Vision's obligations with reference to sponsorship were:

- "1. To monitor sponsorship events/activities according to agreements set by the Creative Advertising Agencies or Communication firms;
2. To ensure that Her Majesty receives value for the money; ...
8.To monitor the quality of services provided in respect to Sponsorship services."

¹ Art Tellier is a company owned by Benoit Renaud.

² Contract between the GOC and Média/I.D.A. Vision dated March 31, 1998, pages 15 and 16.

Based on the documentation provided to the COI, it appears that Média/I.D.A. Vision's employees did not:

- monitor the sponsorship events/according to the agreements;
- investigate whether the GOC received value for money; and
- monitor the quality of services provided in respect to Sponsorship services.

13.5

Financial Impact of Advertising and SPS Contracts on Results of Groupe Everest Companies

13.5.1 Financial Scope Limitations

Tables 97 to 100 illustrate the trend in revenues and income for the Groupe Everest Companies for the period of 1995 to 2002. This information is based on the documents provided to the COI. We are unable to provide complete consolidated revenues and net income for the period under review, due to the following scope limitations:

- Groupe Everest did not prepare consolidated financial statements after the year ended December 31, 1999. In addition, we requested but were not provided with Groupe Everest's consolidated financial statements for the year ended August 31, 1999;
- We requested but were not provided with the internal financial accounting records (Adtraq) of all the Groupe Everest Companies for the period under review;
- We requested but were not provided with financial statements for Groupe Everest C.M. - P.C.R. Inc. for the year ended December 31, 2003; and
- We requested but did not have access to the Groupe Everest Companies' accountant's working papers for the period under review.

13.5.2 Revenues

From 1995 to 2002, Groupe Everest and its related companies had clients from the public and private sector. Table 96 summarizes Groupe Everest's combined revenues for the period 1995 to 2002 for the companies for which data was available. For the years 1995 to 1998, Kroll sourced the combined revenues from the consolidated financial statements of Groupe Everest. For the years 1999 to 2002, the combined revenues were prepared by Kroll utilizing the non-consolidated financial statements of Groupe Everest and the financial statements of the various operating companies eliminating the revenues from parties under common control, as per the related party information disclosed in the notes to these financial statements¹.

Table 96: Groupe Everest Combined Revenues (\$000's)

Fiscal Year	Combined Revenues (Excl. Média/I.D.A. Vision)	Combined Revenues (Incl. Média/I.D.A. Vision)
1995	10,002	10,002
1996	17,372	17,372
1997	29,614	29,614
1998	24,855	47,887
1999	31,273	105,186
2000 ²	51,417	153,163
2001	28,466	145,585
2002	<u>13,233</u>	<u>114,841</u>
Total	<u>\$206,232</u>	<u>\$623,650</u>

Table 97 summarizes Groupe Everest's revenues from the GOC. Based on the financial information provided to the COI, we have been unable to determine all the revenues received by Groupe Everest related to the GOC total contracts. The sponsorship revenues were derived from the Kroll analysis of invoices submitted by Groupe Everest and paid by the GOC and the list of SPS contracts compiled by Kroll. We have estimated the advertising revenues based on the assumption that 75% of the contracted amounts were spent³.

¹ For the 5 month period ended January 30, 2000, the revenues from parties under common control were not available and have not been eliminated above.

² Fiscal 2000 represents 16 months of revenue comprising the 5-month period ended January 31, 2000 and the 11-month period ended December 31, 2000.

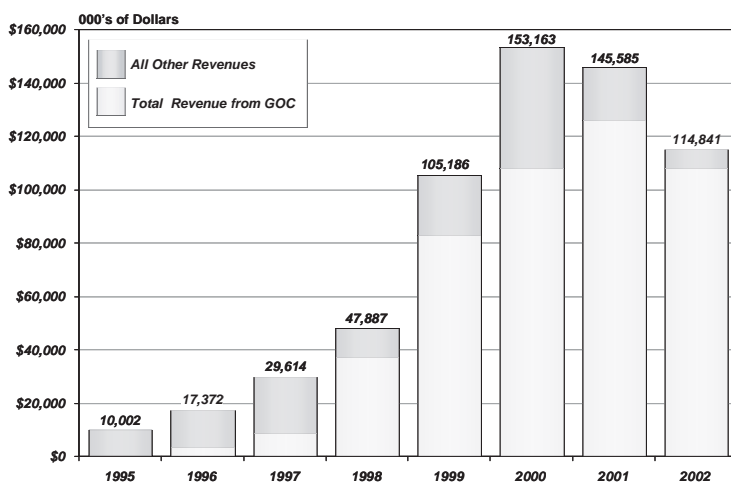
³ Based on the results of the analysis performed in Section 7.3.2.

Table 97: Groupe Everest Revenues from GOC (1995-2002) (\$000's)

Fiscal Year	Advertising		Média/I.D.A. Vision		Total –GOC
	SPS	Production	Media Division ¹	Sponsorship Division ¹	
1995	348.8	263.8	-	-	612.6
1996	1,278.2	2,455.0	-	-	3,733.2
1997	7,147.6	1,568.7	-	-	8,716.3
1998	12,197.4	1,622.8	5,018.5	18,023.5	36,862.2
1999	7,614.4	1,395.2	45,515.0	28,569.0	83,093.6
2000	4,946.9	1,425.8	72,391.5	29,620.9	108,385.1
2001	4,355.2	3,610.7	90,795.2	27,734.7	126,495.8
2002	<u>3,724.3</u>	<u>3,217.7</u>	<u>82,483.2</u>	<u>18,839.4</u>	<u>108,264.6</u>
Total	<u>\$41,612.8</u>	<u>\$15,559.7</u>	<u>\$296,203.4</u>	<u>\$122,787.5</u>	<u>\$476,163.4</u>

Based on the accounting records available, the combined revenues are \$456 million.

Table 97a - Groupe Everest Companies - Revenue from GOC and Total Revenues



¹ Source: Média/I.D.A. Vision - Adtraq information. Based on Média/I.D.A. Vision's fiscal year, Exhibit P-346, page I45.

Groupe Everest's sales from the GOC could have been as high as 28% of total sales excluding revenues from Média/I.D.A. Vision and 76% including revenues from Média/I.D.A. Vision.

Revenues by Client

Refer to Exhibit P-346 pages I30 to I51 for summaries of revenue by client for the Groupe Everest Companies for the period 1995-2002.

Table 98 below summarizes for each of the Groupe Everest's Companies to which the majority of the SPS and advertising contracts were awarded, the revenues earned from the various departments within the Government of Canada¹ as a percentage of total sales² based on available information:

Table 98: Groupe Everest Sales to GOC

Group Everest Company	Sales to PWGSC and Communication Canada as % of Total Sales	Sales to all GOC Departments as % of Total Sales³
Everest Commandite	44.2%	47.2%
Everest Publicité Promotions	30.0%	39.0%
Everest Relations Publiques	5.9%	29.1%
Média/I.D.A. Vision	34.0%	100.0%

13.5.3 Gross Margins

Table 99 summarizes the combined gross margins for the Groupe Everest Companies as reported in their financial statements. Where there are related party purchases, these costs are included in the gross margin of the purchasing company.

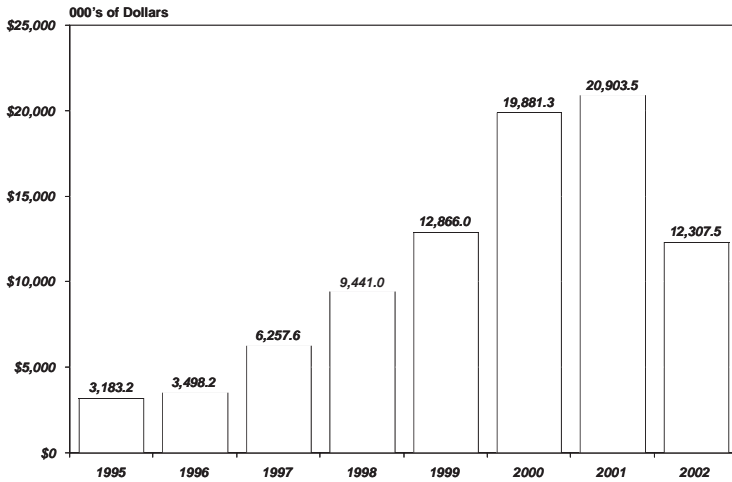
¹ Excludes sales to Crown Corporations.

² Information was not available for the other companies.

³ Includes sales to PWGSC and Communication Canada.

Since consolidated financial statements were not available for the full period under review we have simply combined the financial statements for the results noted below. It is possible that consolidated financial statements would produce a different result. However, the trend in gross margins would likely remain unchanged.

Table 99: Groupe Everest Companies - Gross Margins



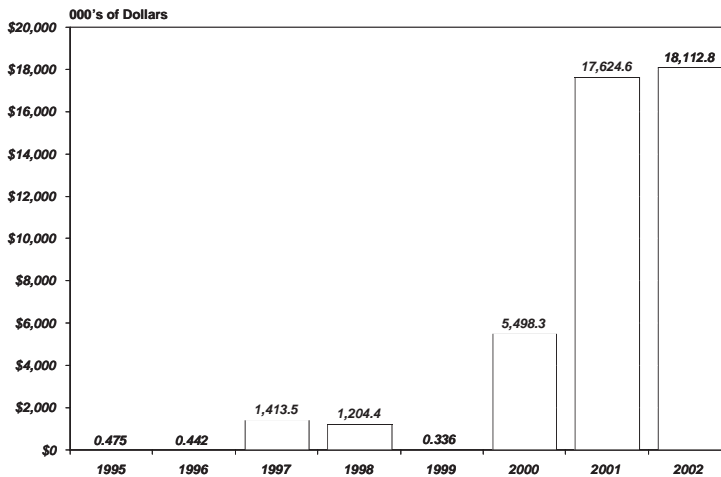
We have estimated that the gross margin earned by Groupe Everest from the GOC is approximately \$26 million. This number represents 28% of the total gross margin earned during the period from 1994-95 to 2001-02.

13.5.4 Net Income

Table 100 summarizes the combined net income for the Groupe Everest Companies.

Since consolidated financial statements were not available for the full period under review we have simply combined the financial statements for the results noted below. It is possible that consolidated financial statements would produce a different result.

Table 100: Groupe Everest Companies - Net Income



Due to the wide mix of clients in the Groupe Everest Companies and their complex operating structure, it is difficult to separate the profits generated by the Groupe Everest Companies from the GOC contracts from the overall results.

13.6

Notable Uses of Funds by Groupe Everest

13.6.1 Salaries and Dividends

Salaries - Mr. C. Boulay and Ms D. Deslauriers

Based on the personal income tax returns provided to the COI, Mr. C. Boulay and Ms D. Deslauriers received salaries of \$4.4 million and \$105,793 respectively, over the period 1995 to 2003. Ms D. Deslauriers' personal income tax returns were not available for the four years 1996 to 1999.

Salaries - Other Shareholders of Groupe Everest

We reviewed the Groupe Everest and related companies salary registers that were provided to the COI in an attempt to determine the salaries paid to the other shareholders of Groupe Everest.

Based on our review of the information provided, salaries and bonuses paid from 1995 to 2002 to Jean Bernard Belisle, Jean-Pierre Toupin and Claude Lacroix totaled \$2.4 million.

Dividends

From 1993 to 2003 Groupe Everest paid a total of \$31.2 million in dividends to its shareholders as follows:

**Table 101: Dividends Paid by Groupe Everest
(\$ 000s)**

	<u>Dividends</u>	<u>Capital Dividends</u>	<u>Total</u>
1994	200	-	200
1995	300	-	300
1996	-	-	-
1997	503	-	503
1998	-	-	-
1999	-	-	-
2000	700	-	700
2001	2,950	-	2,950
2002	9,200	17,385	26,585
2003 ¹	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>
Total	<u>\$13,853</u>	<u>\$17,385</u>	<u>\$31,238</u>

Over the same period, 1994 to 2003, I40638 Canada Inc., Mr. C. Boulay's holding company, received total dividends of \$25.5 million primarily from Groupe Everest.²

¹ Groupe Everest financial statements were not available for 2003.

² Source: I40638 Canada Inc. financial statements.

13.6.2 Political Contributions

The Groupe Everest Companies, its employees and shareholders made political contributions of \$194,832 from 1996 to 2003. Refer to Exhibit P-340(B), page 74 for details.

13.6.3 Transactions with Oro Communications Inc.

Sales to Oro

Oro Communications Inc. ("Oro") paid \$60,000 to Everest Estrie related to the following invoices:

Table 102: Sales to Oro

<u>Invoice Date</u>	<u>Invoice #</u>	<u>Amount</u>
October 29, 2001	14970	20,000
November 26, 2001	15092	20,000
December 20, 2001	15220	<u>20,000</u>
Total		<u>\$60,000</u>

We were only able to locate invoice #14970 which described the work performed as market research. The docket description for all three invoices was market research. No further documentation was provided to the COI by Groupe Everest related to this transaction.

Payments to Oro

In September 2000, Groupe Everest paid to Oro \$5,992. The invoice issued by Oro to Groupe Everest stated that the invoice was for four days of professional consultation.

13.7

Scope Limitations

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

1. The consolidated financial statements for Groupe Everest C.M.-P.C.R. Inc. for the year ended August 31, 1999. In addition, consolidated financial statements were not prepared for fiscal years 2000 to 2003.
2. The non-consolidated financial statements for Gestion Opération Tibet Inc. (formerly Groupe Everest C.M.-P.C.R. Inc.) for the year ended December 31, 2003.
3. The complete contract files for all sponsorship contracts covering the GOC's fiscal years 1994/1995 to 2002/2003; we were provided with the contract files for the years 1998/1999 to 2002/2003—however, these files do not appear to be complete. According to Mr. C. Boulay, these files were given to Draft upon their purchase of the Groupe Everest Companies.
4. The financial statements for Caliméro Partenariat Inc. for the years ended December 31, 1997 to December 31, 1999.
5. The corporate income tax returns for Caliméro Partenariat Inc. for the years ended December 31, 1997 to December 31, 1999.
6. The personal income tax returns for Ms D. Deslauriers for the years ended December 31, 1996 to 1999.
7. The corporate income tax returns for I40638 Canada Inc. for 2001 to 2003.
8. The electronic internal financial accounting records for Groupe Everest C.M.-P.C.R. Inc., and Everest Publicité (G.E.C.M.) Inc.
9. Complete copies of the investment accounts for Mr. C. Boulay, Ms D. Deslauriers and the Groupe Everest Companies.

10. Complete copies of the banking records for Mr. C. Boulay and Ms D. Deslauriers. We were not provided any bank statements prior to January 1999, nor were we provided with copies of the cheques for the full period under review.
11. Complete salary registers for Groupe Everest and related companies for the years 1994 to 2003. We were provided with various registers, but the registers provided do not appear to be complete.
12. Copies of cancelled cheques for all the Groupe Everest Companies. We were provided with access to certain cheques, however it appears that the documents were not complete.
13. Access to the accountants' working papers for review of period end journal entries and review of consolidated working papers of the Groupe Everest Companies.