

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons authorized to sell such securities. No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. The securities offered herein have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold within the United States or to U.S. persons. See "Plan of Distribution".

Initial Public Offering

July 20, 2000

CRAIG MUSIC & ENTERTAINMENT INC.

Up to \$3,500,000 (700,000 Subscription Receipts)

Minimum Subscription \$2,500

EACH SUBSCRIPTION RECEIPT REPRESENTS THE RIGHT TO RECEIVE ONE SUBORDINATE VOTING A SHARE OF CRAIG MUSIC & ENTERTAINMENT INC.

Price: \$5.00 per Subscription Receipt

	Price to the Public	Agent's Fee ⁽¹⁾	Net Proceeds to the Company ⁽²⁾
Per Subscription Receipt	\$5.00	\$0.30	\$4.70
Minimum Offering (500,000 Subscription Receipts)	\$2,500,000	\$150,000	\$2,350,000
Maximum Offering (700,000 Subscription Receipts)	\$3,500,000	\$210,000	\$3,290,000

(1) Subject to the Conditions Precedent to Closing being satisfied, the Company will pay the Agent, as defined below, a commission of 6% of the proceeds from the sale of Subscription Receipts. As additional compensation, the Company shall issue warrants (the "Agent Warrants") to the Agent pursuant to which the Agent may purchase up to such number of Subordinate A Shares as is equal to 10% of the Subordinate A Shares to which holders of the Subscription Receipts shall be entitled following the satisfaction of the Conditions Precedent to Closing exercisable at \$5.00 for a period of 24 months from the date of the closing of the Offering. This prospectus qualifies the Subordinate A Shares issuable upon the exercise of the Agent Warrants. See "Plan of Distribution".

(2) Before deduction of the legal, accounting and printing expenses of the Offering, estimated at \$175,000, which amount includes expenses associated with the acquisition of the Radio Assets, which, together with the Agent's fee, will be paid by the Company out of the proceeds of the Offering.

This prospectus qualifies the distribution (the "Offering") of up to 700,000 non-transferable subscription receipts ("Subscription Receipts") and the Subordinate Voting A Shares (the "Subordinate A Shares") of Craig Music & Entertainment Inc. (the "Company" or "CMEI") to be received by holders of Subscription Receipts. The proceeds from the sale of the Subscription Receipts (the "Escrowed Funds") will be held by CIBC Mellon Trust Company, as deposit agent (the "Deposit Agent"), and invested in short-term obligations of, or guaranteed by, the Government of Canada (and other approved investments) pending the satisfaction of certain specified conditions (the "Conditions Precedent to Closing") including: a) a minimum of 500,000 (\$2,500,000) Subscription Receipts being subscribed for; b) the Canadian Radio-television and Telecommunications Commission (the "CRTC") granting its approval of the transfer by Craig Broadcast Systems Inc. ("Craig Broadcast") to CMEI of all of Craig Broadcast's Manitoba radio broadcasting assets (the "Radio Assets") pursuant to an agreement (the "Acquisition Agreement") between Craig Broadcast and CMEI dated as of May 12, 2000; c) the closing of the transfer of the Radio Assets; d) the Escrow Agreement, as defined herein, being entered into; e) the Trust Agreement, as defined herein, being entered into; f) each of Craig Broadcast, Boyd Craig and Drew Craig entering into non-competition agreements with CMEI; g) the Subordinate A Shares being listed on The Winnipeg Stock Exchange; and h) receipt of approval of the Company's application under the Manitoba Equity Tax Credit program.

The Subscription Receipts are non-transferable. Each Subscription Receipt entitles the holder thereof to receive, upon the satisfaction of the Conditions Precedent to Closing, one Subordinate A Share. If the Conditions Precedent to Closing are not satisfied on or before December 31, 2000 (the "Closing Date") or such other date as may be agreed to between the Agent and the Company, the holders of the Subscription Receipts will be entitled to receive an amount equal to the subscription price therefor and the proportionate share of the interest accrued thereon. See "Subscription Receipts" and "Plan of Distribution".

The Subscription Receipts are being offered through Wellington West Capital Inc. (the "Agent") on a best efforts basis pursuant to this prospectus. Craig Broadcast is a promoter of the Offering. Conditional listing approval for the Subordinate A Shares issuable to holders of Subscription Receipts has been received from The Winnipeg Stock Exchange (the "WSE"). Such listing is subject to CMEI fulfilling the listing application requirements of the WSE. The net proceeds of the Offering will be used for working capital and to retire debt which the Company will incur in connection with the acquisition of the Radio Assets. See "Use of Proceeds" and "Business of CMEI".

The principal business of the Company following the acquisition of the Radio Assets will be the ownership and operation of four radio broadcasting stations located in Winnipeg, Brandon and Selkirk, Manitoba. CMEI also intends to expand its radio broadcasting business by applying for additional licences alone or together with other broadcast companies and/or through strategic acquisitions. In addition, the Company will investigate business opportunities in the music and entertainment industry relating to live event management, the Internet and television specialty channels. See "Operating Strategy" and "CMEI's Growth Strategy".

There are certain risk factors associated with an investment in Subscription Receipts and Subordinate A Shares. An investment in these securities should be regarded as speculative. The Company has no history of operations. There is currently no market through which the securities offered hereby may be sold. The Subscription Receipts are non-transferable. See "Risk Factors".

The issuance of the Subordinate A Shares is conditional upon the satisfaction of the Conditions Precedent to Closing. The offering price for the Subscription Receipts was established by negotiation between the Company and the Agent. The offering price of a Subscription Receipt exceeds the net tangible book value thereof as at March 31, 2000 (assuming the closing of the transfer of the Radio Assets pursuant to the Acquisition Agreement) by \$5.53, representing a dilution of 110.56% for the minimum offering and \$5.20, representing a dilution of 104.02% for the maximum offering. See "Dilution". The dilution calculation is based on net tangible assets, as a result, goodwill, including the value of the radio broadcast licences which the Company will hold prior to the Closing are not factored into the calculation.

The Agent conditionally offers the Subscription Receipts for sale on a best efforts basis, subject to prior sale, if, as and when issued by the Company and delivered to and accepted by the Agent in accordance with the conditions contained in the Agency Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Company by Aikins, MacAulay & Thorvaldson, Barristers and Solicitors, Winnipeg, Manitoba and on behalf of the Agent by Taylor McCaffrey, Barristers and Solicitors, Winnipeg, Manitoba.

Subscriptions for Subscription Receipts will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that certificates representing the Subordinate A Shares will be available for delivery upon confirmation of the satisfaction of the Conditions Precedent to Closing.

AGENT:

Wellington West Capital Inc.
3106-201 Portage Avenue
Winnipeg, Manitoba R3B 3K6
Telephone: (204) 925-2250
Facsimile: (204) 942-6194

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PROSPECTUS SUMMARY

The following is a summary only and is qualified by the more detailed information and financial statements, including the notes thereto, appearing elsewhere in this prospectus.

THE COMPANY

The Company was incorporated under *The Corporations Act* (Manitoba) as 4046570 Manitoba Ltd. by articles of incorporation dated July 5, 1999. On May 11, 2000, the articles of incorporation of the Company were amended to change the Company's name to "Craig Music & Entertainment Inc." and to change the authorized capital to an unlimited number of Subordinate A Shares, Subordinate Voting B Shares, Multiple Voting Shares and Non-Voting Shares. The Company's registered office is located at 30th Floor, 360 Main Street, Winnipeg, MB R3C 4G1, and its head office is located at 177 Lombard Avenue, Winnipeg, MB R3B 0W5. The Company's telephone number is (204) 728-1150 and its facsimile number is (204) 728-1838. The Company will acquire the Radio Assets immediately before the closing of the Offering, however, certain of the Radio Assets which will be acquired by the Company have been operated by Craig Broadcast for up to 52 years. See "Radio Assets".

Acquisition Agreement: Pursuant to the Acquisition Agreement, prior to the Closing of the Offering and subject to the CRTC approving of the transfer, Craig Broadcast will transfer the Radio Assets to the Company in exchange for the Company issuing Craig Broadcast 2,499,999 Multiple Voting Shares, a demand promissory note in the amount of \$2,103,813, a \$500,000 subordinate debenture with 125,000 detachable warrants to purchase Subordinate Voting B Shares of the Company at a price of \$4.00 per share, a \$500,000 convertible debenture which may be converted at the option of the holder into 125,000 Subordinate Voting B Shares and 25,000 warrants to purchase Subordinate Voting B Shares exercisable at a price of \$4.00 per share within two years of the closing of the transfer of the Radio Assets. The Company will also assume long term bank debt of \$3,000,000 and approximately \$200,000 of other payables associated with the operation of the Radio Assets. See "Acquisition Agreement".

Radio Assets: The Radio Assets consist primarily of the following four radio stations:

<u>Radio Station</u>	<u>Frequency</u>	<u>Principal Market</u>	<u>Format</u>
CFQX-FM (QX104)	104.1	Winnipeg	Country
CKMM-FM (Hot 103)	103.1	Winnipeg	Contemporary Hits
CKXA-FM (KIX 101.1)	101.1	Brandon	Country
CKX-FM (KX 96)	96.1	Brandon	Contemporary Rock

Operating Strategy: The Company will operate the Radio Assets on the same basis and with the same personnel as they were operated by Craig Broadcast. In addition to operating the Radio Assets, the Company will investigate opportunities to increase its radio assets by applying for additional radio broadcast licences or acquiring other radio stations. The Company has filed an application for licences in the Calgary and Vancouver markets together with another broadcast company. Further, the Company intends to pursue opportunities in the music and entertainment industry relating to live event management, the Internet and television specialty channels. See "Operating Strategy" and "CMEI's Growth Strategy".

Principal Shareholder: By virtue of its ownership of the Multiple Voting Shares, Craig Broadcast will control the Company. The Multiple Voting Shares to be held by Craig Broadcast will be subject to the Escrow Agreement. See “Escrowed Shares” and “Risk Factors”.

CRTC Regulation: The CRTC regulates the broadcasting industry. Such regulations pertain to the manner in which licencees are operated and the manner in which they are owned. See “CRTC Regulation and Risk Factors”.

THE OFFERING

Issuer: Craig Music & Entertainment Inc.

Price: \$5.00 per Subscription Receipt. Minimum subscription of 500 Subscription Receipts (\$2,500) per investor.

Amount: A maximum of 700,000 (\$3,500,000) Subscription Receipts may be sold pursuant to the Offering. It is a Condition Precedent to Closing that a minimum of 500,000 (\$2,500,000) Subscription Receipts must be sold.

Subscription Receipts: The Subscription Receipts will be issued under an agreement (the “Subscription Receipts Agreement”) to be entered into prior to the Closing among CMEI, the Agent and the Deposit Agent. Pursuant to the Subscription Receipts Agreement, the Escrowed Funds will be delivered to and held by the Deposit Agent and invested in short-term obligations of, or guaranteed by, the Government of Canada (and other approved investments) pending the satisfaction of the Conditions Precedent to Closing.

Provided that the Conditions Precedent to Closing are satisfied on or before the Closing Date, the holders of the Subscription Receipts will receive, without additional consideration, one Subordinate A Share for each Subscription Receipt held. In the event that the Conditions Precedent to Closing are not satisfied on or before the Closing Date, the holders of the Subscription Receipts will be entitled to receive an amount equal to the subscription price therefor and the proportionate share of interest thereon. The issuance of such amount shall require the surrender of the Subscription Receipt in respect thereof.

The Subscription Receipts are non-transferable. See “Subscription Receipts”.

Subordinate A Shares: The Subordinate A Shares entitle the holder to:

- a) one vote per share held ⁽¹⁾
- b) receive, *pari pasu* with the holders of other classes of shares, dividends when and if declared; and
- c) participate, *pari pasu* with the holders of other classes of shares, in the assets of the Company upon its being wound-up. See “Description of Share Capital”.

⁽¹⁾ The holders of the Multiple Voting Shares are entitled to 20 votes per share held.

Conditions of Closing:

The Conditions Precedent to Closing are as follows:

- a) a minimum of 500,000 (\$2,500,000) Subscription Receipts must be subscribed for and the subscriptions accepted;
- b) the Canadian Radio-television and Telecommunications Commission (the "CRTC") must have granted its approval of the transfer by Craig Broadcast to CMEI of all of Craig Broadcast's Manitoba radio broadcasting assets (the "Radio Assets") pursuant to the Acquisition Agreement;
- c) the transfer of the Radio Assets pursuant to the Acquisition Agreement must have occurred;
- d) the Escrow Agreement, as defined herein, must have been entered into;
- e) the Trust Agreement, as defined herein, must have been entered into;
- f) each of Craig Broadcast, Boyd Craig and Drew Craig must have entered into non-competition agreements with CMEI;
- g) the Subordinate A Shares must be listed on the WSE; and
- h) the Company must have received approval of the Company's application under the Manitoba Equity Tax Credit program.

Use of Proceeds:

The estimated net proceeds to be received by the Company from the Offering, after deducting the Agent's fees and estimated legal, accounting and printing expenses relating to the Offering and the acquisition of the Radio Assets, will be approximately \$3,115,000, assuming the maximum number of Subscription Receipts are sold, or \$2,175,000, assuming the minimum number of Subscription Receipts are sold. The net proceeds will be used to retire the promissory note issued by the Company to Craig Broadcast in connection with the acquisition of the Radio Assets and for working capital. See "Use of Proceeds".

Dilution:

The offering price of a Subscription Receipt exceeds the net tangible book value thereof as at March 31, 2000 (assuming the closing of the transfer of the Radio Assets pursuant to the Acquisition Agreement) by \$5.53, representing a dilution of 110.56% for the minimum offering and \$5.20, representing a dilution of 104.02% for the maximum offering. See "Dilution". The dilution calculation is based on net tangible assets, as a result, goodwill, including the value of the radio broadcast licences which the Company will hold prior to the Closing are not factored into the calculation. See "Dilution".

Dividend Policy:

CMEI has not paid a dividend on its Subordinate A Shares since incorporation. The Company does not anticipate paying cash dividends on its Subordinate A Shares or any other of its shares in the foreseeable future, but intends to retain earnings for reinvestment in its business. Any future determination to pay dividends will be at the discretion of the Company's board of directors and will be dependent upon the Company's earnings, capital requirements and financial position, as well as general economic conditions and other factors deemed relevant by the Company's board of directors.

Plan of Distribution:

By an agreement dated as of February 1, 2000 (the “Agency Agreement”), the Corporation appointed Wellington West Capital Inc. as its agent (the “Agent”), to offer the Subscription Receipts to the public in the Province of Manitoba on a “best efforts” basis. Under the terms of the Agency Agreement, the Corporation has agreed to pay to the Agent a commission of 6% per Subscription Receipt sold pursuant to the Offering. The maximum number of Subscription Receipts which may be issued is 700,000 (\$3,500,000) and the minimum number of Subscription Receipts which must be issued in order for the Conditions Precedent to Closing to be satisfied is 500,000 (\$2,500,000). See “Plan of Distribution”.

**Stock Exchange
Listing and RRSP
Eligibility:**

Conditional listing approval for the Subordinate A Shares issuable to holders of Subscription Receipts has been received from the WSE. Such listing is subject to CMEI fulfilling the listing application requirements of the WSE.

Subject to the Company fulfilling all of the conditions of the WSE and the listing of the Subordinate A Shares on the WSE, the Subordinate A Shares will be qualified investments for a registered retirement savings plan, registered retirement income fund and a deferred profit saving plan. See “Eligibility for Investment”.

**Manitoba Equity Tax
Credit Program:**

In the view of the Company, the Subordinate A Shares will constitute capital property and upon completion of a successful application for credit status, should be eligible for the Manitoba Equity Tax Credit. See “Canadian Federal Income Tax Considerations”.

Risk Factors:

Prospective purchasers are urged to consider certain risks pertaining to investment in the Subordinate A Shares. An investment in Subordinate A Shares is speculative and is subject to a number of risks, including:

- a) **there can be no assurance that the Company will be able to fulfill its growth strategy or successfully manage its growth;**
- b) **there can be no assurance that the Company will be able to obtain the necessary capital to carry out its business plans;**
- c) **changes in regulations governing the broadcast industry may have an adverse impact upon the Company;**
- d) **the radio broadcast industry is highly competitive;**
- e) **the Company is reliant upon certain key employees;**
- f) **the Company has no operating history;**
- g) **there is an uncertain market for the Subordinate A Shares;**
- h) **investors will incur immediate dilution from the issue price in the net tangible book value per Subordinate A Share;**
- i) **Craig Broadcast will control the Company by virtue of its holding the Multiple Voting Shares;**
- j) **the Company is reliant upon its majority shareholder, Craig Broadcast, for the provision of certain services;**
- k) **the Company does not own all of the towers upon which its transmitters are located;**
- l) **the fair market value of the Radio Assets is subject to adjustment by the Minister of National Revenue which could result in an increase in the purchase price of such assets;**

- m) the Company has no record of dividends and it is not anticipated that dividends will be declared in the near term;**
- n) adverse changes in the general economic condition of Canada and Manitoba, in particular, will have a negative impact upon the Company;**
- o) should the Company fail to maintain certain attributes, there is a risk of loss of the Manitoba Equity Tax Credit.**

See “Risk Factors”.

THE COMPANY

The Company was incorporated under *The Corporations Act* (Manitoba) as 4046570 Manitoba Ltd. by articles of incorporation dated July 5, 1999. On May 11, 2000, the articles of incorporation of the Company were amended to change the Company's name to "Craig Music & Entertainment Inc." and to change the authorized capital to an unlimited number of Subordinate A Shares, Subordinate Voting B Shares, Multiple Voting Shares and Non-Voting Shares. The Company's registered office is located at 30th Floor, 360 Main Street, Winnipeg, MB R3C 4G1, and its head office located at 177 Lombard Avenue, Winnipeg, MB R3B 0W5. The Company's telephone number is (204) 728-1150 and its facsimile number is (204) 728-1838. The Company will acquire the Radio Assets immediately before the closing of the Offering, however, certain of the Radio Assets which will be acquired by the Company have been operated by Craig Broadcast for up to 52 years. See "Radio Assets".

BUSINESS OF THE COMPANY

Overview of CMEI

Pursuant to the Acquisition Agreement, prior to the closing of the Offering, CMEI will have acquired from Craig Broadcast the Radio Assets which consist primarily of the following four radio stations:

<u>Radio Station</u>	<u>Frequency</u>	<u>Principal Market</u>	<u>Format</u>
CFQX (QX104)	104.1	Winnipeg	Country
CKMM (Hot 103)	103.1	Winnipeg	Contemporary Hits
CKXA-FM (KIX 101.1)	101.1	Brandon	Country
CKX-FM (KX 96)	96.1	Brandon	Contemporary Rock

See "Material Contracts - Acquisition Agreement" and "Radio Assets".

CMEI will operate the Radio Assets on the same basis and with the same management team with which they were operated while they were owned by Craig Broadcast.

In addition to owning and operating the Radio Assets, CMEI will investigate business opportunities in the music and entertainment industry relating to live event management, television specialty channels and the Internet. See "CMEI's Growth Strategy".

The Acquisition Agreement

Pursuant to the Acquisition Agreement, Craig Broadcast has agreed to transfer the Radio Assets to CMEI subject to the CRTC first approving of the transfer. Craig Broadcast has applied for such approval and it is anticipated that such approval shall be forthcoming from the CRTC.

The Acquisition Agreement provides for the sale of all of the assets owned by Craig relating to the operation of the four Manitoba radio stations being transferred to CMEI including the accounts receivable relating to such assets. In exchange for the Radio Assets, subject to adjustments to certain amounts relating to such items as receivables, payables and taxes, CMEI has agreed to issue to Craig Broadcast 2,499,999 Multiple Voting Shares, a demand promissory note in the amount of \$2,103,813 having an interest rate of prime plus 1%, 25,000 warrants to purchase Subordinate Voting B Shares exercisable at a price of \$4.00 per share within two years of the closing of the transfer of the Radio Assets, a \$500,000 8.5% subordinate debenture (the "Subordinate Debenture") with 125,000 detachable warrants to purchase Subordinate Voting B Shares of CMEI at a price of \$4.00 per share at any time within a five year period following the closing of the transfer of the Radio Assets, a \$500,000 8.5% convertible debenture (the "Convertible Debenture") which may be converted at the option of the holder into 125,000 Subordinate Voting B

Shares. CMEI will also assume long term bank debt of \$3,000,000 and approximately \$200,000 of other payables associated with the operation of the Radio Assets. See "Capitalization".

The Radio Assets, including an amount representing goodwill, are being acquired for a purchase price equal to their fair market value as determined by the boards of directors of Craig Broadcast and CMEI in consultation with their auditors. The Acquisition Agreement provides that the purchase price and, in particular, the number of Multiple Voting Shares issued in satisfaction of the purchase price, are subject to adjustment in the event that the Minister of National Revenue determines the fair market value of the Radio Assets to be greater or less than the purchase price. See "Risk Factors".

The amount of the accounts receivables being transferred to CMEI and the amount of the liabilities being assumed by Craig Broadcast are based on the March 31, 2000 financial statements of Craig Broadcast. It is a term of the Acquisition Agreement that following the closing of the transfer of the Radio Assets, the parties will adjust the purchase price based on the financial statements of Craig Broadcast as of the date of the closing in order to account for changes in the amounts of the accounts receivable and the liabilities being assumed by CMEI. Between May 12, 2000 and the date of the closing of the transfer of the Radio Assets, Craig Broadcast is required to operate the Radio Assets in the ordinary course.

It is a condition of closing of the sale of the Radio Assets to CMEI that each of Craig Broadcast, Boyd Craig and Drew Craig enter into a non-competition agreement with CMEI pursuant to which they will agree to not be involved in the radio broadcast business for a period of two years following the date of the closing of the transfer of the Radio Assets except in connection with CMEI and two radio stations located in Regina which are owned by Craig Broadcast. Under the terms of such agreements, Craig Broadcast, Boyd Craig and Drew Craig may, however, apply for radio broadcast licences provided that, upon receipt of such licences they utilize their best efforts to transfer the licences to CMEI in exchange for the reimbursement by CMEI of the cost of their acquiring their interest in such licences. Further, CMEI and Craig Broadcast are required to enter into the Management and Administration Agreement prior to the closing of the transfer of the Radio Assets pursuant to which Craig Broadcast will provide certain management, administrative, accounting and sales managerial services to CMEI. See "Material Contracts".

The Radio Assets

The Radio Assets to be acquired by CMEI pursuant to the Acquisition Agreement are as follows:

CFQX-FM ("QX 104"):

QX 104 has been owned by Craig Broadcast since May, 1999 and it has managed the station since December, 1997. QX 104 is the leading country music radio station in the Winnipeg market based on its historical ratings. In addition to Winnipeg, QX 104 also draws listeners from the Selkirk and the South Interlake market areas. QX 104's target demographic market is 25 to 54 year old adults. Upon completion of the Acquisition Agreement, CMEI will own the transmitter utilized by QX 104. CMEI will also own the tower upon which the transmitter is located and the premises from which QX 104 operates.

CKMM -FM ("Hot 103"):

Hot 103's target demographic market in Winnipeg is the 18 to 34 year old age bracket. Its format for the past two years has been contemporary hits. Craig Broadcast has owned Hot 103 for approximately five years and has managed it for six years. Upon completion of the Acquisition Agreement, CMEI will own the transmitter utilized by Hot 103. CMEI will lease from Craig Broadcast the premises from which Hot 103 operates. The tower upon which Hot 103's transmitter is located is leased from a third party. See "Material Contracts-Tower Agreements".

CKX -FM ("KX 96"):

KX 96 has been owned and operated by Craig Broadcast for 37 years. It has been Western Manitoba's only adult contemporary radio station since 1993. Its primary target demographic is 25 to 54 year old adults. Upon completion of the Acquisition Agreement, CMEI will own the transmitter utilized by KX 96. The premises from which KX 96 operates will be leased from Craig Broadcast and KX 96's transmitter will be located on a tower owned by Craig Broadcast and a third party. See "Material Contracts - Tower Agreements".

CKXA-FM (“KIX 101.1”):

CKXA is Western Manitoba’s only country FM music station. Craig Broadcast owned and operated CKXA as an AM frequency station for 52 years prior to adding an FM frequency in February, 2000. Until September, 2000, KIX 101.1 will operate on both the FM and AM frequencies, however, thereafter it will only operate only on the FM frequency. Its target audience is 25 to 54 year old adults. Upon completion of the Acquisition Agreement, both the AM and FM transmitters utilized by KIX 101.1 will be owned by CMEI. The tower upon which the AM transmitter is located will be owned by CMEI and the FM transmitter will be located on a tower owned by Craig Broadcast and a third party. The premises from which KIX 101.1 operates will be leased from Craig Broadcast. See “Material Contracts - Tower Agreements”.

The Company will derive virtually all of its revenues related to the Radio Assets from the sale of airtime to advertisers. Advertising revenues from the sale of broadcast time are generated at national, regional and local levels. The rate charged per unit of time sold varies directly with the size of its listening audience and the demand for advertising time. The number of units of broadcasting time sold by each station varies according to the demand for radio advertising time and according to the ability of the stations to compete in their respective markets with other communications media. Sales will be made directly through sales forces maintained by Craig Broadcast which, pursuant to the Management and Administration Agreement as defined below, will provide the Company with sales representatives who will be remunerated on a commission sales basis. See “Management and Administration Agreement”. The retail sales force will be supported by creative departments in each of the stations which will write and produce commercials for presentation to retail advertisers. The creative departments will work directly with retail clients to develop special advertising and merchandising promotions. The stations also maintain merchandising departments to support advertising campaigns with promotional activities.

Overview of Radio Industry

General

Radio station programming consists of musical and spoken word material that includes the presentation of musical recordings, news and public affairs, traffic and weather information and commentary, free public service announcements and paid advertisements as broadcast by announcers, newscasters, reporters and commentators. Programming material is created and organized by off-air production and creative staff. Generally radio stations develop a distinctive programming format directed toward a specific audience segment in the community served. Success in achieving programming objectives is measured by surveys conducted by the Bureau of Broadcast Measurement (“BBM”). BBM is a non-profit organization comprised of broadcasters, advertisers and advertising agencies. BBM conducts periodic polling of individuals, and these surveys constitute a demographic approximation of the audiences in Canadian radio markets. The resulting data is important criteria for decision-making by advertising clients to purchase broadcast time.

Revenue

Revenue from the radio broadcasting business is derived from two types of advertising: (a) advertising by local clients who are generally local merchants and who operate in the trading area encompassed by a station’s signal; and (b) advertising by national businesses such as automotive manufacturers, breweries, fast food chains and similar operations which develop national advertising campaigns.

The Canadian radio broadcasting industry is licensed and regulated by the CRTC. See “CRTC Regulation”. The industry is comprised of approximately 500 licensed stations. Approximately 20% of such operating radio stations are publicly owned (e.g. by the Canadian Broadcasting Corporation) or are non-commercial stations (e.g. university). The remaining stations are privately owned and split almost evenly between AM and FM stations.

In April, 1998, the CRTC adopted a new radio ownership policy allowing a single owner to own a maximum of two AM and two FM stations in a market, depending upon the size of the market. Since then, a number of transactions have been completed or announced where larger multiple licence owners have acquired smaller radio operators. This on-going consolidation of ownership should result in a more dynamic, profitable industry, with larger owners exploiting new opportunities to add new technologies, share programming and marketing costs and increase efficiencies and margins across multiple stations. The consolidated ownership structure of the radio industry also will facilitate efforts of

advertisers to develop and execute nation-wide radio advertising campaigns in conjunction with, or as an alternative to, advertising in competitive media such as newspapers and magazines.

Market Analysis

Competition

Upon the closing of the transfer of the Radio Assets to the Company pursuant to the Acquisition Agreement, the Company will operate four radio licences in Manitoba. These stations face varying degrees of competition on a market by market basis from nationally owned and/or independently owned radio stations and from other advertising media. Audience measurements are taken at regularly scheduled times during the year by BBM. These surveys enable the Company to assess its performance against the results of prior surveys and aid the stations in determining programming and sales strategies. The Company's stations compete not only with other broadcasters but also with newspapers, magazines, outdoor advertising, the internet, direct mail and the like. In general, radio stations compete for local and national advertising revenue by developing listener franchises within desirable demographic segments of their local market. This requires competitive competence in the areas of station programming, community relations and sales promotion. The Radio Assets have demonstrated capabilities in these areas and have been successful in increasing the size of their listening audience and, as a result, garnering a larger share of available radio advertising revenues.

Winnipeg

The Winnipeg radio market is comprised of 13 radio stations, nine of which are privately owned, two of which are owned by the Canadian Broadcasting Corporation and two of which are non-commercial stations.

Brandon

The Brandon radio market is comprised of four private stations, two of which will be owned by CMEI.

BBM Results

The BBM results dated April 27, 2000 relating to the Radio Assets indicated the following ratings with respect to the target demographic group of each of the four radio stations:

<u>Radio Station</u>	<u>Market</u>	<u>Target Demographic</u>	<u>Rank in Target Demographic</u>
CFQX-FM (QX 104)	Winnipeg	Adults 25 to 54	2
CKMM-FM (Hot 103)	Winnipeg	Adults 18 to 34	2
CKX-FM (KX 96)	Brandon	Adults 25 to 54	1
CKXA-FM (KIX 101.1)	Brandon	Adults 25 to 54	3 ⁽¹⁾

¹ CKXA-FM changed its frequency from AM to FM in February, 2000. It will broadcast on both AM and FM until September, 2000 after which, it will broadcast only on FM.

Operating Strategy

CMEI's operating strategy with respect to the Radio Assets will be to maximize advertising revenues by enhancing the quality of its radio programs and the attractiveness of its radio stations in a particular market. CMEI also intends to capitalize on economies of scale by increasing its radio broadcast assets through strategic acquisitions and by applying to the CRTC for new licences.

Applications for Licences

On May 23, 2000, the Company filed an application for new FM licences in Vancouver and Calgary through a corporation of which it will own 50% of the common shares. The other 50% of the common shares will be held by another broadcasting company which is unrelated to CMEI. A letter agreement has been executed between the two parties relating to such applications. It is anticipated that the cost of the applications to CMEI will be approximately \$75,000. There can be no assurance that the applications will be successful.

If the applications are successful, the new station or stations would be operated by management other than that which will manage the Manitoba radio assets. CMEI will retain the same management personnel to operate the Manitoba radio stations as operated them immediately prior to the closing of the transfer of the Radio Assets.

Acquisition Strategy

In identifying potential acquisition targets, CMEI will adhere to a specific acquisition strategy. CMEI will seek to acquire radio broadcasting stations operating in diversified growing, mid-size to large markets which CMEI believes offer substantial growth opportunities. CMEI will look to acquire stations which will enable it to create a leading position in ratings and format in their markets. In addition, CMEI will seek capable local management and high quality technical and operating facilities. CMEI will target stations which will provide CMEI with an opportunity to increase revenues and cash flow.

Principal Facilities

The Company will carry on operations through the following principal facilities comprising offices and broadcast studios and transmitter sites.

Facility Type	Location	Leased or Owned
CKXA-FM - Offices & Studio	2940 Victoria Ave., Brandon, MB	Leased
CKX-FM - Offices & Studio	2940 Victoria Ave., Brandon, MB	Leased
CKMM-FM - Offices & Studio	177 Lombard Ave., Winnipeg, MB	Leased
CFQX-FM - Offices & Studio	710 Greenwood Ave., Selkirk, MB	Owned
CKXA-AM Transmitter ¹	Brandon, MB	Owned
CKXA-FM Transmitter	Brandon, MB	Owned
CKX-FM Transmitter	Brandon, MB	Owned
CKMM-FM Transmitter	Winnipeg, MB	Owned
CFQX-FM Transmitter	Selkirk, MB	Owned
CKXA-AM Transmitter Tower ¹	Brandon, MB	Owned
CKXA-FM Transmitter Tower	Brandon, MB	Leased
CKX-FM Transmitter Tower	Brandon, MB	Leased
CKMM-FM Transmitter Tower	Winnipeg, MB	Leased
CFQX-FM Transmitter Tower	Selkirk, MB	Owned ²

¹ CKXA-FM is currently broadcasting on both AM and FM, however, subsequent to September, 2000 it will broadcast only on FM.

² The tower is owned by the Company, but is located on leased land.

Human Resources

Following the Closing of the Offering, CMEI will have approximately 66 employees of which 11 are members of Communications, Energy and Paperworkers Union of Canada, Local 831M. CMEI will be bound by the collective agreement which the union had with Craig Broadcast. The collective agreement is up for renewal in November, 2000. Craig Broadcast has historically had a good relationship with its employees, both unionized and non-unionized and it is anticipated that CMEI will continue the positive relationship with the employees.

Management and Administration Agreement

Pursuant to the Management and Administration Agreement, Craig Broadcast has agreed to provide, on an ongoing basis, certain services to CMEI. Such services relate to managerial functions, payroll and payable transactions, journal entries, completion and maintenance of financial statements and budgets and completion of the annual return for the CRTC, as well as sales and sales managerial services and “in-house” legal and corporate development services. As the President of CMEI will spend 20% of his time providing services to Craig Broadcast, the amount of the fee paid to Craig Broadcast pursuant to the Management and Administration Agreement will be reduced by 20% of the total amount of the salary and benefits paid to the President. See “Interest of Management and Others in Material Transactions and Conflicts of Interest” and “Material Contracts”.

It is anticipated that the monthly fee payable by CMEI to Craig Broadcast pursuant to the Management and Administration Agreement will be approximately \$22,829 plus GST prior to the reduction in respect to the portion of the President’s salary attributable to Craig Broadcast. CMEI is required to reimburse Craig Broadcast for its out of pocket expenses and for any sales commissions and sales support staff costs which it pays on behalf of CMEI. The monthly fee is based, in part, on the amount of time anticipated to be spent on CMEI business by certain of Craig Broadcast’s employees. In the event that such amount of time varies, the amount of the fee attributable to such services will be adjusted accordingly.

CMEI’s Growth Strategy

In addition to owning the four Manitoba radio stations, it is CMEI’s intention to aggressively seek acquisition opportunities in the radio industry in Canada and to apply for radio licences in strategic markets. See “Operating Strategy-Applications for Licences”. Further, the Company will pursue business opportunities in the music and entertainment industry relating to live event management, television specialty channels and the Internet. Management believes that the convergence of the Internet with other modes of communication will create synergistic opportunities in the music and entertainment industry. Such synergies include multiple uses for content whereby the content used by one form of media may be utilized by another, resulting in economies of scale. Further, audiences of content utilizing one form of media may be directed to other forms of media owned by the Company. See “Operating Strategy”.

CRTC Regulation

The broadcasting activities of the radio broadcast undertakings to be owned and operated by the Company are regulated by the CRTC under the *Broadcasting Act* (Canada) and all such undertakings are licensed by the CRTC. The current Broadcasting Act was proclaimed in force in June, 1991. Under this Act, the CRTC is permitted to authorize licences for terms of up to seven years. Such licences are generally renewed upon application for renewal being made to the CRTC. Any Internet activities undertaken by the Company are currently exempt from CRTC regulation.

Regulations issued by the CRTC require station to maintain a specified percentage of Canadian content in its programming. Licensed broadcast undertakings must also meet technical operating requirements under the *Radiocommunication Act* (Canada) and regulations thereunder. In order to conduct its business, the Company must maintain in good standing the licences granted to it by the CRTC. Failure to meet the terms of those licences may result in their suspension, revocation or short-term renewal. Conditions may be imposed by the CRTC on broadcasting licences which may affect the profitability of the holders of such licences. Craig Broadcast currently complies with

all the regulations applicable to its operations and with the conditions attached to its licences and the Company intends to continue to do so once the licences are transferred to it.

The Company has designed its share capital to ensure it meets the ownership requirements of the Broadcasting Act in order to maintain its broadcasting licences. The ownership requirements are set forth in a statutory order (the "Order") from the Governor in Council to the CRTC entitled "Direction to the CRTC (Ineligibility of Non-Canadians)". The Order provides that non-Canadians ("Non-Canadians"), as defined in the Order are permitted to own and control, directly or indirectly, no more than 33 1/3% of the voting shares and 33 1/3% of the votes of a holding company which has a subsidiary operating company licensed under the Broadcasting Act. (Following Closing, CMEI will be a subsidiary of Craig Broadcast. Craig Broadcast is a Canadian corporation for the purposes of the Order.) In addition, no more the 20% of the voting shares and 20% of the votes of the operating licensee company may be owned and controlled, directly or indirectly, by Non-Canadians. The Order also requires that the Chief Executive Officer and 80% of the board of directors of an operating company which holds licences under the Broadcasting Act be Canadian. The CRTC retains discretion under the Order to determine as a question of fact whether a given licensee is controlled by non-Canadians.

In order to ensure compliance with the Order, the Articles of CMEI do not permit the issuance of any voting share of CMEI to Non-Canadians. Further no transfer of Multiple Voting Shares or Subordinate Voting B Shares may be made to a Non-Canadian. In the event that such number of Subordinate A Shares are held by Non-Canadians as to result in the Company not being a "qualified corporation" pursuant to the Order, the entire class of Subordinate A Shares shall become non-voting. For the purpose of determining the beneficial owner of a share to be issued or in respect of which the registration of a transfer is requested, the directors may require that there shall first be submitted to CMEI or its transfer agent or agents, a declaration in writing signed by the person in whose name the shares are proposed to be registered, setting forth, among other things, details sufficient to enable them to determine the person or persons acquiring underlying beneficial ownership of such shares. Multiple Voting Shares or Subordinate Voting B Shares which are held by Non-Canadians are automatically converted to Non-Voting Shares. See "Description of Share Capital".

The transfer of the Radio Assets to CMEI requires the prior approval of the CRTC and the receipt of such approval is a Condition Precedent to Closing of the Offering. Craig Broadcast has applied to the CRTC for approval to transfer the Radio Assets to CMEI.

MANAGEMENT OF CMEI

The following individuals comprise CMEI's senior management team:

Alan Cruise, President and Chief Executive Officer

Alan Cruise is the President and Chief Executive Officer of CMEI. As President and Chief Executive Officer, Mr. Cruise will be responsible for all aspects of CMEI's business and, in particular, its radio broadcast business and the development of its Internet strategy. While a majority of his time will be devoted to his responsibilities as President of CMEI, Mr. Cruise also will act as General Manager of CKX Television in Brandon which is owned by Craig Broadcast. (Pursuant to the Management and Administration Agreement, CMEI will be compensated for such services performed by Mr. Cruise for the benefit of Craig Broadcast. Such compensation is expected to be an amount equal to 20% of Mr. Cruise's base salary.)

Mr. Cruise has been employed by Craig Broadcast for 17 years during which time he has held a variety of positions in the areas of sales and management. Mr. Cruise is a Certified Marketing Manager (CMM).

Linda Noto, Chief Financial Officer

Linda Noto is a Certified General Accountant (CGA) and is the Chief Financial Officer for CMEI. She has been the Chief Financial Officer of Craig Broadcast and its related companies for 8 years. In such capacity, she has been responsible for the accounting operations of four radio stations, four television stations and two MDS systems. Ms. Noto will continue to act as CFO for Craig Broadcast as well as for CMEI.

Ms. Noto is a Director of the Westman Chapter of the Certified General Accountants of Manitoba.

Russ Tyson, Vice President, Programming and Operations CFQX

Russ Tyson has been working in the broadcast industry for over thirty years. He has worked as an on-air personality in Vancouver, Regina, Calgary, Hamilton and Winnipeg. Mr. Tyson has experience as a broadcast executive with radio stations in Saskatoon, Thunder Bay and Calgary. Mr. Tyson has been programming CFQX since 1996.

Lisa Akizuki, Vice President, Programming and Operations CKMM

Lisa Akizuki began her radio career announcing and in promotions at CISI, Vancouver in 1984. In 1989, she moved to a radio consulting company, Bohn & Associates Media. At Bohn, Ms. Akizuki coordinated all aspects of programming, research and promotions for their numerous clients. Ms. Akizuki became Program Director of SUN FM in Halifax in 1993 and joined Hot 103 as its first Program Director early in 1998.

Kevin Grexton, Vice President, Programming and Operations, CKXA

Kevin Grexton has been in the radio business for 16 years, including 10 years in programming. In 1993, Mr. Grexton launched 1150 K1X AM (now K1X 101.1 FM) and CIRK-FM Edmonton in 1997.

Directors and Senior Officers of the Company

The number of directors authorized by the Company's articles will be a minimum of three and a maximum of ten. The Company currently has three directors.

The following table sets forth the name, municipality of residence, position or office held with the Company and, for the past five years, the principal occupation of each of the persons who is currently a director of the Company and each of the officers of the Company.

Name and Municipality of Residence	Shares Held in the Corporation^{1,2}	Position with the Corporation	Principal Occupation During the Last Five Years
Boyd Craig Winnipeg, MB	nil	Director	Executive, Craig Broadcast
Drew Craig Calgary, Alberta	nil	Director	Executive, Craig Broadcast
Kevin Hooke Winnipeg, MB	nil	Director	Director and Vice-President, Corporate Finance, Wellington West Capital Inc.
Alan Cruise Brandon, MB	nil	President and Chief Executive Officer	Sales and Management, Craig Broadcast
Linda Noto Brandon, MB	nil	Chief Financial Officer	Chief Financial Officer, Craig Broadcast

¹ Boyd Craig and Drew Craig are directors, officers and indirect controlling shareholders of Craig Broadcast which, prior to the Closing, will hold 2,500,000 Multiple Voting Shares.

² Kevin Hooke is a director and Vice-President, Corporate Finance of the Agent which will be issued the Agent's Warrants. The Agent also will acquire the 25,000 warrants from Craig Broadcast which are to be issued to Craig Broadcast pursuant to the Acquisition Agreement. Kevin Hooke and the Agent are shareholders of Renaissance Capital Inc. which is the manager of Renaissance Capital Manitoba Ventures Limited Partnership which will acquire the Convertible Debenture from Craig Broadcast which is to be issued to Craig Broadcast pursuant to the Acquisition Agreement. See "Capitalization".

Immediately following the completion of the Offering, the board of directors of the Company (See “Management of CMEI”) intends to establish an audit committee, a compensation committee and a corporate governance committee. The audit committee will be responsible for reviewing the Company’s financial statements and its internal controls, reviewing the work of the Company’s independent auditors and reporting to the board of directors of the Company on such matters. The compensation committee will be responsible for reviewing the level and form of compensation payable to the executive officers of the Company and making recommendations with respect to such compensation to the board of directors of the Company. The compensation committee will also be responsible for making recommendations to the board of directors of the Company with respect to the Company’s incentive plans. The corporate governance committee will be responsible for establishing and monitoring the Company’s approach to corporate governance and reporting thereon to the board of directors of the Company.

Boyd Craig

Mr. Craig is President of Craig Wireless International Inc., a provider of digital wireless television and two-way internet service, which operates MDS systems in Canada and the United States. Mr. Craig is also a director, Vice-President and Secretary of Craig Broadcast and is President and a director of Wireless One Inc., a “keystone company” the shares of which are listed on the WSE. For the past 17 years, Mr. Craig has held various senior executive positions with Craig Broadcast and its related companies operating in the television and radio broadcast and real estate industries.

Mr. Craig is past Chairman of Can Pro, the annual national Television Program Convention. He is also Past President of the Broadcasters Association of Manitoba; a Director secretary of Craig Broadcast Alberta Inc.; and a Director and Corporate Secretary of Craig Broadcast Systems Inc. He was appointed to the Brandon University Foundation Board in 1993. Mr. Craig is also a member of the board of directors of the Royal Winnipeg Ballet.

Drew Craig

Drew Craig is the President of Craig Broadcast and is also President and General Manager of Craig Broadcast Alberta Inc. which owns and operates the “A Channel” in Alberta. Over the past twenty years, Mr. Craig has accumulated varied and extensive experience in the Canadian broadcasting industry. His background includes practical experience in news and information, commercial and program production. In 1982 and 1983, Mr. Craig received Can Pro awards for programming excellence for programs he produced and directed. He produced a fitness series containing one hundred and thirty-five original episodes. This series has been syndicated in Canada and the United States.

Kevin Hooke

Kevin Hooke has been Vice-President of the Agent since 1993 and has been a director of the Agent since 1999. He is the President of Renaissance Capital Inc., the manager of Renaissance Capital Manitoba Ventures Limited Partnership (“Renaissance”), a venture capital fund. Mr. Hooke is also the principal of Urban Property Group, a real estate investment banking firm founded in 1991. Mr. Hooke has also held executive positions with two national real estate brokerage firms and was a senior analyst in the Investment Division of The Great West Life Assurance Company.

Mr. Hooke is a Sessional Lecturer at the University of Manitoba’s Faculty of Management and he has served on the Manitoba Capital Markets Task Force and is on the Steering Committee of Invest Manitoba.

Remuneration of Directors

Directors of the Company who are not executive officers are not currently entitled to receive remuneration for serving on the Company’s board of directors or any committee thereof. The Company’s board of directors may change this policy in the future and remunerate its directors in accordance with industry standards.

Executive Compensation

It is anticipated that the senior officers of the Company, as a group, shall receive \$153,500 in remuneration during the first full year of operations of the Company following Closing. The Chief Financial Officer of the Company will not

be paid by the Company, but rather will perform her services pursuant to the Management and Administration Agreement. See “Material Contracts”.

CAPITALIZATION

The following table and notes sets forth the capitalization of the Company as at March 31, 2000 both before and after giving effect to this issue of Subordinate A Shares, but without giving effect to the exercise of the Agent’s Warrants or warrants issued in connection with the Acquisition Agreement. This table should be read in conjunction with and is qualified in its entirety by reference to the Company’s financial statements.

Designation of Security	Amount Outstanding as at March 31, 2000 (unaudited)	Outstanding as at March 31, 2000 after giving effect to the minimum offering (unaudited)	Outstanding as at March 31, 2000 after giving effect to the maximum offering (unaudited)
Debt			
Bank Indebtedness ¹	—	\$3,000,000	\$3,000,000
Promissory Note ²	—	\$2,103,813	\$2,103,813
Convertible Debentures ³	—	\$ 500,000	\$500,000
Subordinate Debenture ⁴	—	\$ 500,000	\$500,000
Total Debt	<u>\$ —</u>	<u>\$6,103,813</u>	<u>\$6,103,813</u>
Shareholders’ Equity			
Subordinate A Shares (authorized-unlimited)	—	\$2,500,000 (500,000 shares)	3,500,000 (700,000 shares)
Subordinate Voting B Shares (authorized - unlimited)	—	—	—
Multiple Voting Shares (authorized - unlimited)	\$1.00 (one share)	\$6.00 (2,500,000 shares)	\$6.00 (2,500,000 shares)
Non-Voting Shares (authorized - unlimited)	—	—	—
Total Shareholders’ Equity	<u>\$1.00</u>	<u>\$2,500,006</u>	<u>\$3,500,006</u>
Total Capitalization	<u>\$1.00</u>	<u>\$8,603,819</u>	<u>\$9,603,819</u>

Notes:

- (1) Pursuant to the Acquisition Agreement, the Company will assume \$3,000,000 worth of bank debt at the closing of the transfer of the Radio Assets.
- (2) Pursuant to the Acquisition Agreement, the Company will issue a demand promissory note to Craig Broadcast which will be payable out of the proceeds of the Offering.

- (3) Pursuant to the Acquisition Agreement, the Company will issue the Convertible Debenture in the principal amount of \$500,000 to Craig Broadcast which is convertible into 125,000 Class B Subordinate Shares. Craig Broadcast has agreed to transfer the Convertible Debenture to Renaissance.
- (4) Pursuant to the Acquisition Agreement, the Company will issue the Subordinate Debenture in the principal amount of \$500,000 to Craig Broadcast with detachable warrants entitling the holder thereof to purchase up to 125,000 Subordinate Voting B Shares at a price of \$4.00 per share.

Fully Diluted Equity

The following table sets forth the issued and outstanding securities of the Company as at March 31, 2000 after giving effect to the securities issued pursuant to the Acquisition Agreement and the Offering (assuming the Maximum Offering is reached) indicating the issue, the conversion price or exercise price, as applicable, of the shares at which shares of the Company were issued or may be issued pursuant to such securities.

Designation of Security	Number of Shares or Number of Shares which may be issued upon exercise or conversion	Issue price of Shares or Conversion or Exercise Price
Multiple Voting Shares	2,500,000	\$5.00
Subordinate A Shares (Maximum Offering)	700,000	\$5.00
Total Shares (Undiluted)	3,200,000	–
Agents' Warrants	70,000	\$5.00
Warrants	25,000	\$4.00
Convertible Debenture	125,000	\$4.00
Detachables Warrants	125,000	\$4.00
Total Shares (Fully Diluted)	3,545,000	–

Convertible Debenture

Pursuant to the Acquisition Agreement, the Convertible Debenture is to be issued by CMEI to Craig Broadcast as partial payment of the purchase price of the Radio Assets. The Convertible Debenture has a principal amount of \$500,000. The Convertible Debenture shall provide that CMEI shall pay interest on the outstanding portion of the Convertible Debenture at a rate of 8.5% per annum payable quarterly. The Convertible Debenture shall be convertible at the option of the holder into 125,000 Subordinate Voting B Shares. The Convertible Debenture shall have a term of five years. Craig Broadcast has agreed to sell the Convertible Debenture to Renaissance. Renaissance is managed by a company of which Kevin Hooke, a director of CMEI and the Agent, is the President. See "Interest of Management and Others in Material Transactions and Conflicts of Interest".

Subordinate Debenture and Detachable Warrants

In addition to issuing the Convertible Debenture, CMEI shall be required, pursuant to the Acquisition Agreement, to issue the Subordinate Debenture in the principal amount of \$500,000 in favor of Craig Broadcast, but which may be assignable at its option to a third party. The Subordinate Debenture shall provide that CMEI shall pay interest on the outstanding portion of the Subordinate Debenture at a rate of 8.5% per annum payable quarterly. The Subordinate Debenture shall also provide for the issuance of 125,000 Detachable Warrants to purchase Subordinate Voting B Shares at a price of \$4.00 per share at anytime during a five year period following the closing of the transfer of the Radio Assets. These Detachable Warrants may be detached in whole or in part, at the holder's option. The Subordinate Debenture shall have a term of five years.

Warrants

Pursuant to the Acquisition Agreement, CMEI is required, in partial payment of the purchase price for the Radio Assets, to issue 25,000 Warrants to Craig Broadcast. Each Warrant entitles the holder to purchase one Subordinate Voting B Share at a price of \$4.00 within two years of the issuance of the Warrant. Craig Broadcast has agreed to transfer the Warrants to the Agent in consideration for services previously provided to Craig Broadcast by the Agent.

Principal Shareholder

As at the date hereof, assuming there is no exercise of the Warrants or the Agent's Warrants and assuming the Convertible Debenture is not converted and the detachable warrants to the Subordinate Debenture are not exercised, the only person(s) of record who own(s), or who, to the knowledge of the Company, own(s) beneficially, directly or indirectly, more than 10% of any class of voting shares are as follows:

Name and Address	Security	Number of Shares prior to the Closing of this Offering	Percentage of Class/Percentage of All Voting Shares Prior to the Offering	Percentage of Votes After Giving Effect to the Maximum/Minimum Offering	Percentage of Class After Giving Effect to the Minimum/Maximum Offering	Percentage of All Voting Shares After Giving Effect to the Maximum/Minimum Offering
Craig Broadcast Systems Inc. Winnipeg, MB	Multiple Voting Shares	2,500,000	100%/100%	98.6%/99%	100%/100%	78%/ 83%

Prior to the Closing Date, the directors and senior officers of the Company will, as a group, beneficially own, directly or indirectly, 2,500,000 Multiple Voting Shares representing 100% of the Multiple Voting Shares as at the date hereof and after giving effect to the offering will still own 100%.

Subscription Receipts

The Subscription Receipts will be issued under an agreement (the "Subscription Receipts Agreement") to be entered into prior to the Closing among CMEI, the Agent and the Deposit Agent. Pursuant to the Subscription Receipts Agreement, the proceeds from the Offering (the "Escrowed Funds") will be delivered to and held by the Deposit Agent and invested in short-term obligations of, or guaranteed by, the Government of Canada (and other approved investments) pending the satisfaction of the Conditions Precedent to Closing, namely:

- a) a minimum of 500,000 (\$2,500,000) Subscription Receipts being subscribed for and accepted;
- b) the CRTC granting its approval of the transfer by Craig Broadcast Systems Inc. ("Craig Broadcast") to CMEI of all of the Radio Assets pursuant to the Acquisition Agreement;
- c) the closing of the transfer of the Radio Assets pursuant to the Acquisition Agreement;
- d) the Escrow Agreement, as defined herein, being entered into;
- e) the Trust Agreement, as defined herein, being entered into;
- f) each of Craig Broadcast, Boyd Craig and Drew Craig entering into non-competition agreements with CMEI;

- g) the Subordinate A Shares being listed on the WSE; and
- h) the approval of the Company's application under the Manitoba Equity Tax Credit Program.

Provided that the Conditions Precedent to Closing are satisfied on or before the Closing Date, the holders of the Subscription Receipts will receive, without additional consideration, one Subordinate A Share for each Subscription Receipt held.

The Subscription Receipts are non-transferable.

Upon the satisfaction of the Conditions Precedent to Closing, CMEI will issue the Subordinate A Shares to the holders of the Subscription Receipts and the Subscription Receipts shall thereafter be void and of no further effect.

In the event that the Conditions Precedent to Closing are not satisfied on or before the Closing Date, the holders of the Subscription Receipts will be entitled to receive an amount equal to the subscription price therefor and the proportionate share of interest thereon. The issuance of such amount shall require the surrender of the Subscription Receipt in respect thereof. If any Subscription Receipts have not been surrendered by January 31, 2001, the Deposit Agent will mail the cheques which the holders thereof are entitled to receive to their last addresses of record.

Description of Share Capital

The authorized share capital of the Company consists of an unlimited number of Subordinate A Shares, Subordinate Voting B Shares, Multiple Voting Shares and Non-Voting Shares.

Voting Rights

The holders of Subordinate A Shares, Subordinate Voting B Shares and Multiple Voting Shares are entitled to notice of and to attend all meetings of shareholders and to vote at all such meetings together as a single class, except in respect of matters where only the holders of shares of one class or series of shares are entitled to vote separately pursuant to applicable law. The Subordinate A Shares and the Subordinate Voting B Shares carry one vote per share and the Multiple Voting Shares carry 20 votes per share. In the event that such number of Subordinate A Shares are held by Non-Canadians as to result in the Company not being a "qualified corporation" under the Order, the entire class of Subordinate A Shares will cease to be entitled to notice of meetings of shareholders or to attend or vote thereat. See "CRTC Regulation".

Dividends

The holders of Subordinate A Shares, Subordinate Voting B Shares, Multiple Voting Shares and Non-Voting Shares will be entitled to share ratably, as a single class, in any dividends declared by the board of directors.

Transfer and Issuance Restrictions

No Multiple Voting Shares or Subordinate Voting B Shares may be issued to Non-Canadians. Multiple Voting Shares and Subordinate Voting B Shares may not be transferred to Non-Canadians. See "CRTC Regulation". In the event that Multiple Voting Shares or Subordinate Voting B Shares are inadvertently allowed to be issued or transferred to Non-Canadians, they shall be automatically converted to Non-Voting Shares on a one-for-one basis.

It is a Condition Precedent to Closing that Craig Broadcast, which owns all of the outstanding Multiple Voting Shares, enter into an agreement with CIBC Mellon Trust Company, as trustee for the benefit of the holders of the Subordinate A Shares, the Subordinate Voting B Shares and Non-Voting Shares, that has the effect of preventing transactions that otherwise would deprive the holders of Subordinate A Shares, Subordinate Voting B Shares and Non-Voting Shares of rights under applicable provincial take-over bid legislation to which they would have been entitled in the event of a take-over bid for the Multiple Voting Shares if the Multiple Voting Shares had been Subordinate A Shares, Subordinate Voting B Shares or Non-Voting Shares. See "Material Contracts-Trust Agreement".

Conversion

Each Multiple Voting Share is convertible at any time at the option of the holder thereof into one Subordinate Voting B share or one Non-Voting Share. Each Subordinate Voting B Share is convertible at any time at the option of the holder thereof into one Non-Voting Share. Upon proof of the holder being Canadian, the holder of a Non-Voting Share may convert such share into a Subordinate Voting B Share.

Subdivision and Consolidation

The Company may not subdivide or consolidate the Subordinate A Shares, Subordinate Voting B Shares, Multiple Voting Shares or Non-Voting Shares without at the same time proportionally subdividing or consolidating the shares of the other classes.

Rights on Dissolution

With respect to the distribution of assets in the event of a liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company for the purposes of winding-up its affairs, holders of Subordinate A Shares, Subordinate Voting B Shares, Multiple Voting Shares and Non-Voting Shares will share ratably as a single class in assets available for distribution to holders of such shares.

Other Rights

None of the Subordinate A Shares, Subordinate Voting B Shares, Multiple Voting Shares and Non-Voting Shares will be redeemable, nor will the holders of such shares have pre-emptive rights to purchase additional shares.

Upon completion of the Offering, all of the outstanding Subordinate A Shares and all of the outstanding Multiple Voting Shares will be fully paid and non-assessable.

DETAILS OF THE OFFERING

Plan of Distribution

Subscription Receipts will be offered for sale during the period which will end on or before the Closing Date. The minimum purchase requirement will be 500 Subscription Receipts (\$2,500) per investor, and the Offering is subject to a minimum offering of 500,000 (\$2,500,000). All subscription proceeds received from investors prior to the Closing Date will be held in trust by CIBC Mellon Trust Company of Canada until the Closing Date. In the event the Conditions Precedent to Closing are not achieved, all subscription funds will be returned to investors together with interest thereon in exchange for the Subscription Receipt in respect thereof. See "Subscription Receipts".

The offering price for the Subscription Receipts was determined by negotiation between the Company and the Agent.

Subscriptions for the Subscription Receipts will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the Closing of the Offering will take place on or about October 31, 2000, or such later date as is agreed to by the Company and the Agent.

Neither the Subscription Receipts nor the Subordinate A Shares have been, nor will they be, registered under the United States *Securities Act of 1933*, as amended ("U.S. Securities Act"), and they may not be offered or sold directly or indirectly within the United States or to or for the account of U.S. persons, except in certain transactions exempt from the registration requirements of the U.S. Securities Act.

Conditions Precedent to Closing

The Subscription Receipts shall only entitle the holder thereof to Subordinate A Shares if the Conditions Precedent have been satisfied on or before the Closing Date. See "Subscription Receipts".

Pursuant to the Agency Agreement, the Agent has agreed to act as agent of the Company to offer the Subscription Receipts for sale on a best efforts basis at a price of \$5.00 per Subscription Receipt, subject to the terms and conditions of the Agency Agreement. The Offering is being made to residents of the Province of Manitoba, however, the Company reserves the right to offer Subscription Receipts qualified hereunder to purchasers who are not resident in Manitoba provided that the issuance of any such Subscription Receipts complies with all applicable securities laws of Manitoba and the jurisdiction in which such purchaser resides. The Company has agreed to pay the Agent a selling commission of \$0.30 per Subscription Receipt sold, provided that the Conditions Precedent to Closing are satisfied on or before the Closing Date, which is equal to 6% of the gross proceeds of the Offering, for the services provided by the Agent in distributing such Subscription Receipts. The obligations of the Agent under the Agency Agreement may be terminated at its discretion on the basis of a material adverse change to the financial markets and may also be terminated upon the occurrence of certain stated events.

Agency Agreement

In addition to agreeing to pay the Agent a selling commission of 6% of the proceeds of the Offering, the Company has also agreed to grant to the Agent, as additional remuneration, Agent's Warrants to acquire that number of Subordinate A Shares equal to 10% of the total number of the Subordinate A Shares to which holders of Subscription Receipts shall be entitled following the satisfaction of the Conditions Precedent to Closing, being a minimum of 50,000 and a maximum of 70,000, at the exercise price of \$5.00 per share. The Agent's Warrants will expire 24 months from the Closing Date. The Agent's Warrants and the Subordinate A Shares issuable upon exercise of the Agent's Warrants are qualified for distribution under this Prospectus.

The Agent has reserved the right to offer selling group participation in the normal course of the brokerage business to other licensed investment dealers. The obligations of the Agent under the Agency Agreement may be terminated prior to the Closing Date at the discretion of the Agent on the basis of its assessment of the state of the financial markets and may also be terminated by either the Agent or the Company at any time upon the occurrence of certain stated events.

Use of Proceeds

The estimated net proceeds to be received by the Company from the Offering, after deducting the Agent's fees and estimated legal, accounting and printing expenses relating to the Offering and the acquisition of the Radio Assets, will be approximately \$3,115,000, assuming the maximum number of Subscription Receipts are sold, or \$2,175,000, assuming the minimum number of Subscription Receipts are sold. The net proceeds from the Offering will be used, regardless of whether or not the maximum offering is reached, to retire the promissory note issued by CMEI to Craig Broadcast in connection with the acquisition of the Radio Assets pursuant to the Acquisition Agreement. The amount of the promissory note will be \$2,103,813. The remainder of the net proceeds will be used as working capital to finance the Company's operations and growth opportunities as described under the headings "Operating Strategy" and "CMEI's Growth Strategy". As of the date of this prospectus, other than the payment of costs associated with the applications for FM licences in Vancouver and Calgary, the working capital derived from the Offering has not been allocated to a specific use.

Eligibility for Investment

In the opinion of Aikins, MacAulay & Thorvaldson, counsel to CMEI, and Taylor McCaffrey, counsel to the Agent, the Subordinate A Shares when listed on the WSE will be qualified investments for trusts governed by registered retirement saving plans, registered retirement income plans and a deferred profit saving plan under the Income Tax Act (Canada). See "Canadian Income Tax Considerations".

Escrowed Shares

Designation of Class	Number of Shares Held in Escrow	Percentage of Class
Multiple Voting Shares	2,500,000	100%

It is a Condition Precedent to Closing that Craig Broadcast enter into an escrow agreement (the “Escrow Agreement”) pursuant to which it will agree that it will place all of the 2,500,000 Multiple Voting Shares which it holds in escrow provided that 10% of such shares shall be released from escrow on the Closing Date and 15% of such shares will be released from escrow every six months following the Closing Date until all such shares have been released from escrow.

Dilution

Investors who receive Subordinate A Shares offered hereby will suffer an immediate dilution of \$ 5.55 per Subordinate Voting Share, representing a dilution factor of 110.97% for the minimum offering and \$ 5.22, representing a dilution factor of 104.41% for the maximum offering, as the price per Subordinate A Share offered hereby exceeds the net tangible book value per Subordinate Voting Share as at March 31, 2000, after giving effect to the Offering, the conversion of the Subscription Receipts to Subordinate A Shares and closing of the transfer or the Radio Assets pursuant to the Acquisition Agreement, determined as follows.

	Minimum Offering	Maximum Offering
Offering Price per Subordinate A Share	\$5.00	\$5.00
Net Tangible book value per Subordinate A Share prior to the Offering ¹	\$(1.28)	\$(1.20)
Increase in net tangible book value per Subordinate A Share attributable to the Offering	\$0.75	\$1.00
Net tangible book value per Subordinate A Share after giving effect to the Offering ²	\$(0.53)	\$(0.20)
Percentage dilution in relation to the Offering price	110.56%	104.02%
Dilution to purchasers per share	\$5.53	\$5.20
Net Tangible book value per Subordinate A Share after giving effect to this Offering (fully diluted)	\$(0.07)	\$0.23
Dilution to investors per share (fully diluted)	101.40%	95.45%

¹ Net tangible book value is equal to shareholders’ equity less intangible assets which includes goodwill.

² After deducting the selling commissions payable to the Agent and the estimated expenses of the Offering payable by the Company.

The dilution calculation is based on net tangible assets, as a result, the value of the radio broadcast licences which the Company will hold prior to the Closing are not factored into the calculation.

Dividend Record and Policy

The Company has not paid a dividend on its Subordinate A Shares since incorporation. The Company does not anticipate paying cash dividends on its Subordinate A Shares in the foreseeable future, but intends to retain future earnings for

reinvestment in its business. Any future determination to pay dividends will be at the discretion of the Company's board of directors and will be dependent upon the Company's earnings, capital requirements and financial position, as well as general economic conditions and other factors deemed relevant by the Company's board of directors.

Manitoba Equity Tax Credit Program

Subordinate A Shares acquired by Manitoba resident individuals may qualify for the Manitoba Equity Tax Credit program ("METC") provided that the Subordinate A Shares held by a particular individual constitute an "eligible share" under the Manitoba *Income Tax Act* and Regulations thereunder.

The METC provides a non-refundable credit against Manitoba personal income tax on amounts paid for eligible shares by Manitoba resident individuals or a qualifying trust of such an individual (such as a registered retirement savings plan or registered retirement income fund). Provided the Subordinate A Shares of a holder qualify for the METC, the maximum annual amount of the credit is 5% of the subscription price of the Subordinate A Shares, calculated on a daily basis for each day in a particular calendar year the Subordinate A Shares are held by a holder, up to a maximum of \$1,500 of METC per holder per year. The annual METC may be claimed for each day in a particular calendar year Subordinate A Shares are held by a holder and for a period up to 3 years from the date of issuance of the Subordinate A Shares, making the maximum aggregate credit equal to 15% of the subscription price of eligible shares.

Canadian Federal Income Tax Considerations

In the opinion of Aikins, MacAulay & Thorvaldson, counsel to the Company, and Taylor McCaffrey, counsel to the Agent, the following is a summary of the principal federal income tax considerations generally applicable to individuals who acquire Subordinate A Shares pursuant to this offering. This summary applies to holders, who for the purposes of the Act: (i) are resident in Canada; (ii) deal at arm's length with the Company; (iii) are not "financial institutions" for the purposes of the mark to market rules; and (iv) hold the Subordinate A Shares as capital property. Generally, Subordinate A Shares will be considered capital property to a holder, unless the holder holds such Subordinate A Shares in the course of carrying on a business of trading or dealing in securities or acquires them in one or more transactions considered to be an adventure in the nature of trade.

This summary is based on the current provisions of the Act, the regulations thereunder (the "Regulations"), all specific proposals to amend the Act or the Regulations publicly announced by the Minister of Finance prior to the date hereof and counsels' understanding of the current published administrative practices of the Canada Customs and Revenue Agency ("CCRA"). This summary is not exhaustive of all possible Canadian federal income tax considerations and, except as mentioned above, does not take into account or anticipate any other changes in the law whether by judicial, governmental or legislative action or decision or changes in the administrative practices of the CCRA. Other than the Manitoba Equity Tax Credit program this summary does not take into account the tax laws of any province, territory or foreign jurisdiction which may differ significantly from those discussed herein.

This summary is of a general nature only, and is not intended to be, nor should it be construed to be, legal or tax advice to any prospective holder. Therefore prospective holders should consult with their own tax advisors with respect to their particular circumstances.

Dividends

Although the Company does not anticipate paying dividends on its Subordinate A Shares in the foreseeable future, to the extent any dividends are declared and paid, they will be included in computing the holder's income as taxable dividends received from a taxable Canadian corporation. The normal gross-up and dividend tax credit rules will apply to dividends received by an individual and dividends received by a corporation will normally be deductible in computing its taxable income. Private corporations (as defined in the Act) and certain other corporations controlled by, or for the benefit of an individual (other than a trust) or a related group of individuals (other than trust) will generally be liable to pay 33 1/3% refundable tax under Part IV of the Act on such dividends.

Disposition

A disposition or deemed disposition of a Subordinate Voting Share (other than to the Company) will generally result in the holder realizing a capital gain (or a capital loss) in the taxation year of the disposition to the extent that the proceeds of disposition are greater than (or less than) the aggregate of the holder's adjusted cost base of the Subordinate A Shares and any reasonable costs of disposition. Generally, the adjusted cost base of a Subordinate Voting Share will be the average cost to the holder of all the Subordinate A Shares held by such holder at that time.

Three-quarters of any capital gain (a "taxable capital gain") realized by a holder on a disposition will be included in computing the income of the holder for the year in which the disposition takes place. Three-quarters of any capital loss (an "allowable capital loss") realized by a holder may generally be deducted against taxable capital gains realized in the year of disposition, the three preceding taxation years or any subsequent year, subject to the detailed provisions of the Act in that regard. The 2000 federal budget proposes to reduce the inclusion rate for taxable capital gains/allowable capital losses from three-quarters to two-thirds for dispositions of capital property occurring after February 27, 2000.

The amount of any capital loss realized on the disposition of Subordinate A Shares by a holder that is a corporation may be reduced by the amount of dividends received or deemed to have been received by it on such shares to the extent and in the circumstances prescribed by the Act. Similar rules apply where a corporation is a member of a partnership or beneficiary of a trust that owns Subordinate A Shares.

A holder that is throughout the relevant taxation year a "Canadian controlled private corporation" (as defined in the Act) also may be liable to pay an additional refundable tax of 6 2/3% on its "aggregate investment income" for the year which will include taxable capital gains.

Alternative Minimum Tax

Pursuant to the alternative minimum tax rules in the Act, the tax otherwise payable under Part I of the Act by an individual (other than certain trusts) will not be less than the minimum amount computed by reference to the individual's adjusted taxable income for the year. For these purposes, the minimum amount generally means 17% of adjusted taxable income in excess of \$40,000. In calculating adjusted taxable income for this purpose, certain deductions and credits otherwise available are disallowed and certain amounts otherwise not taxable are included in income. The non-taxable portion of any capital gain will be included in adjusted taxable income. The "grossed-up" portion of taxable dividends is deducted in the computation of adjusted taxable income. Whether and to what extent a particular holder will be subject to minimum tax will depend upon the amount of the holder's income, the sources from which it is derived and the nature and amount of any deductions that are claimed. Any additional tax payable for a year resulting from the application of the minimum tax provisions is recoverable to the extent the tax otherwise determined exceeds the minimum amount for any of the following seven taxation years.

Manitoba Equity Tax Credit Program

Subordinate A Shares acquired by Manitoba resident individuals may qualify for the Manitoba Equity Tax Credit ("METC") provided, at the time of their issuance, the Company is an 'eligible corporation' and the Subordinate A Shares held by a particular individual constitute an "eligible share" under the Manitoba *Income Tax Act* and the regulations thereunder.

The METC provides a non-refundable credit against Manitoba personal income tax on amounts paid for eligible shares by Manitoba resident individuals or a qualifying trust of such an individual (such as a registered retirement savings plan or registered retirement income fund). Provided the Subordinate A Shares of a holder qualify for the METC, the maximum annual amount of the credit is 5% of the subscription price of the Subordinate A Shares, calculated on a daily basis for each day in a particular calendar year the Subordinate A Shares are held by a holder, up to a maximum of \$1,500 of METC per holder per year. The annual METC may be claimed for each day in a particular calendar year Subordinate A Shares are held by a holder and for a period up to 3 years from the date of issuance of the Subordinate A Shares, making the maximum aggregate credit equal to 15% of the subscription price of eligible shares.

Risk Factors

The securities of the Company should be considered as a speculative investment. In addition to the other information described in this prospectus, the following risk factors should be given special consideration when evaluating an investment in any of the Company's securities.

Growth Strategy

It is the Company's intention to grow through the acquisition of additional radio stations and/or applying for additional radio broadcast licences. In addition, the Company intends to investigate opportunities in the music and entertainment industry relating to specialty television channels and the Internet. There can be no assurance that the Company will be able to find appropriate radio broadcast acquisition opportunities or that it will be successful if and when it applies for additional radio broadcast licences. Further, there can be no assurance that the Company will find appropriate opportunities relating to the Internet and specialty television channels. Finally, the Company must be able to successfully manage its growth.

Capital Requirements

The Company believes that the net proceeds from the issuance of Subscription Receipts together with internally generated funds will provide sufficient financial resources to meet the Company's obligations and finance its currently anticipated capital and other expenditure requirements over the near term. However, if the Company has underestimated its capital and other expenditure requirements or does not meet its operating projections, additional debt or equity financing may be required.

Further, the Company's future growth strategy will likely require significant capital in order to be successful. There can be no assurance that the Company will be able to obtain the necessary capital to carry out its business plans or that it will be able to obtain capital upon acceptable terms.

Changes in Regulatory Environment

The Company operates in a business which is subject to significant regulation. Changes in such regulation can have a material adverse impact upon the results of the Company.

Competition

The radio broadcast business is a highly competitive business. Audience ratings and market shares fluctuate and adverse changes in ratings or the economy can have a significant impact upon revenue. Further, radio broadcasting is also subject to competition from new media technologies and the effect of such new technologies is difficult to predict.

Reliance on Senior Management

The contribution of certain key employees and directors is important to the viability of the Company. The loss of the services of such key employees and/or directors could have a material adverse effect on the operations of the Company. Certain key members of the senior management of CMEI will perform similar functions for Craig Broadcast pursuant to the Management and Administration Agreement. If these employees do not have sufficient time to perform both functions it may impact on CMEI.

No Operating History

The Company was incorporated in July, 1999 and has not commenced operations. Accordingly, it has no operating history upon which to base an evaluation of its business and future prospects. The Company's business and prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in the early stage of development and, in particular, companies involved in new and rapidly evolving markets. There can be no assurance that the Company's business operations will be successful.

Uncertain Market for Subordinate A Shares

The Subordinate A Shares are a new issue of securities for which there is currently no established market. There can be no assurance as to (i) the liquidity of any such market that may develop, (ii) the ability of the holders of Subordinate A Shares to sell their Subordinate A Shares, or (iii) the price at which holders of Subordinate A Shares would be able to sell their Subordinate A Shares.

Dilution

Due to the fact the value of the radio licences are not factored into a dilution calculation based on the tangible assets of the Company, purchasers of Subordinate A Shares in the Offering will incur immediate and substantial dilution, from the issue price, in the net tangible book value per share (after giving effect to the Offering) of \$5.53 per Subordinate A Share in respect of the minimum offering, and \$5.20 per Subordinate A Share in respect of the maximum offering. See "Dilution".

Voting Control

Following the Closing of the Offering Craig Broadcast will retain a significant majority of the votes attaching to shares of the Company. Accordingly, Craig Broadcast will be able to elect such directors as it desires to the Company's board of directors and, in this manner, Craig Broadcast will control the Company.

Non-arm's Length Services

The Company relies upon its controlling shareholder, Craig Broadcast to provide its expertise and resources for the benefit of the Company pursuant to the Management and Administration Agreement. The price of such services was determined by agreement between the Company and Craig Broadcast which are not at arm's length. Should the price of such services be greater than fair market value, it will have a detrimental effect on the relative results of the Company. Similarly, if Craig Broadcast was unable to provide such services, there is no guarantee that similar service providers could be retained at the same cost.

Towers

The Company does not own all of the towers upon which its transmitters will be placed and, therefore, its ability to ensure its uninterrupted access to such unowned towers is not assured.

Valuation of Radio Assets

The fair market value of the Radio Assets was determined by the Company's Board of Directors, in consultation with its auditors. It was not subject to an independent third party appraisal. The purchase price paid for the Radio Assets is therefore subject to readjustment by the Minister of National Revenue, and such an adjustment may have adverse tax consequences to the Company or result in an increase in the purchase price payable for the Radio Assets.

Dividends

The Company has no history of declaring dividends and it is not anticipated that it will declare dividends in the near term.

Adverse Economic Conditions

The success of the Company is dependent, in part, upon the general economic condition of Canada and, in particular, Manitoba, remaining healthy. Adverse changes in interest rates, inflation and unemployment rates will have an adverse impact on the Company.

Loss of Manitoba Equity Tax Credit

Since the Manitoba Equity Tax Credit depends on the Company maintaining an active business, maintaining significant employment in Manitoba and maintaining its head office in Manitoba, for any period during which the Company fails to maintain such attributes there is a risk of loss of a proportionate part of the Manitoba Equity Tax Credit.

MATERIAL CONTRACTS

Set out below are agreements that may be considered material to the Company.

Acquisition Agreement

Pursuant to an agreement (the "Acquisition Agreement") between Craig Broadcast and CMEI dated as of May 12, 2000, Craig Broadcast has agreed to transfer the Radio Assets to CMEI in consideration for CMEI issuing to Craig Broadcast 2,499,999 Multiple Voting Shares, a demand promissory note in the amount of \$2,103,813 having an interest rate of prime plus 1%, 25,000 warrants to purchase Subordinate Voting B Shares exercisable at a price of \$4.00 per share within two years of the closing of the transfer of the Radio Assets, a \$500,000 8.5% subordinate debenture (the "Subordinate Debenture") with 125,000 detachable warrants to purchase Subordinate Voting B Shares of CMEI at a price of \$4.00 per share at any time within a five year period following the closing of the transfer of the Radio Assets, a \$500,000 8.5% convertible debenture (the "Convertible Debenture") which may be converted at the option of the holder into 125,000 Subordinate Voting B Shares. CMEI will also assume long term bank debt of \$3,000,000 and approximately \$200,000 of other payables associated with the operation of the Radio Assets. See "Capitalization" and "The Acquisition Agreement".

Management and Administration Agreement

It is a Condition Precedent to the Closing of the transfer of the Radio Assets pursuant to the Acquisition Agreement that an agreement (the "Management and Administration Agreement") be entered into between Craig Broadcast and CMEI pursuant to which Craig Broadcast shall agree to provide certain services relating to managerial functions, payroll and payable transactions, journal entries, completion and maintenance of financial statements and budgets and completion of the annual return for the CRTC, as well as sales and sales managerial services and "in-house" legal and corporate development services in return for a monthly fee in the amount of \$22,829 plus commissions payable to sales people and the costs of sales support staff in connection with the sale of advertising. As the President of CMEI will spend 20% of his time providing services to Craig Broadcast, the amount of the fee paid to Craig Broadcast pursuant to the Management and Administration Agreement will be reduced by 20% of the total amount of the salary and benefits paid to the President. See "Management and Administration Agreement".

Non-Competition Agreements

It is a Condition Precedent to Closing that each of Craig Broadcast, Boyd Craig and Drew Craig enter into non-competition agreements with CMEI. Pursuant to such agreements, Craig Broadcast, Boyd Craig and Drew Craig shall agree to not participate in the radio broadcast industry other than in conjunction with CMEI or with respect to the two radio stations located in Regina, Saskatchewan which are currently owned by Craig Broadcast. Craig Broadcast will be entitled to apply for radio broadcast licences provided it uses its best efforts to transfer its interest in such licences to CMEI in exchange for CMEI reimbursing Craig Broadcast for its costs in acquiring such interests.

Agency Agreement

Pursuant to an agreement (the "Agency Agreement") dated as of February 1, 2000 between the Agent and CMEI, the Agent, on a best efforts basis, has agreed to offer the Subscription Receipts pursuant to this prospectus. Pursuant to the Agency Agreement, CMEI has agreed to pay to the Agent a commission of \$0.30 per share for each Subscription Receipt sold pursuant to the Offering. In addition, the Agent will be entitled to receive the Agent Warrants, entitling the Agent to purchase up to such number of Subordinate A Shares which is equal to 10% of the number of Subordinate A Shares to which holders of Subscription Receipts shall be entitled following the Closing for a price of \$5.00 up to 24 months from the Closing Date.

Trust Agreement

Pursuant to an agreement (the "Trust Agreement") to be entered into prior to the Closing Date, between Craig Broadcast and CIBC Mellon Trust Company, as trustee for the benefit of the holders of the Subordinate A Shares, the Subordinate Voting B Shares and the Non-Voting Shares, the ability of Craig Broadcast to transfer its Multiple Voting Shares pursuant to a transaction that would otherwise deprive the holders of the Subordinate A Shares, the Subordinate Voting B Shares and the Non-Voting Shares of rights under applicable provincial take-over bid legislation to which they

would have been entitled in the event of a take-over bid for the Multiple Voting Shares if the Multiple Voting Shares had been Subordinate A Shares, Subordinate Voting B Shares or Non-Voting Shares, is restricted.

Subscription Receipts Agreement

Pursuant to an agreement (the “Subscription Receipts Agreement”) between the Deposit Agent and CMEI, the Deposit Agent shall receive the subscription proceeds from the subscriptions for Subscription Receipts pursuant to the Offering and will hold such proceeds until such time as the Deposit Agent has been provided with evidence that the Conditions Precedent to Closing have been satisfied. Upon evidence of satisfaction of the Conditions Precedent to Closing, CMEI shall issue one Subordinate A Share for each Subscription Receipt held. In the event that the Conditions Precedent to Closing have not been satisfied on or before the Closing Date, the Deposit Agent is to return the subscription proceeds to subscribers with interest. See “Subscription Receipts”.

Escrow Agreement

Pursuant to the Escrow Agreement, Craig Broadcast will agree to escrow all of the Multiple Voting Shares held by it. 10% of such shares are to be released from escrow on the Closing Date and 15% of such shares are to be released from escrow every six months thereafter.

Tower Agreements

The transmitters for each of the four radio stations are located on towers which will not be owned by CMEI following Closing. The agreement pursuant to which the CKMM-FM transmitter is permitted to be located on its tower is written and provides that the transmitter may remain on the tower until May 31, 2004. The CFQX-FM transmitter is located on a tower located on land leased from a third party which lease expires in 2027. The tower on which the CKXA-FM and CKX-FM transmitters are located is owned by Craig Broadcast and a third party, but there is no formal written agreement pertaining to such transmitters being located on the towers. See “Risk Factors” and “Interest of Management and Others in Material Transactions and Conflicts of Interest”.

Copies of these documents or drafts thereof will be available for review at Craig Music & Entertainment Inc. during normal business hours at any time during the period of distribution of the Subscription Receipts and for thirty days thereafter.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS AND CONFLICTS OF INTEREST

There are a number of conflicts of interest to which the directors and officers of the Company are or may be subject to in connection with the operations of the Company. Generally, some of the directors and officers of the Company are engaged in, and will continue to be engaged in, the search for business projects or prospects in areas that may or may not be related to those in which the Company is involved. In some cases, the directors and officers of the Company may hold shares, executive positions and/or directorship positions with companies other than the Company. Accordingly, situations may arise in which some or all of the directors and officers of the Company will be in direct or indirect competition with the Company, however, it is a condition precedent to the closing of the transfer of the Radio Assets that Boyd Craig, Drew Craig and Craig Broadcast enter into Non-Competition Agreements with the Company. See “Material Contracts-Non-Competition Agreements”.

Both of Boyd Craig and Drew Craig are directors of CMEI and are also officers and directors of Craig Broadcast with which CMEI has entered the Acquisition Agreement and will enter into prior to Closing, the Management and Administration Agreement and certain real property leases. In addition, all of the senior officers of CMEI are as of the date hereof, employees of Craig Broadcast and they, along with certain other employees will divide their time between CMEI and Craig Broadcast business. Kevin Hooke is a director of CMEI and is a director and Vice-President, Corporate Finance of the Agent which is the selling agent for the Offering. Mr. Hooke is also the President of Renaissance Capital Inc. which is the manager of Renaissance. In addition, Mr. Hooke and the Agent are both shareholders of Renaissance Capital Inc. Pursuant to arrangements with Craig Broadcast, the Agent will acquire the Warrants to be issued by CMEI to Craig Broadcast pursuant to the Acquisition Agreement and Renaissance will acquire

the Convertible Debenture to be issued by CMEI to Craig Broadcast pursuant to the Acquisition Agreement. See "Fully Diluted Equity".

PROMOTER

Craig Broadcast, the controlling shareholder of CMEI and, prior to closing of the Offering, the owner of the Radio Assets, by virtue of its involvement in the organization of CMEI may be considered as a promoter of the Offering.

LEGAL MATTERS

Certain legal matters relating to the issuance of the Subscription Receipts to the public will be passed upon at closing by Aikins, MacAulay & Thorvaldson on behalf of the Company and by Taylor McCaffrey on behalf of the Agent.

LEGAL PROCEEDINGS

The Company is not a party to any pending legal proceedings nor is it subject to any contingent liabilities that it is aware of, nor is it aware of any contemplated legal proceedings.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The auditors of the Company are Meyers Norris Penny, Chartered Accountants, Brandon, Manitoba

The registrar and transfer agent for the Subordinate A Shares is CIBC Mellon Trust Company, at its offices in Winnipeg, Manitoba.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in the Province of Manitoba provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In Manitoba, securities legislation further provides a purchaser with remedies for rescission or damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by Manitoba securities legislation. The purchaser should refer to any applicable provisions of the Manitoba securities legislation for the particulars of these rights or consult with a legal advisor.

FINANCIAL STATEMENTS

The Company has included the following financial statements in this prospectus for review by potential investors:

- ! Pro Forma Balance Sheet of CMEI as at March 31, 2000;
- ! Schedule of Net Assets of Craig Broadcast - Radio as at August 31, 1999 and the related schedules of earnings before income taxes for the years ended August 31, 1995, 1996, 1997, 1998 and 1999;
- ! Interim Schedule of Net Assets of Craig Broadcast - Radio as at March 31, 2000 and the Interim Schedule of earning before income taxes for the seven months then ended.

To the Shareholders
Craig Music & Entertainment Inc.

NOTICE TO READER

We have reviewed, as to compilation only, the accompanying pro-forma balance sheet of Craig Music & Entertainment Inc. as at March 31, 2000, which has been prepared for inclusion in the prospectus relating to the distribution of up to 700,000 Non-transferable Subscription Receipts and the Subordinate Voting A Shares of Craig Music and Entertainment Inc. to be received by the holders of such Subscription Receipts.

In our opinion, the pro-forma balance sheet has been properly compiled to give effect to the proposed transaction and the assumptions described in Note 3 thereto.

April 28, 2000

Meyers Norris Penny
Chartered Accountants

CRAIG MUSIC & ENTERTAINMENT INC.

PRO-FORMA BALANCE SHEET

AS AT MARCH 31, 2000

(Unaudited - See Notice to Reader)

	2000
ASSETS	
CURRENT	
Cash	3,200,350
Accounts receivable	<u>1,004,873</u>
	4,205,223
CAPITAL ASSETS (Note 4)	1,463,379
GOODWILL (Note 5)	<u>4,143,465</u>
	<u>9,812,067</u>
LIABILITIES	
CURRENT	
Accounts payable	208,248
Current portion of long-term debt	312,500
Due to Craig Broadcast Systems Inc. (Note 6)	<u>2,103,813</u>
	2,624,561
LONG-TERM DEBT (Note 7)	<u>3,687,500</u>
	6,312,061
SHAREHOLDERS' EQUITY	
SHARE CAPITAL (Note 8)	<u>3,500,006</u>
	<u>9,812,067</u>

ON BEHALF OF THE BOARD:

"Kevin Hooke" DIRECTOR

"Drew Craig" DIRECTOR

See accompanying notes to the financial information

CRAIG MUSIC & ENTERTAINMENT INC.

NOTES TO THE FINANCIAL INFORMATION

MARCH 31, 2000

(Unaudited – See Notice to Reader)

1. OPERATIONS

Craig Music & Entertainment Inc. consists of the operations of four radio stations including CKXA-FM (KIX 101.1), CKX-FM (KX 96), CFQX (QX 104) and CKMM (Hot 103).

2. ACCOUNTING POLICIES

The schedules have been prepared in accordance with the disclosed basis of accounting and include the following significant accounting policies:

BASIS OF PRESENTATION

This pro-forma balance sheet presents, to the best of management's knowledge and belief, the Company's expected financial position as at March 31, 2000. Accordingly, the statement reflects management's judgment, as of April 28, 2000, of the expected conditions and their expected course of action.

The assumptions disclosed herein are those that management believes are significant to the financial information.

CAPITAL ASSETS

Capital assets are recorded at cost. Amortization is provided using the following methods and rates intended to amortize the cost of the assets over their estimated useful lives. The annual rates are as follows:

	Method	Rate
Buildings	straight-line	5%
Equipment and furnishings	straight-line	10%
Automotive equipment	straight-line	20%

GOODWILL

Goodwill represents the excess of the purchase price over the fair value of net assets acquired from arm's length parties, and is being amortized on a straight-line basis over forty years. On an ongoing basis, management reviews the valuation and amortization of goodwill, taking into consideration any events and circumstances which might have impaired the fair value. Goodwill is written down to fair value when declines in value are considered to be other than temporary based upon expected undiscounted cash flows.

CRAIG MUSIC & ENTERTAINMENT INC.

NOTES TO THE FINANCIAL INFORMATION

MARCH 31, 2000

(Unaudited – See Notice to Reader)

2. ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with the disclosed basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial information and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

FINANCIAL INSTRUMENTS

The company as part of its operations carries a number of financial instruments. It is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

3. SIGNIFICANT ASSUMPTIONS

This balance sheet reflects the following significant assumptions:

1. 700,000 Subscription receipts of Craig Music & Entertainment Inc. are subscribed for and accepted at a price of \$5.00 each for a total Offering of \$3,500,000 before related expenses.
2. The Canadian Radio-television and Telecommunications Commission grants its approval of the transfer by Craig Broadcast Systems Inc. to Craig Music & Entertainment Inc. of all of Craig Broadcast System Inc.'s Manitoba radio broadcasting assets.
3. The closing of the transfer of the Radio Assets pursuant to the Acquisition Agreement.
4. Upon closing of the Offering, the Subscription Receipts will be exchanged for 700,000 Subordinate Voting A Shares.

4. CAPITAL ASSETS

	2000		
	Cost	Accumulated Amortization	Net Book Value
Land	12,995	-	12,995
Building	110,000	8,708	101,292
Equipment	2,883,250	1,534,158	1,349,092
Automotive equipment	<u>37,607</u>	<u>37,607</u>	<u>-</u>
	<u>3,043,852</u>	<u>1,580,473</u>	<u>1,463,379</u>

CRAIG MUSIC & ENTERTAINMENT INC.

NOTES TO THE FINANCIAL INFORMATION

MARCH 31, 2000

(Unaudited – See Notice to Reader)

5. GOODWILL

Cost	4,383,000
Accumulated Amortization	<u>(239,535)</u>
Net Book Value	<u>4,143,465</u>

6. DUE TO CRAIG BROADCAST SYSTEMS INC.

Amounts owing to Craig Broadcast Systems Inc. will be repaid with proceeds from the Offering; therefore, they have been classified as current for financial reporting purposes.

7. LONG-TERM DEBT

Convertible Debenture bearing interest at 8.5%, payable quarterly, due 2005, convertible into 125,000 Subordinate Voting B Shares.

500,000

Subordinate Debenture bearing interest at 8.5%, payable quarterly, due 2005, together with detachable warrants to purchase up to 125,000 Subordinate Voting B Shares at a price of \$4 per share.

500,000

Demand loan bearing interest at a combination of prime plus 1% and/or Banker's Acceptance rate plus a stamping fee of 2%, payable in monthly instalments of \$31,250 commencing in 2000, due 2008.

3,000,000

4,000,000

Less: current portion

312,500

3,687,500

Principal repayments are estimated as follows:

2001	312,500
2002	375,000
2003	375,000
2004	375,000
2005	1,375,000

CRAIG MUSIC & ENTERTAINMENT INC.

NOTES TO THE FINANCIAL INFORMATION

MARCH 31, 2000

(Unaudited – See Notice to Reader)

8. CONTINGENCY

The Company has issued 25,000 warrants to Craig Broadcast Systems Inc. These warrants entitle the holder to purchase 25,000 Subordinate Voting B shares at a price of \$4 per share, for total consideration of \$100,000.

The Company has granted the agent warrants that entitle the holder to acquire 70,000 Subordinate Voting A shares at an exercise price of \$5 per share, for total consideration of \$350,000.

9. SHARE CAPITAL

Authorized:

Unlimited number of Multiple Voting Shares
Unlimited number of Subordinate Voting A Shares
Unlimited number of Subordinate Voting B Shares
Unlimited number of Non-Voting Shares

Issued:

2,500,000 Multiple Voting Shares	6
700,000 Subordinate Voting A Shares	<u>3,500,000</u>
	<u>3,500,006</u>

10. RELATED PARTY TRANSACTIONS

On March 31, 2000, Craig Broadcast Systems Inc. transferred assets under the rollover provisions of the Income Tax Act to Craig Music & Entertainment Inc. in exchange for 2,500,000 multiple voting shares.

The assets transferred have been recorded at the carrying amount of \$6,312,067 as reflected on the books of Craig Broadcast Systems Inc. The difference between the carrying amount of \$6,312,067 and the exchange amount (fair market value of the assets) of \$18,812,067 has not been recognized on Craig Music & Entertainment Inc. financial statements. The difference of \$12,500,000 (\$18,812,067 - \$6,312,067) represents the fair market value of the multiple voting shares issued to Craig Broadcast Systems Inc. on the asset transfer. Details of the transactions are as follows:

<u>Assets Acquired</u>	<u>Carrying Amount</u>
Cash	350
Accounts Receivable	1,004,873
Capital Assets	1,463,379
Goodwill	<u>3,843,465</u>
	<u>6,312,067</u>
 <u>Consideration</u>	
Accounts payable	208,248
Convertible debentures	500,000
Subordinate debentures	500,000
Loan payable	3,000,000
Advances to related parties	2,103,813
Share capital	<u>6</u>
	<u>6,312,067</u>

The Shareholders
Craig Broadcast Systems Inc.

AUDITORS' REPORT

We have audited the schedule of net assets of Craig Broadcast Systems Inc. – Radio as at August 31, 1999 and the related schedule of earnings before income taxes for the years ending August 31, 1995, 1996, 1997, 1998 and 1999. Net assets and earnings before income taxes are determined in accordance with the basis of presentation described in Note 2 to the financial information. This financial information is the responsibility of the management of Craig Broadcast Systems Inc. Our responsibility is to express an opinion on this financial information based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial information.

In our opinion, the schedules present fairly, in all material respects, the net assets of Craig Broadcast Systems Inc. – Radio at August 31, 1999 and the related earnings before taxes for the years ending August 31, 1995, 1996, 1997, 1998 and 1999 in accordance with the basis of presentation as disclosed in Note 2.

April 28, 2000

Meyers Norris Penny
Chartered Accountants

CRAIG BROADCAST SYSTEMS INC. - RADIO

**SCHEDULE OF NET ASSETS
AS AT AUGUST 31, 1999**

ASSETS

CURRENT	
Accounts receivable	1,443,108
CAPITAL ASSETS (Note 3)	1,191,716
GOODWILL (Note 4)	<u>3,905,925</u>
	<u>6,540,749</u>

LIABILITIES

CURRENT	
Accounts payable	202,897
Inter-division financing (Note 5)	<u>6,337,846</u>
	<u>6,540,743</u>
NET ASSETS	<u><u>6</u></u>

ON BEHALF OF THE BOARD:

(signed) "Boyd Craig" DIRECTOR

(signed) "Drew Craig" DIRECTOR

See accompanying notes to the financial information

CRAIG BROADCAST SYSTEMS INC. - RADIO

SCHEDULE OF EARNINGS BEFORE INCOME TAXES YEARS ENDED AUGUST 31

	1999	1998	1997	1996	1995
REVENUE	7,349,589	4,695,756	2,974,942	2,792,867	4,497,313
EXPENSES					
Salaries and benefits	3,565,074	2,535,967	1,505,737	1,836,862	2,905,656
Programming costs	503,455	385,659	219,159	213,016	491,030
Office and occupancy costs	508,886	504,755	416,554	446,110	576,831
Advertising and rating services	386,082	229,004	203,906	192,190	280,122
Other operating costs and expenses	413,412	279,238	125,541	176,599	281,040
	<u>5,376,909</u>	<u>3,934,623</u>	<u>2,470,897</u>	<u>2,864,777</u>	<u>4,534,679</u>
EARNINGS (LOSS) BEFORE OTHER EXPENSES AND GOODWILL CHARGES	<u>1,972,680</u>	<u>761,133</u>	<u>504,045</u>	<u>(71,910)</u>	<u>(37,366)</u>
OTHER EXPENSES					
Amortization	169,896	62,827	53,131	58,619	99,900
Interest	128	-	-	672	51,304
Corporate bonus (discretionary)	610,000	195,000	250,000	275,000	275,000
	<u>780,024</u>	<u>257,827</u>	<u>303,131</u>	<u>334,291</u>	<u>426,204</u>
EARNINGS (LOSS) BEFORE GOODWILL CHARGES	1,192,656	503,306	200,914	(406,201)	(463,570)
GOODWILL CHARGES	<u>102,075</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
EARNINGS (LOSS) BEFORE INCOME TAXES	<u>1,090,581</u>	<u>453,306</u>	<u>150,914</u>	<u>(456,201)</u>	<u>(463,570)</u>

CRAIG BROADCAST SYSTEMS INC. - RADIO

NOTES TO THE FINANCIAL INFORMATION

AUGUST 31, 1999

1. OPERATIONS

Craig Broadcast Systems Inc. – Radio consists of the operations of four radio stations including CKXA-FM (KIX 101.1), CKX-FM (KX 96), CFQX (QX 104) and CKMM (Hot 103). These stations were acquired over time as follows:

CKXA	–	1948
CKX	–	1963
CKMM	–	1995
CFQX	–	1999

Due to the varying dates of acquisition, the comparative figures reflect the operations as follows:

1995	1996	1997	1998	1999
CKXA	CKXA	CKXA	CKXA	CKXA
CKX	CKX	CKX	CKX	CKX
CKMM	CKMM	CKMM	CKMM	CKMM
CFQX			CFQX – nine months	CFQX

The dates above reflect the dates of purchase of the assets pending approval by the Canadian Radio Television and Telecommunications Commission (“CRTC”). The CRTC approved the purchase of CKMM on August 31, 1995 and of CFQX on May 7, 1999. Since the acquisitions were approved, the operations have been reflected in the schedule of earnings before income taxes from the date that Craig Broadcast Systems Inc. began managing the stations.

2. ACCOUNTING POLICIES

The schedules have been prepared in accordance with the disclosed basis of accounting and include the following significant accounting policies:

BASIS OF PRESENTATION

The schedule of net assets includes only assets and liabilities specifically identifiable to Craig Broadcast Systems Inc. – Radio. This is a division of the significant television and radio operations of Craig Broadcast Systems Inc., a privately held company operating in Western Canada.

CRAIG BROADCAST SYSTEMS INC. - RADIO

NOTES TO THE FINANCIAL INFORMATION

AUGUST 31, 1999

2. ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

The schedule of net earnings before income taxes includes revenues and direct and allocated expenses relating to Craig Broadcast Systems Inc. - Radio. All of the allocations and estimates in the schedule of earnings before income taxes are based on assumptions that management believes are reasonable under the circumstances.

Management identifies those overhead costs that can reasonably be allocated to the radio stations. Such overhead costs include administrative salaries and professional fees. The allocation factor of these costs is estimated to be that portion of the total cost that would be attributable to each station.

There are also several costs relating to the Brandon stations (CKXA and CKX) that are estimated based on costs incurred at the Brandon location. These costs include insurance, property taxes and utilities. These are allocated based on the estimated proportion of use, which is determined to be 20% to CKXA and 20% to CKX. Similarly, there are several costs relating to the Winnipeg stations (CKMM and CFQX) that are estimated based on costs incurred at the Winnipeg locations.

CAPITAL ASSETS

Capital assets are recorded at cost. Amortization is provided using the following methods and rates intended to amortize the cost of the assets over their estimated useful lives. The annual rates are as follows:

	Method	Rate
Buildings	straight-line	5%
Equipment and furnishings	straight-line	10%
Automotive equipment	straight-line	20%

GOODWILL

Goodwill represents the excess of the purchase price over the fair value of net assets acquired from arm's length parties, and is being amortized on a straight-line basis over forty years. On an ongoing basis, management reviews the valuation and amortization of goodwill, taking into consideration any events and circumstances which might have impaired the fair value. Goodwill is written down to fair value when declines in value are considered to be other than temporary based upon expected undiscounted cash flows.

REVENUE RECOGNITION

Craig Broadcast Systems Inc. - Radio recognizes revenue from advertisers when the advertisement is aired.

CRAIG BROADCAST SYSTEMS INC. - RADIO

NOTES TO THE FINANCIAL INFORMATION

AUGUST 31, 1999

2. ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with the disclosed basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial information and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

FINANCIAL INSTRUMENTS

The company as part of its operations carries a number of financial instruments. It is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

3. CAPITAL ASSETS

	Cost	1999 Accumulated Amortization	Net Book Value
Land	12,995	-	12,995
Building	110,000	5,500	104,500
Equipment	2,495,881	1,421,660	1,074,221
Automotive equipment	<u>37,607</u>	<u>37,607</u>	<u>-</u>
	<u>2,656,483</u>	<u>1,464,767</u>	<u>1,191,716</u>

4. GOODWILL

Cost	4,083,000
Accumulated Amortization	<u>(177,075)</u>
Net Book Value	<u>3,905,925</u>

5. INTER-DIVISION FINANCING

The operations of Craig Broadcast Systems Inc. – Radio are financed through equity and borrowings of Craig Broadcast Systems Inc.

To the Shareholders
Craig Broadcast Systems Inc.

REVIEW ENGAGEMENT REPORT

We have reviewed the interim schedule of net assets of Craig Broadcast Systems Inc. - Radio as at March 31, 2000 and the interim schedule of earnings before income taxes for the seven months then ended. Our review was made in accordance with the basis of presentation described in Note 2 to the financial information and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the Company.

A review does not constitute an audit and consequently we do not express an audit opinion on this interim financial information.

Based on our review, nothing has come to our attention that causes us to believe that these interim financial schedules are not, in all material respects, in accordance with the basis of presentation as disclosed in Note 2.

April 28, 2000

Meyers Norris Penny
Chartered Accountants

CRAIG BROADCAST SYSTEMS INC. - RADIO

INTERIM SCHEDULE OF NET ASSETS

AS AT MARCH 31, 2000

(Unaudited)

	2000
ASSETS	
CURRENT	
Accounts receivable	1,005,223
CAPITAL ASSETS (Note 3)	1,463,379
GOODWILL (Note 4)	<u>3,843,465</u>
	<u>6,312,067</u>
LIABILITIES	
CURRENT	
Accounts payable	208,248
Current portion of long-term debt	312,500
Inter-division financing (Note 5)	<u>2,603,813</u>
	3,124,561
LONG-TERM DEBT (Note 6)	<u>3,187,500</u>
	<u>6,312,061</u>
NET ASSETS	<u> 6</u>

ON BEHALF OF THE BOARD:

"Boyd Craig" DIRECTOR

"Drew Craig" DIRECTOR

See accompanying notes to the financial information

CRAIG BROADCAST SYSTEMS INC. - RADIO

INTERIM SCHEDULE OF EARNINGS BEFORE INCOME TAXES SEVEN MONTHS ENDED MARCH 31, 2000

(Unaudited)

	March 31 2000	March 31 1999
REVENUE	3,758,882	3,978,366
EXPENSES		
Salaries and benefits	1,709,883	1,861,087
Programming costs	304,397	280,680
Office and occupancy costs	309,330	289,191
Advertising and rating services	315,276	236,769
Other programming costs and expenses	222,018	184,804
	<u>2,860,904</u>	<u>2,852,531</u>
EARNINGS BEFORE OTHER EXPENSES	<u>897,978</u>	<u>1,125,835</u>
OTHER EXPENSES		
Amortization	115,706	48,767
Interest	81,098	128
Corporate bonus (discretionary)	187,500	-
	<u>384,304</u>	<u>48,895</u>
EARNINGS BEFORE GOODWILL CHARGES	513,674	1,076,940
GOODWILL CHARGES	<u>62,460</u>	<u>14,583</u>
EARNINGS BEFORE INCOME TAXES	<u>451,214</u>	<u>1,062,357</u>

CRAIG BROADCAST SYSTEMS INC. - RADIO

NOTES TO THE FINANCIAL INFORMATION

MARCH 31, 2000

(Unaudited)

1. OPERATIONS

Craig Broadcast Systems Inc. – Radio consists of the operations of four radio stations including CKXA-FM (KIX 101.1), CKX-FM (KX 96), CFQX (QX 104) and CKMM (Hot 103). These stations were acquired over time as follows:

CKXA – 1948
CKX – 1963
CKMM – 1995
CFQX – 1999

Due to the varying dates of acquisition, the comparative figures reflect the operations as follows:

<u>1998</u>	<u>1999</u>
CKXA	CKXA
CKX	CKX
CKMM	CKMM
CFQX – four months	CFQX

Except for the four-month presentation of CFQX in 1998, all other operations were presented for the full seven months.

2. ACCOUNTING POLICIES

The schedules have been prepared in accordance with the disclosed basis of accounting and include the following significant accounting policies:

BASIS OF PRESENTATION

The schedule of net assets includes only assets and liabilities specifically identifiable to Craig Broadcast Systems Inc. – Radio. This is a division of the significant television and radio operations of Craig Broadcast Systems Inc., a privately held company operating in Western Canada.

The schedule of net earnings before income taxes includes revenues and direct and allocated expenses relating to Craig Broadcast Systems Inc. - Radio. All of the allocations and estimates in the schedule of earnings before income taxes are based on assumptions that management believes are reasonable under the circumstances.

Management identifies those overhead costs that can reasonably be allocated to the radio stations. Such overhead costs include administrative salaries and professional fees. The allocation factor of these costs is estimated to be that portion of the total cost that would be attributable to each station.

CRAIG BROADCAST SYSTEMS INC. - RADIO

NOTES TO THE FINANCIAL INFORMATION

MARCH 31, 2000

(Unaudited)

2. ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

There are also several costs relating to the Brandon stations (CKXA and CKX) that are estimated based on costs incurred at the Brandon location. These costs include insurance, property taxes and utilities. These are allocated based on the estimated proportion of use, which is determined to be 20% to CKXA and 20% to CKX. Similarly, there are several costs relating to the Winnipeg stations (CKMM and CFQX) that are estimated based on costs incurred at the Winnipeg locations.

CAPITAL ASSETS

Capital assets are recorded at cost. Amortization is provided using the following methods and rates intended to amortize the cost of the assets over their estimated useful lives. The annual rates are as follows:

	Method	Rate
Buildings	straight-line	5%
Equipment and furnishings	straight-line	10%
Automotive equipment	straight-line	20%

GOODWILL

Goodwill represents the excess of the purchase price over the fair value of net assets acquired from arm's length parties, and is being amortized on a straight-line basis over forty years. On an ongoing basis, management reviews the valuation and amortization of goodwill, taking into consideration any events and circumstances which might have impaired the fair value. Goodwill is written down to fair value when declines in value are considered to be other than temporary based upon expected undiscounted cash flows.

REVENUE RECOGNITION

Craig Broadcast Systems Inc. – Radio recognizes revenue from advertisers when the advertisement is aired.

MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with the disclosed basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial information and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

CRAIG BROADCAST SYSTEMS INC. - RADIO

NOTES TO THE FINANCIAL INFORMATION

MARCH 31, 2000

(Unaudited)

2. ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS

The company as part of its operations carries a number of financial instruments. It is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

3. CAPITAL ASSETS

	2000		
	Cost	Accumulated Amortization	Net Book Value
Land	12,995	-	12,995
Building	110,000	8,708	101,292
Equipment	2,883,250	1,534,158	1,349,092
Automotive equipment	<u>37,607</u>	<u>37,607</u>	<u>-</u>
	<u>3,043,852</u>	<u>1,508,473</u>	<u>1,463,379</u>

4. GOODWILL

Cost	4,083,000
Accumulated Amortization	<u>(239,535)</u>
Net Book Value	<u>3,843,465</u>

5. INTER-DIVISION FINANCING

The operations of Craig Broadcast Systems Inc. – Radio are financed through equity and borrowings of Craig Broadcast Systems Inc.

CRAIG BROADCAST SYSTEMS INC. - RADIO

NOTES TO THE FINANCIAL INFORMATION

MARCH 31, 2000

(Unaudited)

6. LONG-TERM DEBT

Demand loan bearing interest at 8.5%, payable quarterly. 500,000

Demand loan bearing interest at a combination of prime plus 1% and/or Banker's Acceptance rate plus a stamping fee of 2%, payable in monthly instalments of \$31,250 commencing in 2000, due 2008. 3,000,000

Less: current portion 3,500,000
312,500

3,187,500

Principal repayments are estimated as follows:

2001	312,500
2002	375,000
2003	375,000
2004	375,000
2005	1,375,000

CERTIFICATE OF THE COMPANY

Dated: July 20, 2000

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by or referred to in this prospectus as required by Part VII of *The Securities Act* (Manitoba) and the regulations thereunder.

(Signed) *Alan Cruise*
President and Chief Executive Officer

(Signed) *Linda Noto*
Chief Financial Officer

On behalf of the Board of Directors

(Signed) *Boyd Craig*
Director

(Signed) *Drew Craig*
Director

CERTIFICATE OF THE PROMOTER

Dated: July 20, 2000

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by or referred to in this prospectus as required by Part VII of *The Securities Act* (Manitoba) and the regulations thereunder.

CRAIG BROADCAST SYSTEMS INC. as Promoter

(Signed) *Boyd Craig*
Director

(Signed) *Drew Craig*
Director

CERTIFICATE OF THE AGENT

Dated: July 20, 2000

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by or referred to in this prospectus as required by Part VII of *The Securities Act* (Manitoba) and the regulations thereunder.

WELLINGTON WEST CAPITAL INC.

(Signed) *Kevin Hooke*

The following includes the names of every person having an interest, directly or indirectly to the extent not less than 5% of Wellington West Capital Inc., 3679064 Manitoba Ltd., Crocus Investment Fund and The Walter Silicz Family Trust.