



**Persona Inc.**  
**(PSA:TSX)**

Previously listed as Regional Cablesystems Inc. (REG:TSE)

## THE COMPANY

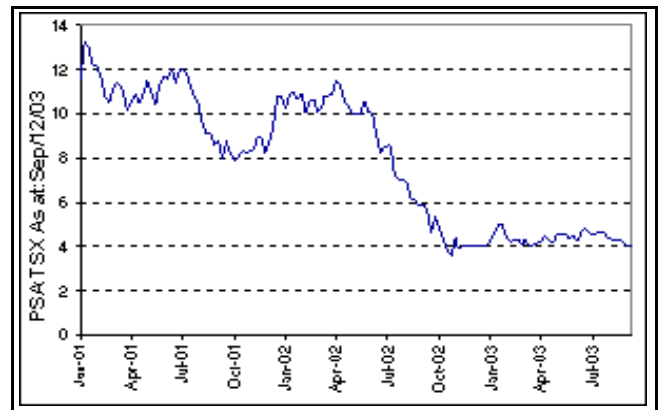
Regional Cablesystems is a Canadian rural cable operator based in St. John's, Newfoundland. It operates four divisions across Canada and services over 242,000 basic subscribers. Its Western division services 45,000 subscribers in the four western provinces. The Atlantic division serves 48,000 homes in Newfoundland and the Central division comprised of Ontario and Quebec has 28,000 subscribers. Regional's 1998 acquisition of Northern Cable Holdings from Vidéotron added about 100,000 accounts, mainly in Northern Ontario. This brings Northern Ontario's subscriber base to almost 99,000. Within its divisions, the company operates four lines of businesses: cable television, wholesale cable Internet, telecommunication and broadcast services.

## FINANCIAL DATA

	1999	2000	2001
Earnings per Share (\$) *	0.37*	0.37**	0.41***
Price to Earnings (times)	29.7	29.7	26.8
Dividend (\$)	0.00	0.00	0.00
Dividend Yield (%)			
Book Value (\$)	6.02	5.65	7.35
Price to Book Value (times)	1.83	1.95	1.50

\* Before extraordinary gain of \$0.34  
\*\* Before restructuring costs of \$0.06  
\*\*\* Before extraordinary gain of \$0.09

## HISTORICAL SHARE PRICES



## WHY ABC FUNDS BOUGHT PERSONA

Value investing, over the past two years has often been limited to those stocks that are labeled as old economy. We have watched telecommunication and technology stock prices soar to record levels while many of the fundamentally strong old economy stocks have hit rock bottom. With recent market trends indicating that this cycle may have begun its reversal, it has given us the opportunity to examine select telecom and technology stocks which may have declined to more realistic levels. This is what led us to Regional Cablesystems. Regional Cable is currently trading at \$11, down from a high point of \$21 in February 2000. Investors have penalized this stock after an announcement by the company of a planned slow down of acquisitions and the fear of competition with direct-to-home (DTH) satellite. We feel that Regional's stock price has been unduly punished, earmarking it as a value play.

Regional Cable is extremely undervalued relative to the larger cable companies. It is trading at under \$1,500 per subscriber versus over \$2,500-3,000 for the larger cable operators. Though Regional Cable is relatively illiquid and is the smallest publicly traded cable company, it is comparatively more profitable. The company has reported positive earnings since the first quarter of 1996 and continues to improve efficiencies with cost reductions. With only 24% of its subscribers regulated by the CRTC, its systems are predominantly non-price regulated. Regional has fuelled its growth as a major consolidator through acquisitions of rural, private cable companies. This has enabled Regional to establish a niche in the non-metropolitan market. Although Regional now plans to slow down its acquisition strategy, we feel this will allow the company to better integrate previous purchases. In addition, Regional is generating new revenue streams through its roll-out of digital cable, along with an agreement with AOL to co-launch high speed Internet access. This will help to counter any lost subscribers through the stiff competition with DTH. The company also owns over 1,500 km of fibre optic cable and plans to expand this by a further 450 km in Northern Ontario over the next three years. This will cost Regional about \$11.6 million with \$1.25 million funded by the Ontario government. This hidden asset should prove to be very invaluable in the future. Already, 1,000 km of fibre optic cable have spawned many telecom contracts with hospitals, school boards and other telecom providers.

With about 16 million shares outstanding, Regional Cable is a small fish in the big sea of cable companies. This intrigues us. Regional Cable has identified the opportunity to corner the rural markets in Canada, while demonstrating steady growth and constant profitability. However, quite often in the big sea, the little fish are gobbled up by the big fish. With no major shareholder to protect it from an aggressive acquirer and low management ownership, we feel that Regional Cable is a prime candidate for takeover in this consolidating industry. The potential takeover valuation of Regional Cable can be better understood when compared to a recent purchase by Cogeco Cable. Last week Cogeco purchased a 33,400-subscriber base in Belleville, Ontario at approximately \$2,455 per subscriber. At a similar subscriber price Regional Cable's value per share would be at least \$25. Regional management has recognized its vulnerability to takeover and so it has adopted a shareholder rights plan "designed to encourage the fair treatment of shareholders in connection with any takeover offer." This plan will be voted at the February 2001 annual shareholders meeting.

We feel that Regional Cable is a well-run company with considerable future growth and net asset value potential. While patiently awaiting the ultimate catalyst that will turn Regional's stock price upward, the company recently attempted to unlock some shareholder value through issuing 1,223,491 common shares at \$13.75 in exchange for SaskTel's 29.9% interest in its subsidiary Regional Cable TV (Western) Inc. Regional now fully owns all of its subsidiaries with SaskTel holding approximately 7.6% of Regional's common shares. We feel that this transaction poises Regional as an even more attractive takeover candidate by a larger cable company.

ABC Funds  
August 31, 2000

### **UPDATES**

In the past six months we have seen Regional Cable step back from its acquisition strategy in order to efficiently integrate its 21 cable purchases made over the past two years. But with the announcement of its newest acquisitions, Regional Cable has declared that it has returned to its "aggressive acquisition mode".

Regional Cable has entered into an agreement to purchase Kawartha Lakes Cablevision (1,900 subscribers) in Ontario and Riverview Cable Limited (400 subscribers) in Newfoundland. The purchase price for these two companies is \$2.5 million or approximately \$1,100 per subscriber. This price is in line with the company's previous acquisitions and its strict mandate to not overpay for assets. Indicative of Regional's ability to hunt out inexpensive assets are two recent transactions that have taken place in the cable industry. In August Cogeco Cable made a purchase in Belleville, Ontario for approximately \$2,455 per subscriber and more recently Rogers acquired Cable Atlantic for \$3,100 per subscriber. These relatively expensive acquisitions are at a significant premium compared to Regional's average historical purchase price of approximately \$1,120 per subscriber.

We are comfortable with management's decision to continue Regional's growth by once again pursuing its acquisition strategy in non-metropolitan markets. We continue to believe that Regional Cable is a well-run operator and is a prime takeover candidate by any of the larger cable companies.

ABC Funds  
October 20, 2000

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Regional Cable reported fiscal 2000 year-end results of \$0.37 per share (before a one-time restructuring charge), which was flat, compared to 1999. Impressively, the company's revenues have increased 15% year-over-year. Also, as a result of cost cutting initiatives Regional was able to achieve an "industry leading" operating margin of 46.2% in the fourth quarter versus 44.4% in the same quarter of 1999.

The year ahead will be challenging for Regional as it battles the intense competition of direct-to-home satellites (DTH). Although the quarter showed a slight downturn in basic cable subscribers we are confident in Regional's focus on its Internet growth strategy. In fact, Regional recently announced the launch of high-speed Internet in five communities in eastern Ontario. This coincides with management's direction towards the expansion of high-speed Internet in rural regions.

Trading at a discount relative to its cable peers, Regional continues to be a prime takeover candidate in a consolidating industry. In the meantime, we expect fiscal 2001 to be a year of continued focus on growth and shareholder value creation.

December 22, 2000  
ABC Funds

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Despite the fierce competition that plagues the cable industry, Regional Cable reported earnings per share of \$0.17 in the second quarter of 2001 versus \$0.09 in the comparable period. While this may have been slightly below expectations, we feel that Regional Cable has done an exemplary job in rolling out its high-speed Internet and digital cable platform. In the past six months Regional's Internet subscriber level has increased from 900 to an astounding 4,300 as at the end of February 2001. Its year-old digital cable expansion has also been successful with more than 8,300 subscribers to date. Although Regional's basic subscriber level has declined, the company feels it has been offset with the substantial increases in these two services.

We feel that the success of Regional Cable can be in part attributed to astute management and its choice to develop and expand the company's suburban market niche. Furthermore, in a consolidating industry such as this, Regional is a prime takeover candidate, trading at a discount relative to its peers.

April 12, 2001

## UPDATES (cont'd)

Regional Cable has just announced that subject to regulatory and shareholder approval it plans to reorganize its corporate structure into a holding company. The new public holding company will have the same shareholders and initially its only asset will be Regional.

According to the President, Brendan Paddick the new structure provides additional tax benefits and allows foreign investors to invest more than 20%. More importantly, it will be conducive to pursuing business opportunities outside of Canada. We are optimistic that this will further enhance Regional's growth capabilities.

ABC Funds  
June 29, 2001

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Over the last month we have seen Regional Cable's management team become very aggressive in pursuing growth opportunities. In June, Regional announced its plan to reorganize its corporate structure into a holding company. Most recently the company has entered into a binding letter of agreement to acquire the communications businesses of Amtelecom Group. Inc. Subsequently, we have seen Regional's share price decline to \$8 from a high point of \$14 in January 2001. Evidently, it seems that investors may feel that Regional may have taken on too much at once. While this sense of uncertainty may be warranted, we believe that management has a credible track record and in the long run these initiatives will pay off.

On August 22, 2001, Regional held a shareholder meeting in order to vote on the potential transformation of Regional into Persona Inc., a holding company. The vote was passed, however, we voted against the new corporate structure. Yet our negative vote was not a vote of non-confidence. Rather, we felt it was our obligation as shareholders to voice our concern to Regional that they might be over-extending themselves with both this transaction, which potentially entails a Caribbean acquisition, as well as the Amtelecom purchase. In fact, we believe that ventures outside of Canada, such as the Caribbean may be a profitable wildcard. In a subsequent meeting with senior Regional management, they have assured us that they will be prudent and will be able to handle both transactions.

Overall, we feel that strategically, the Amtelecom purchase is a good fit. The largest part of this \$64.4 million purchase will include Amtelecom Inc., which provides telephone service through more than 21,400 network access lines throughout southwestern and central Ontario. In addition, Amtelecom's AGI Cablevision, a cable television provider to more 10,300 homes in southwestern Ontario, as well as its Internet services business with approximately 2,600 subscribers will be included in the deal. Regional's entry into western Ontario provides a solid base for supplementary acquisitions. Furthermore, the newly acquired telecom business is a means of diversification away from the higher risk cable assets, which are subject to a highly competitive environment. While the acquisition is still conditional on the approval of Amtelecom's shareholders, Regional expects that synergies will be realized right away and it will be mildly accretive to earnings.

We feel that the Amtelecom transaction, along with Regional's corporate restructuring plan proves that management is determined to grow the company in the long term despite a decline in basic cable subscribers. We feel that investors are unduly punishing Regional's stock price. We continue to believe that management's opportunistic changes will eventually pay off and its stock price will appreciate again.

ABC Funds  
August 31, 2001

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Regional Cable is now a subsidiary of the new holding company structure, Persona Inc. (TSE: PSA). Regional Cable shareholders have become holders of Persona on a one-for-one basis. As previously discussed, the corporate structure reorganization will allow Persona to pursue opportunities outside of Canada.

ABC Funds  
September 14, 2001

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In August 2001, Persona announced that it entered into a letter of agreement to purchase Amtelecom, subject to due diligence and Amtelecom shareholder approval. In the process of due diligence it was discovered that there was a pending CRTC decision that could be material to the assets in question. In turn, further Persona and Ametelecom discussions led to a price adjustment based on the pending CRTC decision. A cap of 10% of the original purchase price on any price reduction was agreed upon.

The CRTC decision was released on December 14 and Persona determined that it would materially affect the revenue stream of AGI Cablevision. Subsequently, AGI's Board was not satisfied with the additional proposed changes Persona put forth and

## UPDATES (cont'd)

consequently has cancelled its special meeting of shareholders on January 29, 2002. At this point, we are uncertain if any further discussions will develop between the two parties.

In the meantime, management has stuck to its strategy and continues to acquire cable assets. A recent purchase of 2 cablesystems in Newfoundland added 700 customers to its base. We continue to view Persona as a fundamentally undervalued stock. We will closely monitor the progression of discussion between Persona and Amtelecom.

ABC Funds

December 28, 2001

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As indicated in our previous update on Persona, the proposed acquisition of Amtelecom was not proceeding smoothly. On March 6, in a tersely worded press release, Persona and Amtelecom announced that discussions were officially terminated. However, Persona is continuing with its strategy to diversify operations outside of Canada and has expanded to the Caribbean.

The Company has acquired all of the common shares of Columbus Communications Limited, the largest shareholder of Cable Bahamas. With over 53,000 basic subscribers and 29,000 pay-TV units, Cable Bahamas has a penetration rate of approximately 70% of homes, hotels and businesses in the region. Operations are growing and are quite profitable. In 2001, revenue grew from US\$25.9 million to US\$30.9 million, an increase of 19%. Net income (after preferred share dividends) was US\$7.3 million in fiscal 2001, flat when compared to fiscal 2000 results.

In addition to these developments, Persona has also released its fiscal 2001 results. The Company earned \$0.41 per share (before unusual gains) in 2001 on revenue of \$100.3 million compared to \$0.37 and \$96.9 million respectively in 2000. Though cable subscribers declined to 231,900 from 236,100, digital cable subscribers grew to 8,235 from 4,825 and Internet subscribers grew to 7,430 from 900 on a year over year basis. We look for Persona's new Caribbean operations to make a positive contribution to both revenue and earnings once the deal closes in the third quarter of 2002.

ABC Funds

May 10, 2002

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Throughout most of 2002, the shares of Persona, along with many other cable operators, have been under considerable pressure. Investors have been particularly concerned with Persona's level of basic cable net subscriber loss, otherwise known as "subscriber churn". Over the course of the 2002 fiscal year, Persona lost 19,230 net subscribers and ended the year with a total of 213,400 basic cable customers. Although disappointing, the churn slowed to 6,350 subscribers in the second half of 2002, which is almost 50% below the level of net subscriber loss in the first six months of the year.

Management believes that the continuing rollout of digital cable services contributed to the reduced net subscriber loss in the second half of the year. Digital subscribers seem to be more reluctant to switch to DTH services (direct-to-home satellite broadcasts) than basic cable subscribers (who receive lower quality analogue signals). In fact, Persona has nearly doubled the number of digital cable subscribers to 15,995 from 8,235 a year ago. The recent acquisition of Cable Bahamas should add 55,000 new cable subscribers, which will provide a platform to grow both digital and Internet services in the Caribbean.

The financial results have yet to show the impact of the recent restructuring initiative in Canada and the Cable Bahamas acquisition. In fiscal 2002, revenue grew slightly more than 6% to reach \$106.6 million from \$100.3 million in 2001. Unfortunately, earnings per share declined to \$0.39 from \$0.41 due to margin compression. The increase in signal and copyright costs on core cable services, the expansion of digital cable services and the subscriber churn all had a detrimental impact on the Company's profitability. However, we believe that management will make the most of Persona's expansion to the Caribbean, which will be reflected in the financial statements going forward.

If the acquisition proceeds as planned and the financial results improve, investors' confidence in the Company should recover. We also view positively the recent management decision to restructure the Board of Directors. This will allow for three new independent Directors, which should reduce shareholders' perceptions regarding self-dealing.

ABC Funds

December 27, 2002

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Persona Inc. is a very different company today than when we purchased stock in its predecessor, Regional Cablesystems Inc. The Company was originally a niche-player that focused on consolidating rural, private cable companies in Canada quite cheaply at 1/3 to 1/2 the going rate per subscriber. We really liked this strategy. We believed that once the Company had

## **UPDATES (cont'd)**

acquired a portfolio of cable assets of sufficient scale, it would have become an attractive takeover candidate in its own right. As such we were content to own this security for significant capital appreciation potential.

Somewhere along the line, Persona ran into difficulties. The proposed Amtelecom purchase fell through and escalating subscriber churn due to DTH satellite competition raised investors' concerns. The Company then purchased all of the common shares of Columbus Communications Limited, the largest shareholder of Cable Bahamas in an attempt to improve its financial performance. This acquisition was a clear departure from the Company's intended strategy. Nonetheless we gave management the benefit of the doubt. Overall we had hoped for a positive contribution to both revenue and earnings. Unfortunately, this whole process has been slow to materialize, investors seemed to have lost interest and the stock has plummeted. While it has recovered a bit in price and a new group of management and directors have been added to the Company, we are no longer comfortable with this security. While the risk of the Company selling out all or part is a possibility, we have decided to liquidate our entire position in Persona Inc. and are looking to put the capital toward other opportunities.

ABC Funds

September 12, 2003