



**ANNUAL INFORMATION FORM**

**FINANCIAL YEAR ENDED DECEMBER 31, 2009**

**MARCH 31, 2010**

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## INTRODUCTORY NOTE

In this Annual Information Form, unless the context otherwise requires, the terms “we”, “us”, “our” and the “Company” refer to Quebecor Inc. on a consolidated basis, including its subsidiaries and divisions. Unless otherwise indicated (i) all references to “dollars”, “Cdn\$” and “\$” are to Canadian dollars, and (ii) the information presented in this Annual Information Form is given as at December 31, 2009. In addition, the table below lists a number of defined terms that we use throughout this Annual Information Form to refer to various companies within the Quebecor Group.

Entity	Defined Term
Archambault Group Inc.	“Archambault Group”
Canoe Inc.	“Canoe”
CEC Publishing Inc.	“CEC Publishing”
Groupe Sogides inc.	“Sogides”
Le SuperClub Vidéotron Ltée	“Le SuperClub Vidéotron”
Nurun Inc.	“Nurun”
Osprey Media Publishing Inc.	“Osprey Media”
Quebecor Media Inc.	“Quebecor Media”
Quebecor Media Printing Inc.	“Quebecor Media Printing”
Sun Media Corporation	“Sun Media”
TVA Group Inc.	“TVA Group”
Videotron Ltd.	“Videotron”

## ITEM 1 — THE COMPANY

We were incorporated under Part I of the *Companies Act* (Quebec) by letters patent dated January 8, 1965 and were continued under Part IA of the *Companies Act* (Quebec) by certificate of continuance dated June 6, 1983. On October 15, 2008, 9190-6982 Québec inc. was merged with and into us, pursuant to an amalgamation under Part IA of the *Companies Act* (Québec).

We operate in the following Media industry segments through our subsidiary Quebecor Media: Telecommunications, News Media, Broadcasting, Leisure and Entertainment, and Interactive Technologies and Communications. The Company has operations in North America, Europe, and Asia.

Our head office is located at 612 Saint-Jacques Street, Montreal, Quebec, Canada H3C 4M8. Our telephone number is (514) 380-1999 and our website address is [www.quebecor.com](http://www.quebecor.com). Any information or documents on our website are not, however, included in, nor shall any of such information or documents be deemed to be incorporated by reference into, this Annual Information Form.

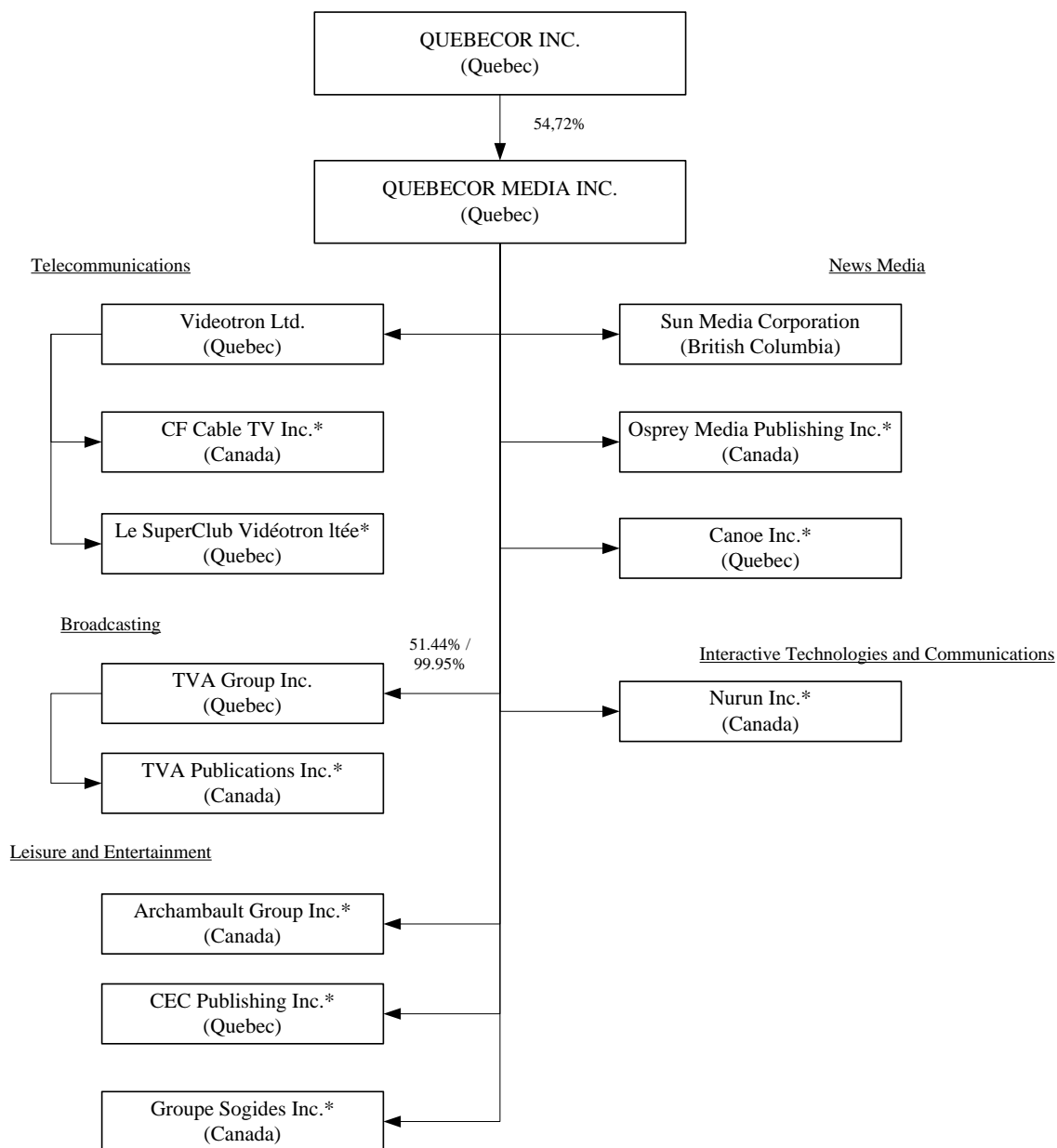
## **Quebecor Media**

Quebecor Media, through its Videotron operating subsidiary, is the largest cable operator in the Province of Quebec and the third largest in Canada, in each case based on the number of cable customers, a major Internet service provider (“ISP”) and a provider of telephony services in the Province of Quebec. Through its Sun Media and Osprey Media operating subsidiaries, Quebecor Media is the largest newspaper publisher in the Province of Quebec and in Canada, based on total paid and unpaid circulation. Sun Media has established the number one or two market position, in terms of paid circulation, in each of its eight urban daily markets. Through our public TVA Group operating subsidiary, of which we own 51.44% of the equity and control 99.9% of the voting power, we are the largest private-sector television broadcaster in Quebec in terms of market share, the largest private-sector French-language television broadcaster in North America in terms of market share, and one of the largest private-sector producers of French-language television programming in the Province of Quebec in terms of number of hours of production and broadcasting of French-language programming.

We are also engaged in book publishing and distribution; magazine publishing and production; the distribution and retailing of cultural products through companies such as Archambault Group, which owns one of the largest chains of music, book, video and musical instruments stores in Quebec and is one of the largest producers of French-language music products in Quebec and one of the largest independent distributors of music (traditional distribution and digital download) and video products in Canada; film and television distribution through TVA Films; and video and video game rental and retailing through Le SuperClub Vidéotron’s chain of corporate and franchised video rental stores, which is the largest chain of video stores in Quebec. In the new media sector, we have developed, through Canoe, two of Canada’s leading English and French language Internet news and information portals, as well as leading Internet sites dedicated to automobiles, employment, personals, social communities, web search, real estate and classifieds. Through our Nurun subsidiary, we provide global and local clients with consulting services, which include strategic planning and online branding, design and development of websites, intranets, extranets as well as user interfaces for new interactive media (mobile telephones, interactive television), the integration of technical platforms, the design and management of marketing programs, online media buys and eCRM campaigns, as well as the analysis of data collected through these various interactive channels.

### **1.1 THE SUBSIDIARIES**

The following organizational chart shows our principal subsidiaries as at December 31, 2009 by industry segment, jurisdiction of incorporation or continuation, and percentage of voting rights we hold directly or indirectly. Certain subsidiaries whose total assets did not represent more than 10% of our consolidated assets or whose sales and operating revenues did not represent more than 10% of our consolidated sales and operating revenues as at December 31, 2009 have been omitted. The subsidiaries that have been omitted represented, as a group, less than 20% of our consolidated assets and less than 20% of our consolidated sales and operating revenues as at December 31, 2009. The subsidiaries identified with an asterisk (\*) represent 10% or less of our consolidated assets and 10% or less of our consolidated sales and operating revenues as at December 31, 2009. We have included them to give a better understanding of our overall corporate structure.



## ITEM 2 — THE BUSINESS

We own and control one of Canada's leading media companies, Quebecor Media, with activities in cable distribution, residential and mobile wireless telecommunications, newspaper publishing, broadcasting, book, magazine and video retailing, publishing and distribution, music recording, production and distribution and new media services. Through our operating subsidiaries, we hold leading positions in the creation, promotion and distribution of news, entertainment and Internet-related services that are designed to appeal to audiences in every demographic category.

The following table provides information on our revenues by segment for each of our five industry segments during each of our two most recently completed financial years as well as inter-segment revenues for such periods.

	<b>Years ended December 31,</b>	
	<b>2009</b>	<b>2008</b>
	(in millions of Canadian dollars)	
<b>Revenues by Industry Segment</b>		
Telecommunications	2,001.2	1,804.2
News Media	1,029.5	1,181.4
Broadcasting	439.0	436.7
Leisure and Entertainment	307.8	301.9
Interactive Technologies and Communications	91.0	89.6
Inter-segment	(87.5)	(83.7)
	<b>3,781.0</b>	<b>3,730.1</b>

## 2.1 TELECOMMUNICATIONS

### 2.1.1 Business Overview

Through Videotron, we are the largest cable operator in the Province of Quebec and the third largest in Canada, in each case based on the number of cable customers, a major ISP and a provider of telephony services in the Province of Quebec. We offer pay television, Internet access, cable telephony and mobile wireless telephony services. Our cable network covers approximately 80% of Quebec's approximately 3.1 million residential and commercial premises passed by cable. Our cable licenses include licenses for the greater Montreal area, the second largest urban area in Canada. The greater Montreal area represents one of the largest contiguous clusters in Canada and is among the largest in North America as measured by the number of cable customers. This concentration provides us with improved operating efficiencies and is a key element in the development and launch of our bundled service offerings.

As of December 31, 2009, we had 1,777,025 basic cable customers (which we define as customers receiving basic cable service, including analog and digital customers), representing a basic penetration rate of 69.0% of total homes passed. Through our extensive broadband coverage, we also offer digital television and cable Internet access services to approximately 99% of our total homes passed. We have rapidly grown our digital customer base in recent years, and as of December 31, 2009, we had 1,084,100 digital customers, representing 61.0% of our basic customers and 42.1% of our total homes passed. We have also rapidly grown our cable Internet access customer base, and as of December 31, 2009, we had 1,170,570 cable Internet access customers, representing 65.9% of our basic customers and 45.5% of our total homes passed.

Our bi-directional hybrid fiber coaxial ("HFC") network also allows us to offer a telephony service using Voice over IP ("VoIP") technology to our residential and commercial customers. As of December 31, 2009, we had 1,014,038 cable telephony customers, representing 57.1% of our basic customers and 39.4% of our total homes passed. In addition, as of December 31, 2009, approximately 99% of all of our cable customers were in areas in which our cable telephony service was available. We believe that the continued increase in the penetration rate of our digital television, cable Internet access, telephony and wireless voice and data services will result in increased average revenue per user ("ARPU").

Our wireless business, which we launched in the third quarter of 2006, continues to experience subscriber growth (reaching 82,813 subscribers as of December 31, 2009). We launched our Mobile Virtual Network Operators ("MVNO") based service to help us understand the dynamics of

the wireless business. We lease the network from Rogers Wireless Inc. ("**Rogers Wireless**"), but perform all other operational functions such as billing, handsets procurement, call centers, order management systems and so on. Therefore, the backoffice system infrastructure necessary to efficiently manage our own facilities-based service is already operational.

In 2008, we qualified as a new market entrant in the spectrum auction for third generation Advanced Wireless Services ("**AWS**") and acquired spectrum licenses for AWS covering all regions of the Province of Quebec and certain areas of Ontario. Specifically, we acquired all 40 MHz spectrum licenses set aside for new entrants in all parts of the Province of Quebec, except the Outaouais region where we obtained 20 MHz spectrum licenses, and certain regions of Quebec where we obtained 50 MHz spectrum licenses. We also acquired 20 MHz spectrum licenses in Eastern Ontario and 10 MHz spectrum licenses in the city of Toronto. The control of these licenses was transferred from Quebecor Media to Videotron subsequent to the completion of the auction.

Videotron completed several key stages in the build-out of its 3G wireless network during 2009. As of December 31, 2009, all services and switching platforms had been installed and were operational. Interconnections with Videotron's existing fiber optic network were in place and incorporated into Videotron's integrated service. Videotron had conducted multi-phase testing to maintain the reliability of its platforms. Siting and tower-sharing agreements for nearly 60% of the antenna sites needed to launch the service had been reached. The equipment has been or is being installed at most of the sites for which an agreement has been signed.

On July 22, 2009, Videotron reached a roaming agreement with wireless service provider Rogers. Under this agreement, Videotron will use Rogers' network exclusively in Rogers' service area across Canada to serve Videotron's future wireless telephone service customers outside Videotron's coverage area. Videotron has also reached a similar roaming agreement in the United States with wireless service provider T-Mobile. These agreements will enable Videotron to provide advanced wireless services across Canada and the U.S. Videotron is still planning to launch its advanced wireless services in summer 2010.

As work on the build-out and roll-out of Videotron's advanced wireless services progressed during the past year, changes in the project led to corresponding changes in the investment profile compared with Videotron's original estimates. Videotron does not expect, however, that this will have any material effect on its operating results or financial position, as Videotron is confident that the project will enable it to achieve its objectives for penetration, revenue generation, and free cash flow generation. Videotron still expect to finance future expenditures related to its Advanced Wireless Services project from cash and cash equivalents, cash flows generated by operations and, if necessary, unused lines of credit.

Videotron offers its advanced products and services, which include video-on-demand and selected interactive television services, as a bundled package that is unique among the competitors in its market. Videotron differentiates its services by offering a higher speed Internet access product, the widest range of French-language programming in Canada and exclusive content on its video-on-demand service. We believe that Videotron's bundled packages of products and services, together with its focus on customer service and the breadth of its French-language offerings, have resulted in improved customer satisfaction, increased use of its services and higher customer retention.

In addition, through our Le SuperClub Videotron subsidiary, we are also the franchisor of the largest chain of video and video game rental stores in Quebec and among the largest of such chains in Canada, with a total of 236 retail locations as of December 31, 2009.

## 2.1.2 Cable Television Industry Overview

Cable television has been available in Canada for more than 50 years and is a well developed market. Competition in the cable industry was first introduced in Canada in 1997. As of August 31, 2008, the most recent date for which data is available, there were approximately 7.9 million cable television customers in Canada, representing a basic cable penetration rate of approximately 57.2% of homes passed. For the twelve months ended August 31, 2008 (the most recent data available), total industry revenue was estimated to be over \$8.2 billion and is expected to grow in the future because Canadian cable operators have aggressively upgraded their networks and have begun launching and deploying new products and services, such as cable Internet access, digital television services and, more recently, telephony services.

The following table summarizes the most recent available annual key statistics for the Canadian and U.S. cable television industries.

	<u>Twelve Months Ended August 31,</u>					
	<u>2008<sup>(1)</sup></u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>CAGR<sup>(2)</sup></u>
<b>(Homes passed and basic cable customers in millions, dollars in billions)</b>						
<b>Canada</b>						
Industry Revenue .....	<b>\$8.2</b>	\$7.1	\$6.1	\$5.0	\$4.7	<b>14.9%</b>
Homes Passed <sup>(3)</sup> .....	<b>13.8</b>	13.6	13.0	11.2	10.5	<b>7.1%</b>
Basic Cable Customers <sup>(4)</sup> .....	<b>7.9</b>	7.7	7.5	6.9	6.9	<b>3.4%</b>
Basic Penetration .....	<b>57.2%</b>	56.6%	57.7%	61.6%	65.7%	<b>-3.4%</b>
<u>Twelve Months Ended December 31,</u>						
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>CAGR<sup>(5)</sup></u>
<b>(Homes passed and basic cable customers in millions, dollars in billions)</b>						
<b>U.S.</b>						
Industry Revenue .....	<b>US\$90.2</b>	US\$86.3	US\$78.8	US\$71.9	US\$65.7	<b>6.5%</b>
Homes Passed <sup>(3)</sup> .....	<b>125.7</b>	124.2	123.0	111.6	110.8	<b>2.6%</b>
Basic Cable Customers .....	<b>62.6</b>	63.7	64.9	65.4	65.4	<b>-0.9%</b>
Basic Penetration .....	<b>49.8%</b>	51.3%	52.8%	58.6%	59.0%	<b>-3.3%</b>

Source of Canadian data: CRTC.

Source of U.S. data: NCTA, A.C. Nielsen Media Research and SNL Kagan.

(1) Source : CRTC Industry Monitoring Report 2009.

(2) Compounded annual growth rate from 2004 through 2008.

(3) "Homes passed" means the number of residential premises, such as single dwelling units or multiple dwelling units, and commercial premises passed by the cable television distribution network in a given cable system service area in which the programming services are offered.

(4) Including IPTV in some Provinces for the 2008 figure.

(5) Compounded annual growth rate from 2005 through 2009.

The traditional cable business, which is the delivery of video via hybrid fiber coaxial network, is fundamentally similar in the U.S. and Canada. Different economic and regulatory conditions, however, have given rise to important differences between the two markets. Canadian operators have more limited revenue sources than U.S. operators due to Canadian regulations which prevent cable operators from generating revenue from local advertising. However, the lack of local advertising revenues allows Canadian cable operators to benefit from lower programming costs as compared to U.S. cable operators.

A significant portion of Canada's cable television customers are based in Quebec. As of August 31, 2009, Quebec is home to approximately 23.2% of Canada's population and approximately 24.0% of its basic cable customers. Based on the CRTC statistics, basic cable penetration in Quebec, which was approximately 53.7% as of August 31, 2008, has traditionally been lower than in other provinces in Canada, principally due to the higher concentration of French-speaking

Canadians in Quebec. It is estimated that over 80% of Quebec's population is French-speaking. Contrary to the English-speaking provinces of Canada, where programming in English comes from all over North America, programming in French is available over-the-air in most of Quebec's French-speaking communities. The arrival of a variety of French-language specialty channels not available over-the-air and, more recently, the introduction of HD content, contributed to a penetration increase.

### **2.1.3 Expansion of Digital Distribution and Programming**

In recent years, digital technology has significantly expanded the range of services that may be offered to our customers. We are now offering to our digital cable customers more than 360 channels, including 175 English-language channels, 54 French-language channels, 44 HDTV channels, 10 time-shifting channels and 63 radio/music channels.

Many programming services have converted to high-definition format and HDTV programming is steadily increasing. We believe that the availability of HDTV programming will continue to increase significantly in the coming years and will result in a higher penetration level of digital distribution.

Our strategy, in the coming years, will be to try to continue the expansion in our offering and maintain the quality of our programming. Our cable television service depends in large part on our ability to distribute a wide range of appealing, conveniently-scheduled television programming at reasonable rates and will be an important factor in our success to maintain the attractiveness of our services to customers.

### **2.1.4 Products and Services**

We currently offer our customers analog cable television services and programming as well as new and advanced high-bandwidth products and services such as cable Internet access, digital television, premium programming and selected interactive television services. We continue to focus on our cable Internet access, digital television and telephony services, which are increasingly desired by customers. With our advanced broadband network, our objective is to increase penetration of value-added services such as video-on-demand, high-definition television, as well as interactive programming and advertising.

We also offer cable telephony service in Quebec, a product that leverages our customer base with our telecommunications network and expertise, and wireless telephony through an MVNO-based service.

#### **2.1.4.1 Traditional Cable Television Services**

Customers subscribing to our traditional analog "basic" and analog "extended basic" services generally receive a line-up of 44 channels of television programming, depending on the bandwidth capacity of their local cable system. Customers who pay additional amounts can also subscribe to additional channels, either individually or in packages. We aim to tailor our channel packages to satisfy the specific needs of the different customer segments we serve.

Our analog cable television service offerings include the following:

- *Basic Service.* All of our customers receive a package of basic programming, consisting of local broadcast television stations, the four U.S. commercial networks and PBS, selected Canadian specialty programming services, and local and regional community programming. Our basic service customers generally receive 27 channels on basic cable.

- *Extended Basic Service.* This expanded programming level of services, which is generally comprised of approximately 17 channels, includes a package of French- and English-language specialty television programming and U.S. cable channels in addition to the basic service channel line-up described above. Branded as “Telemax”, this service was introduced in almost all of our markets largely to satisfy customer demand for greater flexibility and choice.

#### **2.1.4.2 Advanced Cable-Based Products and Services**

Cable’s large bandwidth is a key factor in the successful delivery of advanced products and services. Several emerging technologies and increasing Internet usage by our customer base have presented us with significant opportunities to expand our sources of revenue. We currently offer a variety of advanced products and services, including cable Internet access, digital television, cable telephony and selected interactive services. We intend to continue to develop and deploy additional services to further broaden our service offering.

- *Cable Internet Access.* Leveraging our advanced cable infrastructure, we offer cable Internet access to our residential customers primarily via cable modems attached to personal computers. We provide this service at speeds of up to 360 times the speed of a conventional telephone modem. Since 2008, we offer Wideband services, which offer speeds of up to 900 times the speed of a conventional telephone modem. As of December 31, 2009, we had 1,170,570 cable Internet access customers, representing 65.9% of our basic customers and 45.5% of our total homes passed. Based on internal estimates, we are the largest provider of Internet access services in the areas we serve with an estimated market share of 55.5% as of December 31, 2009.
- *Digital Television.* We have installed headend equipment capable of delivering digitally encoded transmissions to a two-way digital-capable set-top box in the customer’s home. This digital connection provides significant advantages. In particular, it increases channel capacity, which allows us to increase both programming and service offerings while providing increased flexibility in packaging our services. Our basic digital package includes 29 television channels, 41 audio services providing CD-quality music, 18 AM/FM radio channels, an interactive programming guide as well as television-based e-mail capability. Our extended digital basic television offering, branded as “*sur mesure*” (i.e., individual channel selections), offers customers the ability to select more than 200 additional channels of their choice, including U.S. super-stations and other special entertainment programs, allowing them to customize their choices. This also offers customers significant programming flexibility including the option of French-language only, English-language only or a combination of French- and English-language programming, as well as many foreign-language channels. We also offer pre-packaged themed service tiers in the areas of news, sports and discovery. Customers who purchase basic service and one customized package can also purchase channels on an *sur mesure* basis at a specified cost per channel per month. As part of our digital service offering, customers can also purchase near-video-on-demand services on a per-event basis. As of December 31, 2009, we had 1,084,100 customers for our digital television service, representing 61.0% of our basic customers and 42.1% of our total homes passed. Our customers currently have the option to purchase or lease the digital set-top boxes required for digital service. We believe that the sale of equipment to customers improves customer retention, and, as of December 31, 2009, we had 1,484,065 set-top boxes deployed, of which approximately 97% were owned by customers and 3% were leased.
- *Cable Telephony.* In January 2005, we launched our cable telephony service using VoIP technology in selected areas of the Province of Quebec, and since then we have been progressively rolling-out this offering among our other residential and commercial

customers in the Province of Quebec. As of December 31, 2009, our cable telephony service is available to 99% of our homes passed. Our cable telephony service includes both local and long-distance calling, and permits all of our telephony customers, both residential and commercial, to access all service features mandated by Canadian Radio-television and Telecommunications Commission (“**CRTC**”) Decision 97-8 and other regulatory decisions and orders, including: enhanced 911 Emergency service; number portability from and to any local exchange carrier; a message relay service allowing subscribers to communicate with the hearing impaired; and a variety of personal privacy features including universal call tracing. We also offer free basic listings in local telephone directories, as well as full operator assistance, including: operator-assisted calls; collect and third-party calls; local, national and international directory assistance; person-to-person calls; and busy-line verification. Finally, we offer as part of our telephony service a host of convenient, optional features, including: name and number caller ID; call waiting with long-distance distinctive ring and audible indicator tone; name and number caller ID on call waiting; visual indicator of a full voice mail box and audible message waiting indicators; automatic call forwarding; three-way conference calling; automatic recalling; and last incoming call identification and recall. VoIP allows us to deliver new cutting-edge features, such as voice-mail to e-mail functionality, which allows customers to access their voice-mail via e-mail in the form of audio-file attachments. We offer discounts to our bundled customers, when compared to the sum of the prices of the individual services provided to these customers. We also offer discounts for a second telephone line subscription. In addition, we offer a Softphone service, a computer-based service providing users with more flexibility when traveling, the ability to make local calls anywhere in the world, and new communications management capabilities. As of December 31, 2009, we had 1,014,038 subscribers to our cable telephony service, representing a penetration rate of 57.1% of our basic cable subscribers and 39.4% of our homes passed.

- *Video-On-Demand.* Video-on-demand service enables digital cable customers to rent from a library of movies, documentaries and other programming through their digital set-top box. Our digital cable customers are able to rent their video-on-demand selections for a period of 24 hours, which they are then able to watch at their convenience with full stop, rewind, fast forward, pause and replay functionality during that period. Our video-on-demand service is available to 99% of the homes passed by us. We sometimes group movies, events or TV programs available on video-on-demand and offer them on a weekly basis. Regulations prevent us from offering such blocks of programs for a longer period. We also offer a substantial amount of video-on-demand content free of charge to our digital cable customers, comprised predominantly of previously aired television programs and youth-oriented programming. In addition, we offer pay television channels on a subscription basis that permits our customers to access and watch most of the movies available on the linear Pay TV channels these clients subscribe to.
- *Pay-per-view (Canal Indigo).* On December 1, 2009, Videotron acquired from TVA Group the licence to operate “Canal Indigo”, a pay-per-view channel where our digital customers can order live events and movies based on a pre-determined schedule.
- *Other Products and Services.* To maintain and enhance our market position, we are focused on increasing penetration of high-definition television and personal video recorders, as well as other high-value products and services.

#### **2.1.4.3 Wireless Telephony**

Our wireless business, which we launched in the third quarter of 2006, continues to experience subscriber growth (reaching 82,813 subscribers as of December 31, 2009). We launched our MVNO-based service to help us understand the dynamics of the wireless business. We lease the

network from Rogers Wireless but perform all other operational functions such as billing, handsets procurement, call centers, order management systems and so on. We therefore have developed the backoffice system infrastructure necessary to efficiently manage our own facilities-based service which is already operational.

Following our participation in Canada's spectrum auction for third generation AWS, we are currently pursuing the build-out of a network infrastructure to become a facilities-based provider offering advanced wireless telephony services. The build-out of our AWS project – a greenfield investment – has gained significant momentum since the acquisition of spectrum in the third quarter of 2008. As of December 31, 2009, all services and switching platforms have been installed and are operational, and interconnections have been established with our existing fiber network, underpinning the delivery of a unique, integrated customer experience. Multi-phase reliability testing of these platforms is currently underway. As of December 31, 2009, we have successfully entered into several site access agreements or had tower-sharing requests accepted in respect of nearly 60% of all antenna sites required for the AWS launch. Furthermore, the equipment for most of the contracted sites has been installed or is in the process of being installed.

We anticipate launching our AWS offering in the summer of 2010, when our new High Speed Packet Access network is expected to be operational. Our objective is to bring consumers and small businesses an offering of advanced wireless telecommunications services that is based on effective, reliable technology, diverse and convergent content and unambiguous business policies.

#### 2.1.4.4 Customer Statistics Summary

The following table summarizes our customer statistics for our analog and digital cable and advanced products and services:

	<b>As of December 31,</b>				
	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>
Homes passed <sup>(1)</sup> .....	2,575,315	2,542,859	2,497,403	2,457,213	2,419,335
<b>Cable</b>					
Basic customers <sup>(2)</sup> .....	1,777,025	1,715,616	1,638,097	1,572,411	1,506,113
Penetration <sup>(3)</sup> .....	69.0%	67.5%	65.6%	64.0%	62.3%
Digital customers .....	1,084,100	927,322	768,211	623,646	474,629
Penetration <sup>(4)</sup> .....	61.0%	54.1%	46.9%	39.7%	31.5%
Number of digital set-top boxes	1,484,065	1,209,595	953,393	738,530	537,364
<b>Dial-up Internet Access</b>					
Dial-up customers.....	4,988	6,533	9,052	13,426	18,034
<b>Cable Internet Access</b>					
Cable modem customers.....	1,170,570	1,063,847	932,989	791,966	637,971
Penetration <sup>(3)</sup> .....	45.5%	41.8%	37.4%	32.2%	26.4%
<b>Telephony Services</b>					
Cable telephony customers .....	1,014,038	851,987	636,352	397,860	162,979
Penetration <sup>(3)</sup> .....	39.4%	33.5%	25.5%	16.2%	6.7%
Wireless telephony lines.....	82,813	63,402	45,077	11,826	–

(1) "Homes passed" means the number of residential premises, such as single dwelling units or multiple dwelling units, and commercial premises passed by the cable television distribution network in a given cable system service area in which the programming services are offered.

- (2) Basic customers are customers who receive basic cable service in either the analog or digital mode.
- (3) Represents customers as a percentage of total homes passed.
- (4) Represents customers for the digital service as a percentage of basic customers.

In the year ended December 31, 2009, we recorded a net increase of 61,409 basic cable customers. During the same period, we also recorded net additions of: 106,723 subscribers to our cable Internet access service; 156,778 customers to our digital television service, the latter of which includes customers who have upgraded from our analog cable service; and 162,051 customers to our cable telephony services. In 2009, we activated 19,411 lines on our mobile wireless telephony services.

#### **2.1.4.5 Business Telecommunications Services**

Our Business Solution segment provides a wide range of network solutions, Internet services, application/server hosting, local and long-distance telephone service, and studio-quality audio-video services to large and medium-sized businesses, ISPs, application service providers (“ASP”), broadcasters and carriers in both Quebec and Ontario.

#### **2.1.4.6 Video Stores**

Through Le SuperClub Videotron, we are the franchisor of the largest chain of video and video game rental stores in Quebec and among the largest of such chains in Canada, with a total of 236 retail locations. With 157 of these retail locations offering our suite of services and products, Le SuperClub Videotron is both a showcase and a valuable and cost-effective distribution network for Videotron’s growing array of advanced products and services, such as cable Internet access, digital television and mobile wireless telephony.

#### **2.1.5 Pricing of Products and Services**

Our revenues are derived principally from the monthly fees our customers pay for cable services. The rates we charge vary based on the market served and the level of service selected. Rates are usually adjusted annually. We also offer discounts to our bundled customers, when compared to the sum of the prices of the individual services provided to these customers. As of December 31, 2009, the average monthly fees for basic and extended basic service were \$25.43 and \$39.56, respectively, and the average monthly fees for basic and extended basic digital service were \$14.99 and \$43.67, respectively. A one-time installation fee, which may be waived in part during certain promotional periods, is charged to new customers. Monthly fees for rented equipment, such as set-top boxes, are also charged to customers.

Although our service offerings vary by market, because of differences in the bandwidth capacity of the cable systems in each of our markets and competitive and other factors, our services are typically offered at monthly price ranges, which reflect discounts for bundled service offerings, as follows:

<b>Service</b>	<b>Price Range</b>
Basic analog cable.....	\$15.07 – \$30.88
Extended basic analog cable.....	\$29.50 – \$43.19
Basic digital cable .....	\$13.98 – \$15.98
Extended basic digital cable .....	\$28.98 – \$77.98
Pay-television.....	\$2.00 – \$29.99
Pay-per-view (per movie or event) .....	\$4.49 – \$59.99
Video-on-demand (per movie or event).....	\$0.99 - \$29.99
Dial-up Internet access .....	\$9.95 - \$19.95
Cable Internet access .....	\$27.95 - \$89.95
Cable telephony.....	\$16.95 - \$22.95
Mobile wireless telephony.....	\$22.65 - \$78.35

### **2.1.6 Network Technology**

As of December 31, 2009, our cable systems consisted of 21,394 km of fiber optic cable and 37,640 km of coaxial cable, passing approximately 2.6 million homes and serving approximately 2.0 million customers. Our network is the largest broadband network in Quebec covering approximately 80% of cable homes passed and, according to our estimates, more than 80% of the businesses located in the major metropolitan areas of Quebec. Our extensive network supports direct connectivity with networks in Ontario, Eastern Quebec, the Maritimes and the United States.

The following table summarizes the current technological state of our systems, based on the percentage of our customers who have access to the bandwidths listed below and two-way (or “bi-directional”) capability:

	<b>450 MHz and Under</b>	<b>480 to 625 MHz</b>	<b>750 to 860 MHz</b>	<b>Two-Way Capability</b>
December 31, 2005	2%	23%	75%	98%
December 31, 2006	2%	23%	75%	98%
December 31, 2007	1%	2%	97%	99%
December 31, 2008	1%	0%	99%	99%
December 31, 2009	1%	0%	99%	99%

Our cable television networks are comprised of four distinct parts including signal acquisition networks, main headends, distribution networks and subscriber drops. The signal acquisition network picks up a wide variety of television, radio and multimedia signals. These signals and services originate from either a local source or content provider or are picked up from distant sites chosen for satellite or over-the-air reception quality and transmitted to the main headends by way of over-the-air links, coaxial links or fiber optic relay systems. Each main headend processes, modulates, scrambles and combines the signals in order to distribute them throughout the network. Each main headend is connected to the primary headend in order to receive the digital MPEG2 signals and the IP Backbone for the Internet services. The first stage of this distribution consists of a fiber optic link which distributes the signals to distribution or secondary headends. After that, the signal uses the hybrid fibre coaxial cable network made of wide-band optical nodes, amplifiers and coaxial cables capable of serving up to 30 km in radius from the distribution or secondary headends to the subscriber drops. The subscriber drop brings the signal into the customer’s television set directly or, depending on the area or the services selected, through various types of customer equipment including set top boxes and cable modems.

We have adopted the hybrid fiber coaxial (HFC) network architecture as the standard for our ongoing system upgrades. Hybrid fibre coaxial network architecture combines the use of fiber optic cable with coaxial cable. Fiber optic cable has excellent broadband frequency characteristics, noise immunity and physical durability and can carry hundreds of video and data channels over extended distances. Coaxial cable is less expensive and requires greater signal amplification in order to obtain the desired transmission levels for delivering channels. In most systems, we deliver our signals via fiber optic cable from the headend to a group of nodes to the homes passed served by that node. Our system design provides for cells of approximately 500 homes each to be served by fiber optic cable. To allow for this configuration, secondary headends were put into operation in the greater Montreal area and in the greater Quebec City area. Remote secondary headends must also be connected with fiber optic links. The loop structure of the two-way networks brings reliability through redundancy, the cell size improves flexibility and capacity, while the reduced number of amplifiers separating the home from the headend improves signal quality and reliability. Our network design provides us with significant flexibility to offer customized programming to individual cells of approximately 500 homes, which is critical to our advanced services, such as video-on-demand, Switched Digital Video Broadcast and the continued expansion of our interactive services. Our network design also allows for further segmentation from 500 to 250 or 125 homes where cable, Internet and telephony service penetration requires higher network capacity. We also believe that our network design provides high capacity and superior signal quality that will enable us to provide to our current and future customers new advanced products and services in addition to those currently offered by us.

Our strategy of maintaining a leadership position in respect of the suite of products and services that we offer and launching new products and services requires investments in our network to support growth in our customer base and increases in bandwidth requirements. Approximately 99% of our network in Quebec has been upgraded to a bandwidth of 750 MHz or greater. Also, in light of the greater availability of high definition television, or HDTV programming, the ever increasing speed of Internet access and increasing demand for our cable telephony service, further investment in the network will be required.

Following our participation in Canada's spectrum auction for third generation AWS, we are currently pursuing the buildout of a network infrastructure to become a facilities-based provider offering advanced wireless telephony services. The build-out of our AWS project – a greenfield investment – has gained significant momentum since the acquisition of spectrum in the third quarter of 2008. Videotron anticipates launching its AWS offering in the summer of 2010, when its new High Speed Packet Access network is expected to be operational.

#### **2.1.7 Marketing and Customer Care**

Our long term marketing objective is to increase our cash flow through deeper market penetration of our services, development of new services and continued growth in revenue per customer. We believe that customers will come to view their cable connection as the best distribution channel to the home for a multitude of services. To achieve this objective, we are pursuing the following strategies:

- develop attractive bundle offers to encourage our customers to subscribe to two or more products, which increases ARPU and customer retention as well as increasing our operating margin;
- continue to rapidly deploy advanced products and services such as cable Internet access, digital television, cable telephony and mobile wireless telephony services;
- design product offerings that provide greater opportunity for customer entertainment and information choices;

- target marketing opportunities based on demographic data and past purchasing behavior;
- develop targeted marketing programs to attract former customers, households that have never subscribed to our services and customers of alternative or competitive services;
- enhance the relationship between customer service representatives and our customers by training and motivating customer service representatives to promote advanced products and services;
- leverage the retail presence of Le SuperClub Videotron and third-party commercial retailers;
- cross-promote the wide variety of content and services offered within the Quebecor Media group (including, for example, the content of TVA Group productions and the 1-900 service for audience voting during reality television shows popular in Quebec) in order to distribute our cable, data transmission, cable telephony and mobile wireless telephony services to our existing and future customers;
- introduce new value-added packages of products and services, which we believe increases ARPU and improves customer retention; and
- leverage our business market, using our network and expertise with our commercial customer base, which should enable us to offer additional bundled services to our customers and may result in new business opportunities.

We continue to invest time, effort and financial resources in marketing new and existing services. To increase both customer penetration and the number of services used by our customers, we use coordinated marketing techniques, including door-to-door solicitation, telemarketing, media advertising, e-marketing and direct mail solicitation.

Maximizing customer satisfaction is a key element of our business strategy. In support of our commitment to customer satisfaction, we provide a 24-hour customer service hotline seven days a week for nearly all of our systems, in addition to our web-based customer service capabilities. All of our customer service representatives and technical support staff are trained to assist our customers with respect to all products and services we offer, which in turn allows our customers to be served more efficiently and seamlessly. Our customer care representatives continue to receive extensive training to develop customer contact skills and product knowledge, which are key contributors to high rates of customer retention as well as to selling additional products and services and higher levels of service to our customers. To assist us in our marketing efforts, we utilize surveys, focus groups and other research tools as part of our efforts to determine and proactively respond to customer needs.

### **2.1.8 Programming**

We believe that offering a wide variety of conveniently scheduled programming is an important factor in influencing a customer's decision to subscribe to and retain our cable services. We devote resources to obtaining access to a wide range of programming that we believe will appeal to both existing and potential customers. We rely on extensive market research, customer demographics and local programming preferences to determine our channel and package offerings. The CRTC currently regulates the distribution of foreign content in Canada and, as a result, we are limited in our ability to provide such programming to our customers. We obtain basic and premium programming from a number of suppliers, including TVA Group.

Our programming contracts generally provide for a fixed term of up to seven years, and are subject to negotiated renewal. Programming tends to be made available to us for a flat fee per

customer. Our overall programming costs have increased in recent years and may continue to increase due to factors including, but not limited to, additional programming being provided to customers as a result of system rebuilds that increase channel capacity, increased costs to produce or purchase specialty programming and inflationary or negotiated annual increases.

### 2.1.9 Competition

We operate in a competitive business environment in the areas of price, product and service offerings and service reliability. We compete with other providers of television signals and other sources of home entertainment. In addition, as we expand into additional services such as Internet, cable telephony and mobile wireless telephony services, we may face additional competition. Our principal competitors include over-the-air television and providers of other entertainment, direct broadcast satellite (“**DBS**”), digital subscriber line (“**DSL**”), private cable, other cable distribution Incumbent local exchange carriers (“**ILECs**”) and wireless distribution. We also face competition from illegal providers of cable television services and illegal access to both foreign DBS (also called grey market piracy) as well as from signal theft of DBS that enables customers to access programming services from U.S. and Canadian DBS services without paying any fee (also called black market piracy).

- *Over-the-air Television and Providers of Other Entertainment.* Cable television has long competed with broadcast television, which consists of television signals that the viewer is able to receive without charge using an over-the air antenna. The extent of such competition is dependent upon the quality and quantity of broadcast signals available through over-the-air reception compared to the services provided by the local cable system. Cable systems also face competition from alternative methods of distributing and receiving television signals and from other sources of entertainment such as live sporting events, movie theatres and home video products, including digital recorders, DVD players and video games. The extent to which a cable television service is competitive depends in significant part upon the cable system’s ability to provide a greater variety of programming, superior technical performance and superior customer service than are available over the air or through competitive alternative delivery sources.
- *Direct Broadcast Satellite.* DBS is a significant competitor to cable systems. DBS delivers programming via signals sent directly to receiving dishes from medium- and high-powered satellites, as opposed to cable delivery transmissions. This form of distribution generally provides more channels than some of our television systems and is fully digital. DBS service can be received virtually anywhere in Canada through the installation of a small rooftop or side-mounted antenna. Like digital cable distribution, DBS systems use video compression technology to increase channel capacity and digital technology to improve the quality of the signals transmitted to their customers.
- *DSL.* The deployment of DSL technology provides customers with Internet access at data transmission speeds greater than that available over conventional telephone lines. DSL service is comparable to cable-modem Internet access over cable systems. We also face competition from other providers of DSL service.
- *VDSL.* The penetration of the Internet Protocol television (“**IPTV**”) has increased steadily since the CRTC and Industry Canada authorized video digital subscriber line (“**VDSL**”) services. VDSL technology increases the available capacity of DSL lines, thereby allowing the distribution of digital video. Multi-system operators are now facing competition from iLECs, which have been granted licenses to launch video distribution services using this technology, which operates over copper phone lines. In Canada, VDSL is offered in urban areas by Bell Aliant in Atlantic Canada, SaskTel in Saskatchewan, Manitoba Telecom Services Inc. in Manitoba, TELUS Corporation in Alberta and British Columbia, Bell Internet in Ontario and Bell TV’s service in some large

multi-residential buildings in certain urban centres, and, in our markets ILECs have been installing this new technology. The transmission capabilities of VDSL will be significantly boosted with the deployment of technologies such as vectoring (the reduction or elimination of the effects of far-end crosstalk) and twisted pair bonding (use of additional twisted pairs to increase data carriage capacity). Certain ILEC have already started replacing many of their main feeds with fibre optic cable and positioning VDSL transceivers, a VDSL gateway, in larger multiple-dwelling units, in order to overcome the initial distance limitations of VDSL. With this added capacity, along with the evolution of compression technology, VDSL-2 will offer significant opportunities for services and increase its competitive threat against other multi-system operators. .

- *Private Cable.* Additional competition is posed by satellite master antenna television systems known as “SMATV systems” serving multi-dwelling units, such as condominiums, apartment complexes, and private residential communities.
- *Other Cable Distribution.* Currently, a cable operator offering television distribution and providing cable-modem Internet access service is serving the greater Montreal area. This cable operator is owned by the regional ILEC.
- *Wireless Distribution.* Cable television systems also compete with wireless program distribution services such as multi-channel MDS (multipoint distribution systems). This technology uses microwave links to transmit signals from multiple transmission sites to line-of-sight antennas located within the customer’s premises.
- *Grey and Black Market DBS Providers.* Cable and other distributors of television signals continue to face competition from the use of access codes and equipment that enable the unauthorized decoding of encrypted satellite signals, from unauthorized access to our analog and digital cable signals (black market) and from the reception of foreign signals through subscriptions to foreign satellite television providers that are not lawful distributors in Canada (grey market).
- *Telephony Service.* Our cable telephony service competes against other telephone companies, including both the incumbent telephone service provider in Quebec, which used to control a significant portion of the telephony market in Quebec, as well as other VoIP telephony service providers and mobile wireless telephone service providers.
- *Mobile wireless telephony services.* Our current MVNO-based mobile wireless telephony service competes against a mix of competitors, some of them being active in all the products we offer, while others only offer mobile wireless telephony services in our market. As a facilities-based wireless provider, we will compete primarily with established incumbent wireless service providers (“WSPs”) and MVNOs, and could in the future compete with other new entrant companies, including other MVNOs. In addition, users of wireless voice and data systems may find their communications needs satisfied by other current or developing technologies, such as Wi-Fi, WiMax, “hotspots” or trunk radio systems, which have the technical capability to handle wireless data communication and mobile telephone calls. Our wireless business will also compete with rivals for dealers and retail distribution outlets.
- *Other ISPs.* In the Internet access business, cable operators compete against other ISPs offering residential and commercial Internet access services. The CRTC requires the large Canadian incumbent cable operators to offer access to their high speed Internet system to competitive ISPs at mandated rates.

### 2.1.10 Ownership

Through Quebecor Media, we owned, as at December 31, 2009, all of the equity and voting interests in Videotron.

## 2.2 NEWS MEDIA

### 2.2.1 Business Overview

Our newspaper publishing operations, which we operate through our Sun Media and Osprey Media operating subsidiaries, are the largest newspaper publisher in Canada based on total paid and unpaid circulation. With a 19.2% market share, Sun Media itself is also the second largest newspaper publisher in Canada in terms of weekly paid circulation, according to statistics published by the Canadian Newspaper Association, or “CNA”, for the average of the six months ended March 31, 2008 and September 30, 2008, which is the most recent available data. Our News Media segment publishes 36 paid-circulation dailies and 198 community newspapers, magazines, weekly buyers’ guides, farm publications and other specialty publications. As of December 31, 2009, the combined weekly circulation of our News Media segment’s paid newspapers was approximately 14.8 million copies, according to internal statistics.

Sun Media publishes 185 publications across Canada, both in urban markets, including nine of the top ten urban markets in Canada, and in community markets. Sun Media publishes 17 paid daily newspapers, and according to the NADbank® Study referred to below in section “– Newspaper Operations – The Urban Daily Group – Paid daily newspapers” of this annual information form, each of Sun Media’s eight urban daily newspapers ranks either first or second in its market in terms of weekly readership. Sun Media also publishes 162 weekly newspapers, shopping guides and agricultural and other specialty publications, as well as six free daily commuter publications: *24 Hours* in Toronto, Vancouver, Ottawa, Calgary and Edmonton and *24 Heures* in Montreal.

Osprey Media publishes local daily and non-daily newspapers in Ontario, together with other print products including magazines. Osprey Media’s publications are comprised of 19 daily newspapers and 30 non-daily newspapers, as well as numerous specialty publications, including shopping guides. The vast majority of Osprey Media’s revenues are generated from its newspapers. Osprey Media’s publications have an established presence on the Internet and offer classified and local advertising, as well as other services for local advertisers and readers. Osprey Media also engages in the distribution of inserts and flyers and commercial printing for third parties, and operates several trade shows.

Since the fourth quarter of 2008, Quebecor Media’s News Media segment has included Internet portals operations consisting in e-commerce, information and communication services. Canoe operates the Internet portal network of the same name, which logs over 8.9 million unique visitors per month in Canada, including more than 4.0 million in Quebec (according to ComScore Media Metrix figures for December 2009).

Our News Media segment is also engaged in the distribution of newspapers and magazines through Sun Media’s Messageries Dynamiques business, and it offers commercial printing and related services to other publishers through its national network of printing and production facilities. In June 2009, we have announced the creation of Quebecor Media Network, a new flyer-printing and distribution division in Quebec. In September and October 2009, Sun Media entered into joint distribution agreements with Canwest Publishing Inc. (“Canwest”) and the National Post Company. Under these agreements, each party assumes the home delivery and single copy delivery functions for some of the other party’s publications in the respective markets of those publications. These distribution agreements will allow the companies to leverage their existing carrier forces and improve operating income. Finally, through our Quebecor MediaPages

division, launched in November 2007, our News Media segment also conducts a combination of print and online directory publishing operations.

### **2.2.2 Canadian Newspaper Publishing Industry Overview**

Newspaper publishing is the oldest segment of the advertising based media industry in Canada. The industry is mature and is dominated by a small number of major newspaper publishers largely segmented in different markets and geographic areas, of which Sun Media and Osprey Media combined are the largest, with a combined average weekly circulation (paid and unpaid) of approximately 14.8 million copies, according to internal statistics. According to the CNA's circulation data for the average of the six months ended March 31, 2008 and September 30, 2008 (the "CNA's Circulation Data"), the most recent data available, Sun Media's and Osprey Media's combined 24.6% market share of paid weekly circulation for Canadian daily newspapers is exceeded only by CanWest Media Inc., with a 30.3% market share, and is followed by Torstar Corporation (11.9%), Power Corporation (11.0%), and CTVglobemedia Inc. (7.1 %).

According to the CNA, there are approximately 98 paid circulation daily newspapers, numerous paid non-daily publications and free-distribution daily and non-daily publications. Of the 98 paid circulation daily newspapers, 24 have average weekday circulation in excess of 50,000 copies. These include 18 English-language metropolitan newspapers, four French language daily newspapers and two national daily newspapers. In addition to daily newspapers, both paid and unpaid non-daily newspapers are distributed nationally and locally across Canada. Newspaper companies may also produce and distribute niche publications that target specific readers with customized editorial content and advertising. The newspaper market consists primarily of two segments, broadsheet and tabloid newspapers, which vary in format. With the exception of the broadsheet the London Free Press, all of Sun Media's urban paid daily newspapers are tabloids.

Newspaper publishers derive revenue primarily from the sale of retail, classified, national and insert advertising, and to a lesser extent through paid subscriptions and single copy sales of newspapers. The mature nature of the Canadian newspaper industry has resulted in limited growth, if any, for traditional newspaper publishers, for many years, and the newspaper industry is now undergoing fundamental changes, including the growing availability of free access to media, shifting readership habits, digital transferability, the advent of real-time information and secular changes in the advertising market. As a result of these changes in the market, competition in the newspaper industry now comes not only from other newspapers (including other national, metropolitan (both paid and free) and suburban newspapers), magazines and more traditional media platforms, such as broadcasters, cable systems and networks, satellite television and radio, direct marketing and solo and shared mail programs, but also from digital media technologies, which have introduced a wide variety of media distribution platforms (including, most significantly, the Internet and distribution over wireless devices) to consumers and advertisers. As a result, the newspapers industry is facing challenges to retain its revenues and circulation/readership, as advertisers and readers become increasingly fragmented in the increasingly populated media landscape.

### **2.2.3 Advertising and Circulation**

Advertising revenue is the largest source of revenue for our newspaper operations, representing 75.0% of our newspaper operations' total revenues in 2009. Advertising rates are based upon the size of the market in which each newspaper operates, circulation, readership, demographic composition of the market and the availability of alternative advertising media. Our strategy is to maximize advertising revenue by providing advertisers with a range of pricing and marketing alternatives to better enable them to reach their target audience. Our newspapers offer a variety of advertising alternatives, including full-run advertisements in regular sections of the newspaper targeted to different readers (including automotive, real estate and travel), geographically-targeted inserts, special interest pullout sections and advertising supplements.

The principal categories of advertising revenues in our newspaper operations are classified, retail and national advertising. Classified advertising has traditionally accounted for the largest share of our advertising revenues in our urban daily newspapers for the year ended December 31, 2009 (43.8% for the year) followed by retail advertising (35.0% for the year) and national advertising (17.9% for the year). Classified advertising is made up of four principal sectors: automotive, private party, recruitment and real estate. Automotive advertising is the largest classified advertising category, representing approximately 52.3% of all of our classified advertising, in terms of revenue, for the year ended December 31, 2009. Retail advertising is display advertising principally placed by local businesses and organizations. Most of our retail advertisers are department stores, electronics stores and furniture stores. National advertising is display advertising primarily from advertisers promoting products or services on a national basis. Our national advertisers are principally in the retail automotive sector.

In the smaller community papers, substantially all of the advertising revenues are derived from local retailers and classified advertisers. These newspapers publish advertising supplements with specialized themes such as agriculture, tourism, home improvement and gardening to encourage advertisers to purchase additional linage in these special editions.

We believe our advertising revenues are diversified not only by category (classified, retail and national), but also by customer and geography. For the year ended December 31, 2009, our top ten national advertisers accounted for approximately 7.5% of the total advertising revenue and approximately 5.6% of the total revenue of our News Media segment. In addition, because we sell advertising in numerous regional markets in Canada, the impact of a decline in any one market can be offset by strength in other markets.

Circulation sales are our newspaper operations' second-largest source of revenue and represented 17.9% of total revenues of our News Media segment in 2009. In the large urban markets, newspapers are available through newspaper boxes and retail outlets Monday through Sunday, except *London Free Press*, which discontinued on December 21, 2008 the publication of the Sunday edition of its newspaper. We offer daily home delivery in each of our newspaper markets. We derive our circulation revenues from single copy sales and subscription sales. Our strategy is to increase circulation revenue by adding newspaper boxes and point-of-sale locations, as well as expanding home delivery. In order to increase readership, we are targeting editorial content to identified groups through the introduction of niche products, and in recent years we have launched e-editions of a number of our newspapers.

In order to respond to the ongoing transformation of the newspaper industry, which has affected advertising revenues and circulation levels in recent years, and to make adjustments in respect of the deterioration of economic conditions that have affected many of our advertisers in the past months (such as in the automotive sector), we are undertaking initiatives to leverage synergies and convergence among our subsidiaries, including those which are part of our newspaper operations. These initiatives include the integration under a unified executive leadership of Sun Media's operations and Canoe's operations, as well as the launch of e-editions of a number of Sun Media's newspapers. This latter initiative provides our advertisers with added-value and exposure on the Internet platform, which we hope will allow us to retain and secure certain advertising revenues. Furthermore, we have transferred the printing of several of our publications to two state-of-the-art facilities owned by Quebecor Media Printing (a wholly-owned subsidiary of Quebecor Media), we have created Quebecor Media Network, and our News Media business is sharing editorial content with QMI News Agency.

#### **2.2.4 Newspaper Operations**

We operate our newspaper business through two principal subsidiaries, namely Sun Media and Osprey Media. We operate in urban and community markets through two groups of products:

- the Urban Daily Group; and
- the Community Newspaper Group.

A majority of Sun Media's newspapers in the Community Newspaper Group are clustered around our eight paid urban dailies in the Urban Daily Group. Sun Media has strategically established its community newspapers near regional printing facilities in suburban and rural markets across Canada. This geographic clustering enables us to realize operating efficiencies and economic synergies through sharing of management, production, printing, and distribution, as well as accounting and human resources functions.

Through Quebecor Media Printing, a subsidiary of Quebecor Media, we operate two printing state-of-the-art facilities located in Islington, Ontario and Mirabel, Quebec. *24 Hours* in Toronto, the *Toronto Sun*, and a number of Ontario community publications are printed in Islington, Ontario. The *Journal de Montréal* and *24 Heures* (Montreal), as well as a number of our Quebec community publications, are printed in Mirabel, Quebec.

#### **2.2.4.1 The Urban Daily Group**

Sun Media's Urban Daily Group is comprised of eight paid daily newspapers, six free daily commuter publications and three free weekly publications.

##### ***Paid daily newspapers***

Sun Media's paid daily newspapers are published seven days a week and are all tabloids with the exception of the broadsheet the *London Free Press* which, in addition, is no longer published on Sundays. These are mass circulation newspapers that provide succinct and complete news coverage with an emphasis on local news, sports and entertainment. The tabloid format makes extensive use of color, photographs and graphics. Each newspaper contains inserts that feature subjects of interest such as fashion, lifestyle and special sections. In addition, Sun Media's Urban Daily Group includes a distribution business, Messageries Dynamiques.

As of December 31, 2009, on a combined weekly basis, the eight paid daily newspapers in Sun Media's Urban Daily Group have a circulation of approximately 5.6 million copies, according to internal statistics. These newspapers hold either the number one or number two position in each of their respective markets in terms of weekly readership.

Paid circulation is defined as average sales of a newspaper per issue. Readership (as opposed to paid circulation) is an estimate of the number of people who read or looked into an average issue of a newspaper and is measured by an independent survey conducted by NADbank Inc. According to the NADbank® 2008 Study (the "**NADbank® Study**"), the most recent available survey, readership estimates are based upon the number of people responding to the Newspaper Audience Databank survey circulated by NADbank Inc. who report having read or looked into one or more issues of a given newspaper during a given period equal to the publication interval of the newspaper.

The following table lists Sun Media's paid daily newspapers and their respective readership in 2008 as well as their market position by weekly readership during that period:

<b>Newspaper</b>	<b>2008 Average Readership</b>			<b>Market Position by readership<sup>(1)</sup></b>
	<b>Saturday</b>	<b>Sunday</b>	<b>Mon-Fri</b>	
<i>Journal de Montréal</i>	604,600	376,200	578,800	1
<i>Journal de Québec</i>	166,100	119,700	167,400	1
<i>Toronto Sun</i>	510,600	686,900	666,600	2
<i>London Free Press</i>	170,700	111,600 <sup>(2)</sup>	167,000	1
<i>Ottawa Sun</i>	72,700	73,700	119,200	2
<i>Winnipeg Sun</i>	88,300	87,000	109,600	2
<i>Edmonton Sun</i>	131,800	153,600	149,600	2
<i>Calgary Sun</i>	126,000	163,300	161,000	2
<b>Total Average Readership</b>	<b>1,870,800</b>	<b>1,772,000</b>	<b>2,119,200</b>	

(1) Based on paid weekly readership data published by the NADbank<sup>®</sup> Study

(2) The Sunday edition of the *London Free Press* was discontinued after December 21, 2008.

### **Free daily newspapers**

Sun Media publishes free daily commuter publications in six urban markets including Toronto, Montreal, Vancouver, Ottawa, Calgary, and Edmonton. The editorial content of these free daily commuter publications concentrates on the greater metropolitan area of each of these cities, respectively.

The following table reflects the average weekday circulation of our free daily commuter publications:

<b>FREE DAILY COMMUTER PUBLICATIONS</b>	<b>Year ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
<i>24 Hours - Toronto</i> .....	296,900	266,300	257,000
<i>24 Heures - Montreal</i> .....	148,600	145,000	144,900
<i>24 Hours - Vancouver</i> .....	120,700	138,900	137,100
<i>24 Hours - Calgary</i> .....	40,300	46,600	49,600
<i>24 Hours - Edmonton</i> .....	36,100	45,500	47,600
<i>24 Hours - Ottawa</i> .....	32,800	50,700	33,500

Source: Internal Statistics

### **Competition**

The newspaper industry is seeing fundamental changes, including the growing availability of free access to media, shifting readership habits, digital transferability, the advent of real-time information and secular changes in the advertising market, all of which affect the nature of competition in the newspaper industry. Competition increasingly comes not only from other newspapers (including other national, metropolitan (both paid and free) and suburban newspapers), magazines and more traditional media platforms, such as broadcasters, cable systems and networks, satellite television and radio, direct marketing and solo and shared mail programs, but also from digital media technologies, which have introduced a wide variety of

media distribution platforms (including, most significantly, the Internet, digital readers (e-readers) and distribution over wireless devices) to consumers and advertisers.

The rate of development of opportunities in, and competition from, these digital media services, including those related to the Internet, is increasing. Through internal development programs, joint initiatives among Quebecor Media and its subsidiaries, and acquisitions, our efforts to explore new opportunities in news, information and communications businesses have expanded and will continue to do so. For instance, in order to leverage synergies and convergence among our subsidiaries, we have integrated Canoe's operations with Sun Media's operations under a unified executive leadership, we have launched e-editions of a number of Sun Media's newspapers, we have transferred the printing of several of our publications to two state-of-the-art facilities owned by Quebecor Media Printing (our wholly-owned subsidiary), we have created Quebecor Media Network, and our News Media Business is sharing editorial content with QMI News Agency.

#### 2.2.4.2 The Community Newspaper Group

Sun Media's Community Newspaper Group consists of nine paid daily community newspapers, 146 community weekly newspapers and shopping guides, and 13 agricultural and other specialty publications. The total average weekly circulation of the publications in Sun Media's Community Newspaper Group for the year ended December 31, 2009 was approximately 2.5 million free copies and approximately 0.5 million paid copies, according to internal statistics. The table below sets forth the average daily paid circulation and geographic location of the daily newspapers published by Sun Media's Community Newspaper Group for the year ended December 31, 2009:

<u>NEWSPAPER<sup>(1)</sup></u>	<u>LOCATION</u>	<u>AVERAGE DAILY PAID CIRCULATION</u>
<i>Recorder and Times</i>	Brockville, Ontario	9,700
<i>Beacon Herald</i>	Stratford, Ontario	8,300
<i>Daily Herald Tribune</i>	Grande Prairie, Alberta	6,300
<i>Simcoe Reformer</i>	Simcoe, Ontario	5,800
<i>Sentinel-Review</i>	Woodstock, Ontario	5,400
<i>St. Thomas Time-Journal</i>	St. Thomas, Ontario	4,300
<i>Miner &amp; News</i>	Kenora, Ontario	2,900
<i>Fort McMurray Today</i>	Fort McMurray, Alberta	2,100
<i>The Daily Graphic</i>	Portage La Prairie, Manitoba	<u>2,100</u>
<b>Total Average Daily Paid Circulation</b>		<b>46,900</b>

Source: Internal Statistics

(1) The listed newspapers are published at least five days per week, except for the Simcoe Reformer, Miner & News and The Daily Graphic, which are published four days per week.

Osprey Media's operations consist of 19 daily newspapers and 30 non-daily newspapers as well as numerous specialty publications including shopping guides. The total average weekly circulation of the Osprey Media publications for the year ended December 31, 2009 was approximately 0.4 million free copies and approximately 2.0 million paid copies, according to internal statistics.

The table below sets forth the average daily paid circulation and geographic location of the daily newspapers published by Osprey Media for the year ended December 31, 2009:

<b><u>NEWSPAPER</u></b>	<b><u>LOCATION</u></b> (all in Ontario)	<b><u>AVERAGE DAILY PAID CIRCULATION</u></b>
<i>St. Catharines Standard</i> .....	St. Catharines	36,400
<i>Kingston Whig-Standard</i> .....	Kingston	26,000
<i>Peterborough Examiner</i> .....	Peterborough	25,000
<i>Brantford Expositor</i> .....	Brantford	20,600
<i>Niagara Falls Review</i> .....	Niagara Falls	20,600
<i>Sarnia Observer</i> .....	Sarnia	18,200
<i>Sault Star</i> .....	Sault Ste Marie	17,900
<i>Sudbury Star</i> .....	Sudbury	16,900
<i>Owen Sound Sun Times</i> .....	Owen Sound	15,700
<i>Cornwall Standard-Freeholder</i> .....	Cornwall	15,500
<i>Barrie Examiner</i> .....	Barrie	14,800
<i>Welland Tribune</i> .....	Welland	14,400
<i>North Bay Nuggett</i> .....	North Bay	14,100
<i>Belleville Intelligencer</i> .....	Belleville	13,400
<i>Chatham Daily News</i> .....	Chatham	10,700
<i>Timmins, The Daily Press</i> .....	Timmins	8,700
<i>Orillia Packet &amp; Times</i> .....	Orillia	8,200
<i>Pembroke, The Daily Observer</i> .....	Pembroke	6,500
<b>Total Average Daily Paid Circulation</b> .....		<b>303,600</b>

Source: Internal Statistics

Our Community Newspaper Group publications (comprised principally of non-daily newspapers and shopping guides) are distributed throughout Canada. The number of non-daily publications on a regional basis is as follows:

<b><u>Province</u></b>	<b><u>Number of Publications</u></b>
Ontario .....	88
Quebec.....	47
Alberta.....	37
Manitoba .....	12
Saskatchewan.....	4
New Brunswick.....	1
<b>Total Publications</b> .....	<b>189</b>

Our community newspaper publications generally offer news, sports and special features, with an emphasis on local information. We believe that these newspapers cultivate reader loyalty and create franchise value by emphasizing local news, thereby differentiating themselves from national newspapers.

### ***Competition***

Several of the Community Newspaper Group's publications maintain the number one position in the markets that they serve. Our community publications are generally located in small towns and are typically the only daily or weekly newspapers of general circulation published in their respective communities, although some face competition from daily or weekly publications published in nearby locations and circulated in the markets where we publish our daily or weekly publications. Historically, the Community Newspaper Group's publications have been a consistent source of cash flow, derived primarily from advertising revenue.

## **2.2.5 Other Operations**

### **2.2.5.1 Commercial Printing and Distribution**

Sun Media's national network of production and printing facilities enables it to provide printing services for web press (coldset and heatset) and sheetfed products, and graphic design for print and electronic media. Web presses utilize rolls of newsprint, whereas sheetfed presses use individual sheets of paper. Heatset web presses, which involve a more complex process than coldset web presses, are generally associated with printing on glossy paper. Sun Media owns 17 web press and four sheetfed press operations located throughout Canada. These operations provide commercial printing services for both Sun Media's internal printing needs and for third parties. Sun Media's printing facilities include nine printing facilities for the daily publications and ten other printing facilities operated by the Sun Media's Community Newspaper Group in five provinces. Osprey Media operates four web press and one sheetfed press operation in Ontario.

Through our wholly-owned subsidiary Quebecor Media Printing, we operate two printing state-of-the-art facilities located in Islington, Ontario, and Mirabel, Quebec. *24 Hours* in Toronto, the *Toronto Sun*, and a number of Ontario community publications are printed in Islington, Ontario. The *Journal de Montréal* and *24 Heures* (Montreal), as well as a number of our Quebec community publications are printed in Mirabel, Quebec.

Sun Media also offers third-party commercial printing services, which provides us with an additional revenue source that leverages existing equipment with excess capacity. In its third-party commercial printing operations, Sun Media competes with other newspaper publishing companies as well as with commercial printers. Sun Media's competitive strengths in this area include its modern equipment, Sun Media's status in some of our markets as the only local provider of commercial printing services and Sun Media's ability to price projects on a variable cost basis, as Sun Media's core newspaper business covers overhead expenses.

Sun Media's Urban Daily Group includes the distribution business of Messageries Dynamiques, which distributes dailies, weeklies, magazines and other electronic and print media and reaches approximately 200,000 households and 14,000 retail outlets through its operations in Quebec. In June 2009, we have announced the creation of Quebecor Media Network, a new flyer-printing and distribution division in Quebec. Also, in September and October 2009, Sun Media entered into joint distribution agreements with Canwest and the National Post Company. Under these agreements, each party will assume the home delivery and single copy delivery functions for some of the other party's publications in the respective markets of those publications. These distribution agreements will allow the companies to leverage their existing carrier forces and improve operating income.

### **2.2.5.2 Television Station**

Sun Media currently owns a 25.0% interest in SUN TV Company ("SUN TV"), a television station in Toronto, Canada. TVA Group, also one of our subsidiaries, owns the remaining 75.0% of SUN TV. During the second quarter of 2009, as part of a corporate reorganization initiated by us, TVA Group entered into an agreement with Sun Media under which TVA Group has committed to become the sole owner of SUN TV's licence and assets in the future. On December 1, 2009, the CRTC approved the transfer of SUN TV's broadcast license to TVA Group. The transaction is subject to the satisfaction of certain conditions, which currently remain pending.

### **2.2.5.3 Internet/Portals**

Canoe is an integrated company offering e-commerce, information and communication services. It owns the Canoe Network, which, according to the ComScore December 2009 Media Metrix survey, attracts more than 8.9 million unique visitors per month in Canada, including more than 4.0 million

in Quebec. Canoe also owns Jobboom Publishing, Quebec's leader in employment and career publishing. Brought together, Canoe's complementary operations form one of the most complete portfolios of Internet-related properties in Canada.

The Canoe portals network includes all of Canoe's information and service sites for the general public. As such, it is one of the most popular Internet destinations in Canada, in both the English- and French-speaking markets, and a key vehicle for Internet users and advertisers alike. Advertising revenues constitute a large portion of Canoe's annual revenues.

### **Media Properties**

Canoe's media properties include the following portals and destination sites:

- Canoe (*canoe.ca*), a bilingual, integrated media and Internet services network and one of Canada's leading Internet portals with more than 121 million page views in December 2009, according to Canoe internal statistics;
- TVA Group and Le Canal Nouvelles TVA ("LCN") (*tva.canoe.com* and *lcn.canoe.com*) dedicated websites for the TVA television network and the LCN all-news channel (both owned by our subsidiary TVA Group), which has begun streaming TVA and LCN programming live on the websites; in addition, Canoe has developed and operates several websites for popular TVA Group programs, such as *Occupation Double* (*occupationdouble.com*) and *Star Académie* (*staracademie.ca*);
- Sun Media dedicated websites for the weeklies and dailies newspapers (such as *torontosun.com*, *edmontonsun.com*, *journaldequebec.com* and *canoe.com/journaldemontreal*), which provide local and national news;
- *Canoe.tv*, the first Canadian web broadcaster with unique content commissioned by Canoe.tv in addition to video content from traditional sources including Quebecor Media, the Sun Media network of newspapers and various external partners;
- Argent and Canoe Money (*argent.canoe.ca* and *money.canoe.ca*), financial websites which offer, among other things, a variety of services ranging from financial information to portfolio management tools (the Argent website (formerly Webfin) was redesigned in early 2005 in partnership with TVA's financial channel, *Canal Argent* and is now owned by TVA Group but maintained and operated by Canoe);
- *Petitmonde* (*petitmonde.com*), a website dedicated to children and families that Canoe acquired in September 2007 and operates for and on behalf of TVA Group; and
- *CanoeKlix* (*canoeklix.com*), a pay-per-click advertising solution developed by Canoe and launched in 2006.

### **E-commerce Properties**

Canoe's e-commerce properties include the following sites:

- *Jobboom.com*, a unique Web-based employment site with over 2.6 million members at December 31, 2009, which also includes Édition Jobboom (careers book editors) and Jobboom Formation (an Internet directory of continuing education services);
- *Autonet.ca*, one of Canada's leading Internet sites devoted entirely to automobiles;

- *Canoeclassifieds.ca* and *Vitevitevite.ca* (formerly *canoeclasses.ca*), classified ad sites through which visitors can view more than 75,000 classified ads, reaching potential purchasers across the country by integrating more than 250 dailies and community newspapers.;
- *Micasa.ca*, one of the leading real-estate listing sites in Quebec, providing comprehensive property listing services available to all real estate brokers as well as individual homeowners;
- *ReseauContact.com*, a French dating and friendship site with approximately 408,000 unique visitors per month, as of December 2009, according to ComScore Media Metrix; and
- *EspaceCanoie.ca*, an advanced technology platform for social communities that supports the sharing of videos, photos and opinions by users in an innovative Web 2.0-type environment.

### 2.2.6 Seasonality and Cyclicity

Canadian newspaper publishing company operating results tend to follow a recurring seasonal pattern with higher advertising revenue in the spring and in the fall. Accordingly, the second and fourth fiscal quarters are typically our strongest quarters, with the fourth quarter generally being the strongest. Due to the seasonal retail decline and generally poor weather, the first quarter has historically been our weakest quarter.

Our newspaper business is cyclical in nature. Its operating results are sensitive to prevailing local, regional and national economic conditions because of its dependence on advertising sales for a substantial portion of its revenue. Expenditures by advertisers tend to be cyclical reflecting overall economic conditions, as well as budgeting and buying patterns and priorities. In addition, a substantial portion of our advertising revenue is derived from retail and automotive advertisers, who have historically been sensitive to general economic cycles, and our operating results have in the past been materially adversely affected by extended downturns in the Canadian retail and automotive sectors. Similarly, since a substantial portion of our advertising revenue is derived from local advertisers, our operating results in individual markets could be adversely affected by local or regional economic downturns.

### 2.2.7 Raw Materials

Newsprint, which is the basic raw material used to publish newspapers, has historically been and may continue to be subject to significant price volatility. During 2009, the total newsprint consumption of our newspaper operations was approximately 145,000 metric tonnes. Newsprint represents our single largest raw material expense and one of our most significant operating costs. Newsprint expense represented approximately 10.1% (\$83.6 million) of our News Media segment's operating expenses for the year ended December 31, 2009. Changes in the price of newsprint could significantly affect our earnings, and volatile or increased newsprint costs have had, and may in the future have, a material adverse effect on our results of operations and our financial condition. We manage the effects of newsprint price increases through a combination of, among other things, waste management, technology improvements, web width reduction, inventory management, and by controlling the mix of editorial versus advertising content.

In order to obtain more favourable pricing, we source substantially all of our newsprint from a single newsprint producer, AbitibiBowater Inc. ("**AbitibiBowater**"). Pursuant to the terms of our agreement with AbitibiBowater, we obtain newsprint at a discount to market prices, receive additional volume rebates for purchases above certain thresholds, and benefit from a ceiling on the unit cost of newsprint. Our agreement with AbitibiBowater is a short-term agreement, and

there can be no assurance that we will be able to renew this agreement or that AbitibiBowater will continue to supply newsprint to us on favourable terms or at all after the expiry of our agreement. Moreover, our newsprint producer AbitibiBowater voluntarily filed for protection from its creditors in Canada and the United States, meaning that our supply agreement could be repudiated by or on behalf of AbitibiBowater pursuant to Chapter 11 of the *United States Bankruptcy Code* in the United States and the *Companies' Creditors Arrangement Act* ("**CCAA**"). If we are unable to continue to source newsprint from AbitibiBowater on favourable terms or if we are unable to otherwise source sufficient newsprint on terms acceptable to us, our costs could increase materially, which could materially adversely affect our liquidity, results of operations and financial condition.

### **2.2.8 Ownership**

Through Quebecor Media, we owned, as at December 31, 2009, all of the equity and voting interests in Sun Media, Osprey Media and Canoe.

## **2.3 BROADCASTING**

Through our ownership interest in TVA Group, we are the largest private-sector broadcaster of French-language entertainment, information and public affairs programs in North America. According to data published by the Bureau of Broadcast Measurement ("BBM") People Meters (which data are based on a new measurement methodology using audimetry instead of surveys), we had a 27.1% market share of French-speaking viewers in the Province of Quebec in 2009 and according to the Canadian TVB Report for the period from January 1, 2009 through November 30, 2009, we estimate that our share of the Quebec's French-language broadcast television advertising market was also 27.1%.

In 2009, we aired eight of the ten most popular TV programs in the Province of Quebec, including *Star Académie: Le variétés*, *Occupation Double* and *Le Banquier*. In 2009, the Réseau TVA ("**TVA Network**") had 23 of the top 30 French-language prime time television shows, according to BBM People Meter data. Since May 1999, the TVA Network, which consists of ten stations, has been included in the basic channel line-up of most cable and satellite providers across Canada, enabling us to reach a significant portion of the French-speaking population of Canada.

A description of our Broadcasting Segment as carried on by TVA Group is set forth in its Annual Information Form dated March 10, 2010, and relevant excerpts of such description are reproduced at Schedule A to this Annual Information Form.

### **2.3.1 Ownership**

Our subsidiary Quebecor Media owned, as at December 31, 2009, 51.44% of the equity and 99.95% of the voting interests in TVA Group.

## **2.4 LEISURE AND ENTERTAINMENT**

### **2.4.1 Business Overview**

Our activities in the Leisure and Entertainment segment consist primarily of retailing CDs, books, DVDs, musical instruments, games and toys, computer games, gifts and magazines through the Archambault chain of stores and the *archambault.ca* e-commerce site, online sales of downloadable music and books through the *zik.ca* and *Jelis.ca* services, distribution of CDs and videos (through Select, a division of Archambault Group), online music distribution by way of file transfer (through Select Digital, a division of Archambault Group), music recording and video production (through Musicor, a division of Archambault Group), the recording of live concerts and the production of live-event video shows and television advertising (through Les Productions

Select TV, a subsidiary of Archambault Group) and the production of music shows and concerts (through Musicor Spectacles, a division of Archambault Group). Through its new production capacity made possible with Musicor Spectacles and Les Productions Select TV, Archambault Group is now fully integrated in Canada's music industry, as a producer of a wider offering of media solutions, and a growing participant in the live-event production industry.

We are also involved in book publishing and distribution through academic publisher CEC Publishing, 13 general literature publishers under the Sogides umbrella, and Messageries A.D.P. Inc. ("**Messageries A.D.P.**"), the exclusive distributor for approximately 160 Quebec and European French-language publishers.

#### **2.4.2 Cultural Products Production, Distribution and Retailing**

Archambault Group is one of the largest chains of music and book stores in Quebec with 16 retail locations, consisting of 15 Archambault megastores and one *Paragraphe* bookstore. Archambault Group also offers a variety of games, toys and other gift ideas. Archambault Group's products are also distributed through its websites *archambault.ca*. Archambault Group also operates music and books downloading services, known as *zik.ca* and *Jelis.ca*, with per-item fees.

Archambault Group, through Select, is also one of the largest independent music distributors in Canada. Select controls 30% of the Quebec market and 73% of the Quebec French market. Select has a catalogue of over 5,513 different CDs, 1,565 DVDs and VHS videos, a large number of which are from French-speaking artists. In addition, Archambault Group, through Select Digital, is a digital aggregator of downloadable products with a selection of approximately 70,000 songs available through 192 retailers worldwide.

#### **2.4.3 Book Publishing and Distribution**

Through Sogides (which is comprised of 13 publishing houses: six in Groupe Librex Inc., namely Éditions Libre Expression, Éditions Internationales Alain Stanké, Éditions Logiques, Éditions du Trécaré, Éditions Quebecor and Publistar, four in Groupe l'Homme, namely Les Éditions de l'Homme, Le Jour, Utilis, Les Presses Libres and three in Groupe Ville-Marie Littérature inc., namely L'Hexagone, VLB Éditeur and Typo) and the academic publisher CEC Publishing, we are involved in French-language book publishing and we form one of Quebec's largest book publishing groups. In 2009, we published or reissued a total of 537 titles.

Through Messageries A.D.P., our book distribution company, we are the exclusive distributor for 160 Quebec and European French-language publishers. We distribute French-language books to approximately 2,400 retail outlets in Canada.

#### **2.4.4 Competition**

##### Cultural Product Production, Distribution and Retailing

Retailing of CDs, books and videos is carried on by two classes of retailers. On the one hand, specialized retailers offer a wide range of products and professional service to their customers. These retailers control the lion's share of the market. On the other hand, big box retailers offer customers a selection of the most popular CDs, books and videos along with various other products. As a specialized retailer, Archambault Group is constantly adjusting its marketing strategy to face competition from other specialized retailers and big box stores.

The music industry is mainly controlled by four major players (Universal Music Group, Warner Music Group, Corp., Sony Music Entertainment and EMI Group Ltd.) which combine production

and distribution activities. However, the Quebec market is unique due to the fact that the majority of its population is French-speaking and consequently, it has its own star system.

#### Book Publishing and Distribution

In the subsegment of French publishing, our competitors are located in Quebec. In certain specific areas, we are in direct competition with certain large French publishers.

#### **2.4.5 Ownership**

Through Quebecor Media, we owned, as at December 31, 2009, all of the equity and voting interests in Archambault Group, CEC Publishing and Groupe Sogides.

### **2.5 INTERACTIVE TECHNOLOGIES AND COMMUNICATIONS**

#### **2.5.1 Business Overview**

Through Nurun, we provide interactive communication and technology services in North America, Europe and China. Nurun helps companies and other organizations develop interactive strategies, including strategic planning and interface design, technical platform implementation, online marketing programs and client relationships. Nurun's clients include organizations and multi-national corporations such as L'Oréal, Groupe Danone, AT&T, Videotron, Home Depot, Pleasant Holidays, Ferrero, Gore, Volkswagen China, Equifax, Telecom Italia, Sears Canada and the Government of Quebec.

On February 26, 2008, Quebecor Media, through a wholly-owned subsidiary, completed its acquisition, pursuant to a public offer and subsequent compulsory acquisition procedure, of all of the issued and outstanding common shares of Nurun (including common shares issuable upon the exercise of outstanding options, conversion or exchange rights) not already held by Quebecor Media and its affiliates, at a price of \$4.75 per common share. The Nurun common shares were delisted from the Toronto Stock Exchange on February 27, 2008. The aggregate cash consideration paid by Quebecor Media pursuant to this public offer was approximately \$75.2 million.

#### **2.5.2 Competition**

Although the interactive communications and technologies industry is marked by significant concentration and consolidation, there are still a large number of players in the international, national, and regional markets. Nurun's competitors may be communications and marketing or advertising agencies that also provide Web solutions and services in interactive marketing and on-line customer relationship management, technology consulting firms or traditional systems integrators offering certain e-business solutions development services (e-commerce, on-line customer relationship management and interactive marketing), and, finally, graphic communications companies that occasionally specialize in interactive communication program design (Web sites, advertising campaigns).

These competitors vary in technological knowledge, number of employees, and financial resources, but they are all subject to the same market factors when providing interactive communications and technology services and solutions: innovation and creativity, effective methodology, reliability and performance of solutions, skills and experience, availability and productivity of personnel, and production cost. Based on our experience, we believe that Nurun competes favorably with respect to these factors.

### 2.5.3 Ownership

Our subsidiary Quebecor Media owned, as at December 31, 2009, all of the equity and voting interests in Nurun.

## 2.6 INTELLECTUAL PROPERTY

We use a number of trademarks for our products and services. Many of these trademarks are registered by us in the appropriate jurisdictions. In addition, we have legal rights in the unregistered marks arising from their use. We have taken affirmative legal steps to protect our trademarks and we believe our trademarks are adequately protected.

Television programming and motion pictures are granted legal protection under the copyright laws of the countries in which we operate, and there are substantial civil and criminal sanctions for unauthorized duplication and exhibition. The content of our newspapers and websites is similarly protected by copyright. We own copyright in each of our publications as a whole, and in all individual content items created by our employees in the course of their employment, subject to very limited exceptions. We have entered into licensing agreements with wire services, freelancers and other content suppliers on terms that we believe are sufficient to meet the needs of our publishing operations. We believe we have taken appropriate and reasonable measures to secure, protect and maintain our rights or obtain agreements from licensees to secure, protect and maintain copyright protection of content produced or distributed by us.

We have registered a number of domain names under which we operate websites associated with our television, publishing and Internet operations. As every Internet domain name is unique, our domain names cannot be registered by other entities as long as our registrations are valid.

## 2.7 EMPLOYEES

At December 31, 2009, we had approximately 15,710 employees on a consolidated basis. A number of our employees work part-time. The following table sets forth certain information relating to our employees in each of our operating segments as of December 31, 2009.

<b>Operations</b>	<b><u>Total number of employees</u></b>	<b><u>Number of employees under collective agreements</u></b>	<b><u>Number of collective agreements</u></b>
Telecommunications	4,870	3,750	5
News Media <sup>(1)</sup>	6,590	2,210	81
Broadcasting	1,940	1,200	13
Leisure and Entertainment Interactive Technologies and Communications	1,350	350	8
Corporate <sup>(2)</sup>	810	—	—
	150	—	—
<b>Total</b>	<b>15,710</b>	<b>7,510</b>	<b>107</b>

(1) Includes, in the aggregate, approximately 400 employees of Canoe, which is now part of our News Media segment. In December 2008, Sun Media Corporation announced a decrease in the number of its employees, carried out over the course of 2008 and 2009. The restructuring initiatives are still ongoing.

(2) Includes QMI Agency

At December 31, 2009, approximately 47% of our employees were represented by collective bargaining agreements. Through our subsidiaries, we are currently a party to 107 collective bargaining agreements:

Videotron is party to five collective bargaining agreements, representing approximately 3,750 unionized employees. All collective agreements have been renewed during the year 2009. The two most important collective bargaining agreements, covering unionized employees in the Montreal and Quebec City regions, have terms extending to December 31, 2013. There are also two collective bargaining agreements covering unionized employees in the Chicoutimi and Hull regions, with terms running through December 31, 2014 and August 31, 2015, respectively, and one other collective bargaining agreement, covering approximately 40 employees of our SETTE inc. subsidiary, which will expire on December 31, 2012.

Sun Media (including Osprey Media) is party to 79 collective bargaining agreements, representing approximately 2,030 unionized employees., 40 collective bargaining agreements have expired, representing approximately 810 unionized employees, or 40% of its unionized workforce. Negotiations regarding these collective bargaining agreements are either in progress or will be undertaken in 2010. The other collective bargaining agreements are scheduled to expire on various dates through August 2013.

TVA Group is party to 13 collective bargaining agreements, representing approximately 1,200 unionized employees. Of this number, three collective bargaining agreements, representing approximately 550 unionized employees, or 46% of its unionized workforce, have expired. Negotiations regarding these collective bargaining agreements are either in progress or will be undertaken in 2010. The other collective bargaining agreements will expire between April 30, 2011 and December 31, 2013.

Of the other ten collective bargaining agreements, representing approximately 540 unionized employees or 7% of the unionized workforce, three collective bargaining agreements representing approximately 180 unionized employees are expired and negotiations are ongoing or will be undertaken in 2010. The other collective bargaining agreements will expire between April 2010 and May 2011.

We have, in the past, experienced labour disputes which have disrupted our operations, resulted in damage to our network or our equipment and impaired our growth and operating results. We currently have a labour dispute affecting the editorial, classified, sales support and business office staff of the *Journal de Montréal*. We cannot predict the outcome of this work stoppage, although we currently anticipate that any prolonged work stoppage will have an adverse effect on operations at the newspaper despite our current ability to continue its circulation. We can neither predict the outcome of current or future negotiations relating to other labour disputes, union representation or renewal of collective bargaining agreements, nor guarantee that we will not experience further work stoppages, strikes or other forms of labour protests pending the outcome of any current or future negotiations. If our unionized workers engage in a strike or any other form of work stoppage, we could experience a significant disruption to our operations, damage to our property and/or interruption to our services, which could adversely affect our business, assets, financial position, results of operations and reputation. Even if we do not experience strikes or other forms of labour protests, the outcome of labour negotiations could adversely affect our business and results of operations. Such could be the case if current or future labour negotiations or contracts were to further restrict our ability to maximize the efficiency of our operations. In addition, our ability to make short-term adjustments to control compensation and benefits costs is limited by the terms of our collective bargaining agreements.

With regard to the work stoppage at Les Éditions du Réveil, an agreement has been reached and a three-year collective agreement was signed on February 24, 2010.

## **2.8 ENVIRONMENTAL REGULATIONS**

Our operations are subject to federal, provincial and municipal laws and regulations concerning, among other things, emissions to the air, water and sewer discharge, handling and disposal of hazardous materials, the recycling of waste, the soil remediation of contaminated sites, or otherwise relating to the protection of the environment. Laws and regulations relating to workplace safety and worker health, which among other things, regulate employee exposure to hazardous substances in the workplace, also govern our operations. Compliance with these laws has not had, and management does not expect it to have, a material effect upon our capital expenditures, net income or competitive position. Environmental laws and regulations and the interpretation of such laws and regulations, however, have changed rapidly in recent years and may continue to do so in the future. We have monitored the changes closely and have modified our practices where necessary or appropriate.

Our properties, as well as areas surrounding those properties, particularly those in areas of long-term industrial use, may have had historic uses, or may have current uses, in the case of surrounding properties, which may affect our properties and require further study or remedial measures. We are not currently conducting or planning any material study or remedial measure, and none is currently required by regulatory authorities. However, we cannot provide assurance that all environmental liabilities have been determined, that any prior owner of our properties did not create a material environmental condition not known to us, that a material environmental condition does not otherwise exist as to any such property, or that expenditure will not be required to deal with known or unknown contamination.

## **ITEM 3 — HIGHLIGHTS**

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The three-year highlight information for our Broadcasting Segment carried on by TVA Group is contained in its Annual Information Form dated March 10, 2010, the relevant excerpts of which are reproduced at Schedule A to this Annual Information Form.

### **3.1 HIGHLIGHTS FOR 2009**

#### **3.1.1 Quebecor Inc.**

On November 20, 2009, we have amended our annual revolving short-term credit facility. Commitments under the facility were reduced from \$191,300,000 to \$150,000,000 and the maturity date was extended to November 2010. If the facility is not renewed in 2010, the drawings will be converted to one-year term credit.

#### **3.1.2 Quebecor Media**

On January 14, 2010, Quebecor Media made a US\$170.0 million early payment on drawings on its term loan "B" and settled a corresponding portion of its hedge agreements for \$30.9 million, for a total cash disbursement of \$206.7 million. On January 14, 2010, Quebecor Media also extended the maturity date of its \$100.0 million revolving credit facility from January 2011 to January 2013 and obtained certain other advantageous amendments to the covenants attached to its credit facilities.

On June 18, 2009, Quebecor Media created the Quebecor Media Network, a new flyer printing and distributing division. The capabilities of subsidiaries Alex Media Services Inc., Messageries Dynamiques, the community newspaper distribution network, the Mirabel printing plant in Quebec and the Islington printing plant in Ontario were pooled to create the new entity. The merger will solidify Quebecor Media's leadership in flyer printing and distribution services.

### **3.1.3 Telecommunications**

On January 13, 2010, Videotron completed a placement of \$300.0 million aggregate principal amount of its 7 1/8% Senior Notes maturing in 2020, for net proceeds of \$293.9 million (net of financing fees). This transaction marks Videotron's inaugural offering on the Canadian high yield market, adding to its established presence in the US high yield market.

During 2009, Videotron completed several key stages in the build-out of its AWS network. As of December 31, 2009, all switching services and platforms had been installed and were operational. Interconnections with the existing fibre optic network were in place and incorporated into the company's integrated service, and siting and tower-sharing agreements for nearly 60% of the antenna sites needed to launch the service had been reached.

On December 2, 2009, Videotron's cable telephone service passed the million-subscriber mark, less than five years after its launch. As of December 31, 2009, Videotron had recorded overall customer growth for its cable television services for 18 consecutive quarters, i.e. since the end of the second quarter of 2005.

On November 13, 2009, Videotron closed a term export credit agreement for a total of US\$100.0 million, including \$75.0 million maturing in 2018 and another credit agreement maturing in 2016 for US\$100.0 million less the drawings, in U.S. dollars, on the \$75.0 million credit facility. The credit facilities may be used to pay or reimburse foreign purchases of equipment and services.

On August 26, 2009, Videotron's illico Digital TV service passed the million-subscriber mark. Videotron is maintaining its leadership position in digital cable television service in Quebec.

On July 22, 2009, Videotron reached a roaming agreement with wireless service provider Rogers. Videotron also reached a similar roaming agreement in the United States with wireless service provider T-Mobile. These agreements will enable Videotron to offer AWS services across Canada and the United States.

On March 30, 2009, Videotron reached an agreement to renew its collective agreements encompassing all of its 2,822 unionized employees, including those in Montreal, Sherbrooke and Quebec City until December 31, 2013, Saguenay--Lac-St-Jean until January 31, 2014, and Gatineau until August 31, 2015. The agreement covers all of Videotron's unionized employees. It will support Videotron's continued growth going forward and the implementation of its business plan.

On March 5, 2009, Videotron issued US\$260.0 million aggregate principal amount of Senior Notes for net proceeds of \$332.4 million (including accrued interest and net of financing fees). The Notes bear 9 1/8% interest (effective rate of 9.35%) and mature on April 15, 2018. Videotron used the proceeds to repay all drawings under its revolving credit facility and the remainder for general purposes.

### **3.1.4 News Media Segment**

Restructuring and cost-reduction initiatives in the News Media segment generated total savings of approximately \$66.0 million in 2009. These initiatives included staff cuts, consolidation of prepress, shipping and press room operations, centralization of administrative processes, consolidation of distribution networks, and other initiatives across the News Media segment's operations in all regions of Canada.

On November 16, 2009, Quebecor Media combined four of its national sales teams, those for Sun Media's newspapers, the canoe.ca Internet portal, the TVA Network and its publications. The

new integrated national approach to advertising solutions will make us more responsive to customer needs by offering solutions that deliver maximum value for advertising dollars.

### **3.1.5 Leisure and Entertainment Segment**

On August 26, 2009, Archambault Group launched the *jelis.ca* digital ebook download site, the first French-language service of its kind in North America. Archambault Group is carrying out this project in collaboration with Sony Canada Ltd., provider of the Sony Reader® line of digital book devices.

### **3.1.6 Interactive Technologies and Communications**

The Interactive Technologies and Communications segment had no highlights to report for the fiscal year ended December 31, 2009.

## **3.2 HIGHLIGHTS FOR 2008**

### **3.2.1 Quebecor Inc.**

On January 21, 2008, World Color Press, Inc. ("WCP", formerly Quebecor World Inc.) and its U.S. subsidiaries placed themselves under the protection of the CCAA in Canada. On the same date, WCP's U.S. subsidiaries placed themselves under the protection of Chapter 11 of the *United States Bankruptcy Code*. Since that date, in accordance with generally accepted accounting principles, Quebecor's investment in WCP has no longer been consolidated the book, value of Quebecor's investment in WCP has been marked to zero, and WCP's activities are considered discontinued operations for the purposes of Quebecor's consolidated financial statements.

### **3.2.2 Quebecor Media**

Quebecor Media acquired, for a cash consideration of \$554.6 million, 17 operating licenses for a AWS network with a bandwidth of 40 MHz throughout Quebec, except the Ottawa Valley and certain other regions of Quebec, where the acquired bandwidth is 20 MHz and 50 MHz, respectively. The 17 operating licenses also include 20 MHz of bandwidth in eastern Ontario and 10 MHz in Toronto. The licenses have since been transferred to Videotron. The spectrum will enable Videotron subsidiary to offer, on its own network, advanced wireless services, including high-speed Internet access, mobile television and many other advanced functionalities supported by smartphones.

The difficult financial and economic environment for some of the Company's lines of business at the end of the fourth quarter of 2008 triggered goodwill and masthead impairment tests in the Newspapers (now included in News Media), Leisure and Entertainment, and Interactive Technologies and Communications segments.

### **3.2.3 Telecommunications**

In the fourth quarter of 2008, the combined customer base for cable television services registered its 14th consecutive quarter of growth since the third quarter of 2005. Since that quarter, the number of customers has increased by 272,500 (18.9%) from 1,443,100 to 1,715,600.

Céline Dion's special concert for Quebec City's 400th anniversary celebrations on August 22, 2008 was seen by approximately 130,000 television viewers, who ordered the uncut version of the show live (pay-per-view) or the taped version (video on demand). It was one of the biggest successes in the history of pay-per-view and video on demand in Canada.

On July 18, 2008, the number of subscribers to the cable Internet service provided by Quebecor Media's Cable segment passed the 1 million mark. In the fourth quarter of 2008, the subscriber base for the Cable segment's illico Digital TV increased by 50,600, the largest quarterly customer growth in absolute terms since the service was introduced in 1999.

On April 15, 2008, Videotron issued US\$455.0 million aggregate principal amount of Senior Notes for net proceeds of US\$447.8 million. The Notes bear interest at 9 1/8% (for an effective rate of 9 3/4%) and mature on April 15, 2018.

On April 7, 2008, Videotron amended its senior secured credit facility to increase commitments under the facility from \$450.0 million to \$575.0 million and extend the maturity date to April 2012.

#### **3.2.4 News Media**

In December 2008, Quebecor Media introduced a staff-reduction program as part of a major restructuring of its operations across Canada. The staff-reduction program was the result of a fundamental transformation under way in the newspaper industry in recent years as well as a difficult economic environment which has affected the Company's advertising revenues. As a result of this initiative and others implemented in the year, the News Media Segment recorded restructuring charges of \$33.3 million in 2008 mainly related to the elimination of positions in several publications.

On November 7, 2008, Pierre Karl Péladeau, President and Chief Executive Officer of Quebecor Media, was appointed President and Chief Executive Officer of Sun Media Corporation.

#### **3.2.5 Leisure and Entertainment**

The Leisure and Entertainment segment had no highlights to report for the fiscal year ended December 31, 2008.

#### **3.2.6 Interactive Technologies and Communications**

On February 26, 2008, Quebecor Media acquired all outstanding Common Shares of Nurun it did not already hold for a total cash consideration of \$75.2 million. Following this transaction, Nurun became a wholly-owned subsidiary of Quebecor Media and its shares were delisted from the Toronto Stock Exchange.

### **3.3 HIGHLIGHTS FOR 2007**

#### **3.3.1 Quebecor Media**

On October 5, 2007, Quebecor Media completed a private placement of US\$700.0 million aggregate principal amount of its Senior Notes due 2016. The Senior Notes were sold at a price equivalent to 93.75% of face value, bear interest at a rate of 7 3/4% (an effective rate of 8.81%) and mature on March 15, 2016. Quebecor Media used the net proceeds of \$672.2 million (including accrued interest of \$16.6 million and before financing costs of \$9.8 million) from the placement, as well as its cash and cash equivalents, to repay advances drawn on the Senior Bridge Facility entered into to finance the acquisition of Osprey Media for a total consideration of \$414.4 million, to finance the repayment, on October 31, 2007, of US\$179.7 million drawn on Sun Media's term loan "B", and to settle the \$106.0 million liability related to derivative financial instruments connected to the term loan "B".

### **3.3.2 Telecommunications**

On November 28, 2007 and December 14, 2007, Industry Canada released a policy framework and a licensing framework, respectively, for the 3G Spectrum Auction. Since then, the auction was completed and the licences were issued by Industry Canada. – See section 3.1 above “Highlights for 2008”.

### **3.3.3 News Media**

On October 31, 2007, Sun Media entered into a subordinated loan agreement of \$237.5 million with Quebecor Media. Sun Media used the proceeds of this subordinated financing and \$43.4 million of cash from continuing operations to repay the balance of its term loan “B”, and to settle related hedging contracts for a total cash consideration of \$277.8 million.

In August 2007, Quebecor Media completed the acquisition of all outstanding units of Osprey Media for a total cash consideration of \$414.4 million, excluding assumed liabilities. The purchase price was financed through a senior bridge credit facility that Quebecor Media fully repaid with a portion of the proceeds of the offering of its Senior Notes in October 2007.

Sun Media expanded the reach of its chain of urban dailies in February 2007 with the launch of *24 Hours* newspapers in Calgary and Edmonton, the two largest urban centres in Alberta. The decision was part of Quebecor Media’s strategy of strengthening its presence on different platforms in order to reach consumers through multiple channels of communication.

Quebecor Media announced, on October 11, 2007, the creation of a new subsidiary, Quebecor MediaPages, to consolidate all of its print and online directory operations.

### **3.3.4 Leisure and Entertainment**

The Leisure and Entertainment segment had no highlights to report for the fiscal year ended December 31, 2007.

### **3.3.5 Interactive Technologies and Communications**

The Interactive Technologies and Communications segment had no highlights to report for the fiscal year ended December 31, 2007.

## **ITEM 4 — DIRECTORS AND OFFICERS**

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### **4.1 DIRECTORS**

The Board of Directors of the Company is responsible for supervising the management of the Company’s business and affairs, with the objective of increasing shareholder value. The Board is responsible for the sound governance of the Company and, as such, must supervise effectively and independently the activities and business of the Company, which are conducted on a daily basis by management. The Board may delegate certain tasks to its committees. Such delegation does not relieve the Board from its overall responsibilities with regard to the management of the Company.

The Corporate Governance and Nominating Committee reviewed the mandate of the Board of Directors on October 21, 2009 and has recommended that the Board approves minor changes to such mandate. [Annexe B]

Our Board of Directors currently consists of ten directors. The term of office of each director expires upon the election of his or her successor unless he or she resigns from office or his or her

office becomes vacant by death, removal or other cause. The following table sets forth, as at March 1, 2010, the names, provinces and countries of residence and principal occupations of the directors and the year in which they were first appointed or elected director, as well as the Board committees on which each director sits.

All information in this section has been provided to us by our directors.

<b>CLASS A DIRECTORS</b>		
Name, province and country of residence	Principal Occupation <sup>(1)</sup>	Director Since
<b>Robert Dutton</b> <sup>(2)</sup> Quebec, Canada	President and Chief Executive Officer, RONA Inc. (Hardware retailer)	2002
<b>Pierre Laurin</b> <sup>(2), (3), (4)</sup> Quebec, Canada	Chairman of the Board, Atrium Innovations Inc. (Manufacturer and marketer of products for the health care nutrition industries)	1991
<b>The Right Honourable Brian Mulroney, P.C., C.C., LL.D.</b> <sup>(5)</sup> Quebec, Canada	Senior Partner, Ogilvy Renault LLP (Law firm) Vice Chairman of the Board, Quebecor Inc.	1999
<b>Jean Neveu</b> <sup>(5)</sup> Quebec, Canada	Chairman of the Board, Quebecor Inc. and Chairman of the Board, TVA Group Inc. (Broadcasting corporation)	1988
<b>Pierre Parent</b> <sup>(4), (6)</sup> Quebec, Canada	President and Chief Executive Officer, Resort One and R.O. Canada inc. (Real estate and hotel management) President of Saint-Sulpice Hotel, Montreal and Le Crystal de la Montagne Hotel (hotels)	2003
<b>Érik Péladeau</b> <sup>(5)</sup> Quebec, Canada	President, Groupe Lelys inc. (printer) Vice Chairman of the Board, Quebecor Inc.	1988
<b>Pierre Karl Péladeau</b> <sup>(5)</sup> Quebec, Canada	President and Chief Executive Officer of Quebecor Inc., President and Chief Executive Officer, Quebecor Media Inc. (Communications company) and President and Chief Executive Officer of Sun Media Corporation (Newspapers)	1992
<b>CLASS B DIRECTORS</b>		
Name, province and country of residence	Principal Occupation <sup>(1)</sup>	Director Since
<b>Françoise Bertrand</b> <sup>(2), (6)</sup> Quebec, Canada	President and Chief Executive Officer, Fédération des chambres de commerce du Québec	2003
<b>Jean-Marc Eustache</b> Quebec, Canada	Chairman of the Board, President and Chief Executive Officer, Transat A.T. Inc. (Integrated holiday travel company)	2005
<b>Jean La Couture, FCA</b> <sup>(4), (5)</sup> Quebec, Canada	President, Huis Clos Ltée (Management and mediation firm)	2003

Between April 2, 2008 and May 20, 2008, our directors, senior officers and certain of our current and former employees were prohibited from trading in our securities pursuant to a management cease trade order issued by the *Autorité des marchés financiers* in connection with the delay in filing our 2007 annual financial statements and related management's discussion and analysis.

- (1) Except as stated below, each of the aforementioned directors has, during the past five years, carried on his or her current principal occupation or held other management positions with the same or other associated companies or firms, including affiliates and predecessors, indicated opposite his or her name.
- (2) Member of the Corporate Governance and Nominating Committee.

- (3) Mr. Pierre Laurin was, from May 1999 to May 2003, a director of Microcell Telecommunications Inc. ("Microcell"). Microcell entered into a Plan of Reorganization and of Compromise and Arrangement with its creditors and shareholders effective May 1, 2003 pursuant to the *Companies' Creditors Arrangement Act* (Canada). Mr. Laurin was a member of the Special Committee of the Board of Directors of Microcell created in connection with the foregoing restructuring.
- (4) Member of the Audit Committee.
- (5) Each of Messrs Brian Mulroney, Jean Neveu, Érik Péladeau, Pierre Karl Péladeau and Jean La Couture was a director of Quebecor World Inc., when it obtained a court order for protection under the *Companies' Creditors Arrangement Act* (Canada) on January 21, 2008.
- (6) Member of the Compensation Committee.

## 4.2 SENIOR OFFICERS

The following table shows the names of our senior officers, their province and country of residence and their position within the Company as at March 1, 2010.

<b>Name, province and country of residence</b>	<b>Position within the Company</b>
<b>Jean Neveu</b> Quebec, Canada	Chairman of the Board*
<b>Érik Péladeau</b> Quebec, Canada	Vice Chairman of the Board*
<b>The Right Honourable Brian Mulroney</b> Quebec, Canada	Vice Chairman of the Board*
<b>Pierre Karl Péladeau</b> Quebec, Canada	President and Chief Executive Officer
<b>Jean-François Pruneau</b> Quebec, Canada	Vice President, Finance
<b>Michel Ethier</b> Quebec, Canada	Vice President, Taxation
<b>Roger Martel</b> Quebec, Canada	Vice President, Internal Audit
<b>Denis Sabourin</b> Quebec, Canada	Vice President and Corporate Controller
<b>Claudine Tremblay</b> Quebec, Canada	Vice President and Secretary
<b>Julie Tremblay</b> Quebec, Canada	Vice President, Human Resources
<b>Chloé Poirier</b> Quebec, Canada	Treasurer
<b>Christian Marcoux</b> Quebec, Canada	Assistant Secretary

\* Mr. Neveu serves as Chairman of the Board of Directors of Quebecor. This position being held on a part-time basis, he is not considered to be a member of the management team. Messrs Erik Péladeau and Brian Mulroney serve as Vice Chairman of the Board of Quebecor also on a part-time basis and are not considered to be members of the management team.

Between April 2, 2008 and May 20, 2008 our directors, senior officers and certain of our current and former employees were prohibited from trading in our securities pursuant to a management cease trade order issued

by the *Autorité des marchés financiers* in connection with the delay in filing our 2007 annual financial statements and related management's discussion and analysis.

All of our senior officers have held the positions and principal occupations indicated above or other positions within the Quebecor Group for the past five years, except for Christian Marcoux who, from January 2004 to December 2006, served as Manager, Listed Issuer Services at the Toronto Stock Exchange.

As of February 28, 2010, to the knowledge of the Company and according to the information received, our directors and officers, as a group, beneficially owned or exercised control or direction over 17,513,164 of our Class A Shares (as defined below) (or 87.06% of the Class A Shares) and 144,694 of our Class B Shares (as defined below) (or 0.33% of the Class B Shares).

Les Placements Péladeau inc., a corporation controlled by Pierre Karl Péladeau, and Pierre Karl Péladeau personally, held directly and indirectly 17,468,464 of our Class A Shares and 69,800 of our Class B Shares.

## **ITEM 5 — AUDIT COMMITTEE**

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### **5.1 MANDATE OF THE AUDIT COMMITTEE**

Our Audit Committee assists the Board of Directors in overseeing our financial controls and reporting. The Audit Committee also oversees our compliance with financial covenants and legal and regulatory requirements governing financial disclosure matters and financial risk management.

The mandate of our Audit Committee was reviewed by our Board of Directors at its meeting held on November 4, 2009. The mandate of the Audit Committee is attached as Schedule C to this Annual Information Form.

### **5.2 COMPOSITION OF THE AUDIT COMMITTEE**

The Audit Committee is composed of Jean La Couture (Chairman), Pierre Laurin and Pierre Parent.

Our Board of Directors has determined that each of the members of the Audit Committee is independent and financially literate within the meaning of Multilateral Instrument 52-110 — *Audit Committees* ("MI 52-110").

### **5.3 RELEVANT EDUCATION AND EXPERIENCE**

<b>Member</b>	<b>Relevant Education and Experience</b>
Jean La Couture (Chairman)	Mr. La Couture is a Fellow of the <i>Ordre des comptables agréés du Québec</i> . He headed Le Groupe Mallette (an accounting firm) from 1981 to 1989 before becoming President and Chief Executive Officer of The Guarantee Company of North America from 1990 to 1994. In 1995, he created Huis Clos Itée, which specializes in management and mediation as well as in civil and commercial negotiations. He serves as a member of the board of directors and audit committee of a number of public companies.

<b>Member</b>	<b>Relevant Education and Experience</b>
Pierre Laurin	For a major part of his career, Pierre Laurin headed HEC Montreal (previously known as l'École des Hautes Études Commerciales), after which he assumed the position of Vice President, Planning and Administration, at Aluminium Company of Canada, and then that of founding President of SOCCRENT, a venture capital company, and thereafter he became President of Merrill Lynch, Quebec. Currently, he serves as Chairman of Atrium Innovations Inc. and, on a voluntary basis, as an invited Executive in-Residence at HEC Montreal. He also serves on a number of boards of directors. Mr. Laurin holds an MBA from HEC Montreal and a Ph.D. in business administration from Harvard Business School
Pierre Parent	Mr. Parent has been associated with the business industry for several years. He is the founder of Promexpo Inc., a leader in the field of design and organization of large scale events in Quebec. Mr. Parent remained at the helm of the enterprise for a number of years. He now specializes in property and hotel management and, as such, he is at the helm of Resort One and R.O. Canada Inc.

#### **5.4 RELIANCE ON CERTAIN EXEMPTIONS**

We have not used or relied upon any exemption pursuant to MI 52-110 at any time during the most recently completed financial year.

#### **5.5 PRE-APPROVAL POLICIES AND PROCEDURES**

On March 8, 2010, the Company's Audit Committee approved amendments to the Audit and Non-Audit Services Pre-Approval Policy. This policy sets forth the procedures and the conditions pursuant to which services proposed to be performed by the external auditor may be pre-approved. Once the list of audit and non-audit services has been pre-approved by the Audit Committee, the Chief Financial Officer of the Company may hire the auditor for specific tasks or engagements that comply with the conditions previously approved by the Audit Committee. The Audit Committee has delegated pre-approval authority to the Chairman of the Audit Committee for services to be provided by the external auditor that do not exceed \$250,000. For services in excess of \$250,000, and that have not been pre-approved, they must be approved by the Audit Committee. As required by this policy, a report must be presented to the Audit Committee each quarter.

## 5.6 EXTERNAL AUDITOR SERVICE FEES

The following table sets forth the fees paid to (i) Ernst & Young LLP (“**Ernst & Young**”), our external auditor, for the services rendered during the fiscal year 2009 and 2008 further to its appointment on June 26, 2008, and (ii) KPMG LLP (“**KPMG**”), for its services with respect to the fiscal year 2008 until its replacement on June 26, 2008:

	2009	2008 <sup>(1)</sup>	2008 <sup>(2)</sup>
Audit fees <sup>(3)</sup>	\$ 3,350,662	\$ 2,336,143	\$ 958,479
Audit-related fees <sup>(4)</sup>	1,145,796	206,078	205,499
Tax fees <sup>(5)</sup>	65,897	31,228	32,500
All other fees <sup>(6)</sup>	48,212	—	52,500
<b>Total</b>	<b>\$ 4,610,567</b>	<b>\$ 2,573,449</b>	<b>\$ 1,248,978</b>

(1) Fees paid to Ernst & Young.

(2) Fees paid to KPMG.

(3) *Audit fees* consist of fees billed for the annual audit and quarterly reviews of the Company’s annual and quarterly consolidated financial statements or for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements. They also include fees billed for other audit services, which are those services that only the external auditor reasonably can provide, and include the provision of comfort letters and consents, the consultation concerning financial accounting and reporting of specific issues and the review of documents filed with regulatory authorities.

(4) *Audit-related fees* consist of fees billed for assurance and related services that are traditionally performed by the external auditor, and include consultations concerning financial accounting and reporting standards on proposed transactions, due diligence or accounting work related to acquisitions, and employee pension plan audits.

(5) *Tax fees* include fees billed for tax compliance services, including the preparation of tax returns and claims for refund; tax consultations, such as assistance and representation in connection with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from taxing authorities; tax planning services; and consultation and planning services.

(6) *All other fees* include fees billed for forensic accounting and occasional training services. These fees also include consultations and assistance in preparing documentation regarding disclosure controls and procedures and internal financial reporting control measures for the Company and its subsidiaries.

## ITEM 6 — LEGAL PROCEEDINGS

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From time to time, we are involved in various legal proceedings arising in the ordinary course of business.

Legal proceedings against certain of the Company’s subsidiaries were initiated by another company in relation to printing contracts, including the termination of printing contracts. As with any litigation subject to a judicial process, the outcome of such proceedings is impossible to determine with certainty. However, management believes that the suits are without merit and intends to vigorously defend its position.

In addition, a number of other legal proceedings against Quebecor Media and its subsidiaries, or in which we are in demand, are currently pending. In the opinion of the management of Quebecor Media, the outcome of these proceedings is not expected to have a material adverse effect on Quebecor Media’s results or on its financial position.

## **ITEM 7 — RISK FACTORS**

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We urge all of our current and potential investors to carefully consider the risks described in the sections referred to below as well as the other information contained in this Annual Information Form and other information and documents filed by us with the appropriate securities regulatory authorities before making any investment decision with respect to any of our securities. The risks and uncertainties described in such sections are not the only ones we may face. Additional risks and uncertainties that we are unaware of, or that we currently deem to be immaterial, may also become important factors that affect us. If any of the following risks actually occurs, our business, cash flow, financial condition or results of operations could be materially adversely affected. Such risk factors should be considered in connection with any forward-looking statements in this document and with the cautionary statements contained in Item 13 — Forward-Looking Statements.

We describe the principal risk factors relating to our operations and businesses in our *Management's Discussion and Analysis for the year ended December 31, 2009* under the heading "Risks and Uncertainties", which was filed with the Canadian securities regulatory authorities on March 10, 2010, which section is incorporated by reference into this annual information form, and which may be viewed under our profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## **ITEM 8 — DESCRIPTION OF CAPITAL STRUCTURE**

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### **8.1 CAPITAL STRUCTURE**

Our authorized share capital was modified by a certificate of amendment dated September 4, 1986 re-designating the Common Shares as Class A Multiple Voting Shares (the "Class A Shares") carrying ten votes per share and creating Class B Subordinate Voting Shares (the "Class B Shares") carrying one vote per share. Our Class B Shares are "restricted securities" (within the meaning of the relevant Canadian regulations respecting securities) in that they do not carry equal voting rights to those attached to the Class A Shares. In the aggregate, all of the voting rights associated with the Class B Shares represented, as at February 28, 2010, 18.01% of the voting rights attached to all of our issued and outstanding voting securities.

Our Articles provide that if, at any time, the "Péladeau Group or an Acceptable Successor" (as defined in the Articles of Quebecor) does not own, directly or indirectly, a number of Class A Shares equal to at least 40% of all the Class A Shares outstanding or does not own, directly or indirectly, at least 8,000,000 Class A Shares (such number having been adjusted upwards to reflect a subdivision), then the Class A Shares will carry one vote per share at all times thereafter and all of our directors will be elected by the holders of the Class A Shares and the Class B Shares voting together as a single class.

Our Articles further provide that if a takeover bid to purchase Class A Shares is made to the holders of Class A Shares and is not made at the same time and on the same terms and conditions to the holders of Class B Shares, each Class B Share will become convertible, at the holder's option, as of the date the takeover bid is made, into one Class A Share, for the sole purpose of allowing the holder to accept the takeover bid. However, such right of conversion will be deemed not to come into force if the "Péladeau Group or an Acceptable Successor" owns at that time a sufficient number of shares of any class to be able to exercise more than 50% of the votes attached to all of our shares then carrying voting rights and does not accept the takeover bid before it expires. Moreover, the right of conversion will be deemed not to come into force if the takeover bid is withdrawn by the offeror.

Our Articles contain a definition of an offer giving rise to the right of conversion, provide for procedures to be followed in order to exercise such right and stipulate that, at the time such an offer is made, we or the transfer agent of the Class B Shares will communicate in writing with the

holders of Class B Shares in order to provide them with full particulars of the manner in which their right of conversion may be exercised.

## **8.2 AUTHORIZED SHARE CAPITAL**

Our authorized share capital consists of the following classes of shares:

- an unlimited number of Class A Shares (Multiple Voting) with voting rights of 10 votes per share, convertible at any time into Class B Shares (Subordinate Voting), on a one-for-one basis; and
- an unlimited number of Class B Shares with voting rights of one vote per share convertible into Class A Shares on a one-for-one basis only if a takeover bid for the Class A Shares is made without an offer being made concurrently and on the same terms and conditions for the Class B Shares and subject to other conditions provided for in the articles.

Holders of Class B Shares are entitled to elect 25% of the members of our Board of Directors, and holders of Class A Shares are entitled to elect the other members of our Board of Directors.

## **8.3 ISSUED AND OUTSTANDING SHARE CAPITAL**

As at February 28, 2010, we had 20,115,731 Class A Shares and 44,201,291 Class B Shares issued and outstanding.

## **8.4 DIVIDENDS**

Each Class A Share and each Class B Share is entitled to receive dividends as determined by our Board of Directors, in an identical amount, on the same date and in the same form as if the Class A Shares and Class B Shares formed a single class of shares.

For the years ended December 31, 2007, 2008 and 2009, we declared and paid quarterly dividends in the annual aggregate amount of \$0.20 per share on our Class A Shares and Class B Shares.

On March 9, 2010, we declared a quarterly dividend of \$0.05 per share on our Class A Shares and Class B Shares, which will be paid on April 20, 2010 to shareholders of record at the close of business on March 26, 2010.

## **8.5 MARKET FOR SECURITIES**

Our Class A Shares and Class B Shares are listed on the TSX under the stock symbols "QBR.A" and "QBR.B", respectively.

The following tables set forth the reported high, low and closing sale prices and the aggregate monthly trading volume of our Class A Shares and our Class B Shares on the TSX for the periods indicated:

<b>CLASS A SHARES</b>				
<b>Month in 2009</b>	<b>Closing Price (Cdn\$)</b>	<b>High (Cdn\$)</b>	<b>Low (Cdn\$)</b>	<b>Trading volume (#)</b>
January	16.15	21.00	16.01	154,865
February	18.75	19.40	16.10	514,164
March	17.85	19.46	17.11	411,957
April	15.32	18.64	14.93	723,092
May	19.24	20.70	15.25	559,021
June	19.83	20.38	17.65	104,329
July	19.05	20.50	18.62	91,130
August	25.30	26.14	19.50	127,372
September	25.40	25.65	22.21	76,127
October	23.00	25.25	21.90	64,550
November	26.75	28.00	23.10	44,753
December	28.50	28.50	26.10	9,154
<b>CLASS B SHARES</b>				
<b>Month in 2009</b>	<b>Closing Price (Cdn\$)</b>	<b>High (Cdn\$)</b>	<b>Low (Cdn\$)</b>	<b>Trading volume (#)</b>
January	16.40	21.45	15.68	2,548,658
February	18.87	19.47	15.79	1,793,676
March	17.95	18.93	16.68	2,744,428
April	15.40	18.52	14.81	3,059,752
May	19.13	20.75	15.17	3,354,439
June	19.80	20.39	17.76	2,235,043
July	18.99	20.50	18.42	1,755,497
August	24.68	25.96	19.29	2,047,906
September	24.45	25.78	23.55	1,884,993
October	22.11	25.07	21.61	1,865,494
November	26.12	29.34	22.11	1,906,065
December	27.22	27.97	25.64	1,273,024

## **ITEM 9 — INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

For purposes of this Item, reference is made to (i) note 24 to our Audited and Consolidated Financial Statements for the years ended December 31, 2009 and 2008, and (ii) the section entitled “Related Party Transactions” in our Management’s Discussion and Analysis for the year ended December 31, 2009, each of which is incorporated by reference into this Annual Information Form.

Our Audited and Consolidated Financial Statements for the years ended December 31, 2009 and 2008 and our Management’s Discussion and Analysis for the year ended December 31, 2009 may be found on our website at [www.quebecor.com](http://www.quebecor.com) and under our profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## **ITEM 10 — MATERIAL CONTRACTS**

### **10.1 SHAREHOLDERS’ AGREEMENT**

Quebecor, CDP Capital d’Amérique Investissements Inc. (formerly Capital Communications CDPQ inc.) (“**CDP**”) and Quebecor Media, *inter alia*, entered into a shareholders’ agreement dated October 23, 2000, as consolidated and amended by a shareholders’ agreement dated

December 11, 2000, which sets forth our rights and obligations and those of CDP as shareholders of Quebecor Media (the “**Shareholders’ Agreement**”). Except as specifically provided in the Shareholders’ Agreement, the rights thereunder apply only to shareholders holding at least 10% of the equity shares of Quebecor Media (the “**QMI Shares**”), on a fully-diluted basis.

The Shareholders’ Agreement provides, among other things, for:

- (i) standard rights of first refusal with respect to certain transfers of QMI Shares;
- (ii) standard pre-emptive rights which permit shareholders to maintain their respective holdings of QMI Shares on a fully diluted basis in the event of issuances of additional QMI Shares or convertible securities of Quebecor Media;
- (iii) rights of representation on the Board of Directors of Quebecor Media in proportion to shareholdings, with us initially having five nominees (now six nominees) and CDP having four nominees to Quebecor Media’s Board of Directors;
- (iv) consent rights in certain circumstances with respect to matters relating to Quebecor Media and its non-reporting issuer (public) subsidiaries, including (a) a substantial change in the nature of the business of Quebecor Media and its subsidiaries taken as a whole, (b) an amendment to the Articles of Quebecor Media or certain of its subsidiaries, (c) the merger or amalgamation of Quebecor Media or certain of its subsidiaries with a person other than an affiliate, (d) the issuance by Quebecor Media or certain of its subsidiaries of shares or of securities convertible into shares except in the event of an initial public offering of QMI Shares, (e) any transaction having a value of more than \$75,000,000, other than the sale of goods and services in the normal course of business, and (f) a business acquisition in a business sector unrelated to sectors in which Quebecor Media and certain of its subsidiaries are involved;
- (v) standard rights of first refusal in favor of CDP with respect to the sale of all or substantially all of the shares or assets of TVA Group or Videotron; and
- (vi) our non-competition covenant in respect of our affiliates and ourselves pursuant to which we and our affiliates shall not compete with Quebecor Media and its subsidiaries in their areas of activity so long as we have *de jure* or *de facto* control of Quebecor Media, subject to certain limited exceptions.

The Shareholders’ Agreement provides that once Quebecor Media becomes a reporting issuer and has a 20% public “float” of QMI Shares, certain provisions of the Shareholders’ Agreement will cease to apply, including the consent rights described under items (iv) (d) and (e) above.

In a separate letter agreement dated December 11, 2000, we and CDP agreed, subject to applicable laws, fiduciary obligations and existing agreements, to attempt to apply the same board representation and consent rights as set forth in the Shareholders’ Agreement to Quebecor Media’s reporting issuer (public) subsidiaries so long as CDP holds at least 20% of the QMI Shares on a fully diluted basis (10% as it relates to TVA Group). The Quebecor Media Shareholders’ Agreement may be viewed under our profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## **10.2 OTHER MATERIAL CONTRACTS**

TVA Group is subject to the same continuous disclosure obligations as us and these obligations include the requirements to file annual and interim financial statements and management’s discussion and analysis, material change reports and copies of material contracts. The investors who wish to do so may view such documents under TVA Group’s profile at [www.sedar.com](http://www.sedar.com).

We were exempted from the Canadian Securities Administrators to file on our SEDAR profile the material contracts of TVA Group that would otherwise be material contracts for us. The material contracts of TVA Group may be viewed under its company profile at [www.sedar.com](http://www.sedar.com).

#### **10.2.1 Material Contracts of Quebecor Media**

Quebecor Media is party to the following material contracts entered into outside the ordinary course of business that remain in effect, as described below:

##### **Indenture relating to US\$700,000,000 7 ¾% Senior Notes due March 15, 2016, dated as of October 5, 2007, by and between Quebecor Media, and U.S. Bank National Association, as trustee.**

On October 5, 2007, Quebecor Media issued US\$700,000,000 aggregate principal amount of 7 ¾% Senior Notes due March 15, 2016 pursuant to an Indenture, dated as of October 5, 2007, by and between Quebecor Media and U.S. Bank National Association, as trustee. These notes are unsecured and are due on March 15, 2016. Interest on these notes is payable semi-annually in arrears on June 15 and December 15 of each year, beginning on December 15, 2007. These notes are not guaranteed by Quebecor Media's subsidiaries. These notes are redeemable, at Quebecor Media's option, under certain circumstances and at the redemption prices set forth in these indentures. These indentures contain customary restrictive covenants with respect to Quebecor Media and certain of its subsidiaries and customary events of default. If an event of default occurs and is continuing, other than Quebecor Media's bankruptcy or insolvency, the trustee or the holders of at least 25% in principal amount at maturity of the then-outstanding notes may declare all the notes to be due and payable immediately. These notes were issued under a different indenture from, and do not form a single series and are not fungible with Quebecor Media's 7 ¾% Senior Notes due 2016 which Quebecor Media issued in 2006 and described below.

This Indenture may be viewed under our profile on SEDAR at [www.sedar.com](http://www.sedar.com).

##### **Indenture relating to US\$525,000,000 7 ¾% Senior Notes due March 15, 2016, dated as of January 17, 2006, by and between Quebecor Media, and U.S. Bank National Association, as trustee.**

On January 17, 2006, Quebecor Media issued US\$525,000,000 aggregate principal amount of 7 ¾% Senior Notes due March 15, 2016 pursuant to an Indenture, dated as of January 17, 2006, by and between Quebecor Media and U.S. Bank National Association, as trustee. These notes are unsecured and are due on March 15, 2016. Interest on these notes is payable semi-annually in arrears on June 15 and December 15 of each year, beginning on June 15, 2006. These notes are not guaranteed by Quebecor Media's subsidiaries. These notes are redeemable, at Quebecor Media's option, under certain circumstances and at the redemption prices set forth in these indentures. These indentures contain customary restrictive covenants with respect to Quebecor Media and certain of its subsidiaries and customary events of default. If an event of default occurs and is continuing, other than Quebecor Media's bankruptcy or insolvency, the trustee or the holders of at least 25% in principal amount at maturity of the then-outstanding notes may declare all the notes to be due and payable immediately. These notes were issued under a different indenture from, and do not form a single series and are not fungible with Quebecor Media's 7 ¾% Senior Notes due 2016 which Quebecor Media issued in 2007, as described above.

This Indenture may be viewed under our profile on SEDAR at [www.sedar.com](http://www.sedar.com).

**Credit Agreement, dated as of January 17, 2006, by and among Quebecor Media, as Borrower, the financial institutions party thereto from time to time, as Lenders, and Bank of America, N.A., as Administrative Agent, as amended.**

On January 17, 2006, in connection with its refinancing plan, Quebecor Media entered into Senior Secured Credit Facilities comprised of (i) a 5-year \$100,000,000 revolving credit facility with an initial maturity date of January 2011, (ii) a 5-year \$125,000,000 term loan A that matures in January 2011, and (iii) a 7-year US\$350,000,000 term loan B facility that matures in January 2013 (collectively, the "QMI Credit Agreement"). On January 14, 2010, Quebecor Media entered into a first amendment agreement to its credit agreement (the "**First Amendment Agreement**") pursuant to which, amongst other things, the maturity date of the revolving credit facility was extended to January 3, 2013 and various other definitions and covenants were amended. The Senior Secured Credit Facilities also include an uncommitted \$350,000,000 incremental facility that may be available to Quebecor Media, subject to compliance at all times with all financial covenants, absence of default and lenders being willing to fund the incremental amount. This incremental facility will have a term to be agreed with the lenders, although the maturity of borrowings under the incremental facility will be required to have a maturity falling on or extending beyond the maturity of the term loan B facility. Quebecor Media may draw Letters of Credit under its Senior Secured Credit Facilities. The proceeds of the term loan A and term loan B were used to refinance existing debt. The proceeds of its revolving facility may be used for its general corporate purposes.

Borrowings under the revolving credit facility, term loan A and term loan B bear interest at the Canadian prime rate, the U.S. prime rate, the bankers' acceptance rate or LIBOR, plus, in each case, an applicable margin.

Borrowings under the revolving credit facility are repayable in full on January 3, 2013. Borrowings under Quebecor Media's term loan A facility are repayable in full in January 2011 and borrowings under its term loan B facility are repayable in full in January 2013. Quebecor Media is also required to make specified quarterly repayments of amounts borrowed under the term loan A and term loan B.

Borrowings under the Senior Secured Credit Facilities and under eligible derivative instruments are secured by a first-ranking hypothec and security agreement (subject to certain permitted encumbrances) on all of Quebecor Media's movable property and first-ranking pledges of all of the shares (subject to certain permitted encumbrances) of Sun Media and Videotron.

The Quebecor Media's Senior Secured Credit Facilities contain customary covenants that restrict and limit Quebecor Media's ability to, among other things, enter into merger or amalgamation transactions, grant encumbrances, sell assets, pay dividends or make other distributions, issue shares of capital stock, incur indebtedness and enter into related party transactions. In addition, they contain customary financial covenants. These Senior Secured Credit Facilities also contain customary events of default, including the non-payment of principal or interest, the breach of any financial covenant, the failure to perform or observe any other covenant, certain bankruptcy events relating to Quebecor Media and its subsidiaries, and the occurrence of a change of control.

The QMI Credit Agreement and the First Amendment Agreement may be viewed under our profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## 10.2.2 Material Contracts of Videotron

Videotron is party to the following material contracts entered into outside the ordinary course of business that remain in effect, as described below:

**Indenture relating to US\$650,000,000 of Videotron's 6 <sup>7</sup>/<sub>8</sub> % Senior Notes due January 15, 2014, dated as of October 8, 2003, by and among Videotron, the guarantors party thereto and Wells Fargo Bank Minnesota, N.A. (now Wells Fargo Bank, National Association), as trustee, as supplemented.**

On October 8, 2003, Videotron issued US\$335,000,000 aggregate principal amount of its 6 <sup>7</sup>/<sub>8</sub>% Senior Notes due January 15, 2014 and, on November 19, 2004, Videotron issued an additional US\$315,000,000 aggregate principal amount of these notes, pursuant to an Indenture, dated as of October 8, 2003, by and among Videotron, the guarantors party thereto and Wells Fargo Bank Minnesota, N.A. (now Wells Fargo Bank, National Association), as trustee. These notes are unsecured and are due January 15, 2014. Interest on these notes is payable semi-annually in arrears on January 15 and July 15 of each year, beginning on July 15, 2004. These notes are guaranteed on a senior unsecured basis by most, but not all, of Videotron's subsidiaries. These notes are redeemable, at Videotron's option, under certain circumstances and at the redemption prices set forth in the indenture. The indenture contains customary restrictive covenants with respect to Videotron and certain of its subsidiaries and customary events of default. If an event of default occurs and is continuing (other than Videotron's bankruptcy or insolvency) the trustee or the holders of at least 25% in principal amount at maturity of the then-outstanding notes may declare all the notes to be due and payable immediately.

This Indenture may be viewed under our profile on SEDAR at [www.sedar.com](http://www.sedar.com).

**Indenture relating to US\$715,000,000 of Videotron's 9 <sup>1</sup>/<sub>8</sub>% Senior Notes due April 15, 2018, dated as of April 15, 2008, as supplemented by and among Videotron, the guarantors party thereto, and Wells Fargo Bank, National Association, as trustee.**

On April 15, 2008, Videotron issued US\$455,000,000 aggregate principal amount of its 9 <sup>1</sup>/<sub>8</sub>% Senior Notes due April 15, 2018, in each case pursuant to an Indenture, dated as of April 15, 2008, by and among Videotron, the guarantors party thereto, and Wells Fargo Bank, National Association, as trustee. These notes are unsecured and are due on April 15, 2018. Interest on these notes is payable semi-annually in arrears on June 15 and December 15 of each year, beginning on June 15, 2008. These notes are guaranteed on a senior unsecured basis by most, but not all, of Videotron's subsidiaries. These notes are redeemable, at Videotron's option, under certain circumstances and at the redemption prices set forth in the indenture. The indenture contains customary restrictive covenants with respect to Videotron and certain of its subsidiaries, and customary events of default. If an event of default occurs and is continuing, other than Videotron's bankruptcy or insolvency, the trustee or the holders of at least 25% in principal amount at maturity of the then-outstanding notes may declare all the notes to be due and payable immediately. On March 5, 2009, Videotron issued an additional US\$260.0 million aggregate principal amount of its 9 <sup>1</sup>/<sub>8</sub>% Senior Notes due 2018 for net proceeds of \$332.4 million (including accrued interest and net of financing expenses). These notes form part of a single series with Videotron's existing 9 <sup>1</sup>/<sub>8</sub>% Senior Notes due 2018 that were issued in 2008, were issued under the same indenture and have the same terms as these existing notes.

This Indenture may be viewed under our profile on SEDAR at [www.sedar.com](http://www.sedar.com).

**Indenture relating to Cdn\$300,000,000 of our 7 ½% Senior Notes due January 15, 2020, dated as of January 13, 2010, by and among Videotron, the guarantors party thereto, and Computershare Trust Company of Canada, as trustee**

On January 13, 2010, Videotron issued Cdn\$300,000,000 aggregate principal amount of its 7 ½% Senior Notes due 2020, pursuant to an Indenture, dated as of January 15, 2010. These notes are unsecured and are due on January 15, 2020. Interest on these notes is payable semi-annually in arrears on June 15 and December 15 of each year, beginning on June 15, 2010. These notes are guaranteed on a senior unsecured basis by most, but not all, of Videotron's subsidiaries. These notes are redeemable, at Videotron's option, under certain circumstances and at the redemption prices set forth in the indenture. The indenture contains customary restrictive covenants with respect to Videotron and certain of its subsidiaries, and customary events of default. If an event of default occurs and is continuing, other than Videotron's bankruptcy or insolvency, the trustee or the holders of at least 25% in principal amount at maturity of the then-outstanding notes may declare all the notes to be due and payable immediately.

This Indenture may be viewed under our profile on SEDAR at [www.sedar.com](http://www.sedar.com).

**Credit Agreement dated as of November 28, 2000, as amended up to a Tenth Amending Agreement dated as of November 13, 2009, by and among Videotron, as borrower, the guarantors party thereto, the financial institutions party thereto from time to time, as lenders, and Royal Bank of Canada, as administrative agent, as amended**

Videotron's \$650,000,000 senior secured credit facilities provide for a \$575,000,000 secured revolving credit facility that matures in April 2012 and a \$75,000,000 secured export financing facility providing for a term loan that matures in June 2018. The proceeds of the revolving credit facility can be used for general corporate purposes including, without limitation, to pay dividends to Quebecor Media subject to certain conditions. The proceeds of the term loan may be used for payments and/or reimbursement of payments of export equipment and local services in relation to Videotron's contracts for wireless infrastructure equipment with an affiliate of Nokia Corporation and also for the financing of the Finnvera guarantee fee (Finnvera plc being a specialized financing company owned by the State of Finland which is providing an export buyer credit guarantee in favor of the lenders under the export financing facility covering political and commercial risks).

Advances under the revolving credit facility bear interest at the Canadian prime rate, the bankers' acceptance rate or the London Interbank Offered Rate (LIBOR) plus, in each instance, an applicable margin. Advances under the export financing facility bear interest at the bankers' acceptance rate (CDOR Rate), plus a margin.

The revolving credit facility will be repayable in full in April 2012. Drawdowns under the export financing facility are repayable by way of seventeen equal and consecutive semi-annual payments starting on June 15, 2010. Subject to certain exceptions and the exemption of the first \$50,000,000 received, Videotron is required to apply 100% of the net cash proceeds of asset sales or transfers to repay borrowings under the senior secured credit facilities (pro rata as between the revolving credit facility and the export financing facility), unless Videotron reinvests these proceeds within specified periods and for specific purposes. Subject to the exemption of the first \$50,000,000 received, Videotron is also required to apply proceeds from insurance settlements received in excess of \$50,000,000 in the aggregate to repay borrowings under the senior secured credit facilities (pro rata as between the revolving credit facility and the export financing facility).

Borrowings under the senior secured credit facilities and under eligible derivative instruments are secured by a first-ranking hypothec or security interest (subject to certain permitted encumbrances) on all of Videotron's current and future assets, as well as those of the guarantors party thereto, including most but not all of its subsidiaries (the "Videotron Group"), guarantees of

all the members of the Videotron Group, pledges of the shares of Videotron and the members of the Videotron Group, and other security.

Videotron's senior secured credit facilities contain customary covenants that restrict and limit the ability of Videotron and the members of the Videotron Group to, among other things, enter into merger or amalgamation transactions, grant encumbrances, sell assets, pay dividends or make other distributions, issue shares of capital stock, incur indebtedness and enter into related party transactions. In addition, the senior secured credit facilities contain customary financial covenants and customary events of default including the non-payment of principal or interest, the breach of any financial covenant, the failure to perform or observe any other covenant, certain bankruptcy events relating to Videotron and the members of the Videotron Group, and the occurrence of a change of control.

This Credit Agreement may be viewed under our profile on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **ITEM 11 — INTERESTS OF EXPERTS**

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Ernst & Young is the public accounting firm that prepared the auditor's report with respect to our consolidated annual financial statements for the year ended December 31, 2009. Ernst & Young has confirmed to us that it is independent within the meaning of the Rules of Professional Conduct of the *Ordre des comptables agréés du Québec*. These rules are equivalent or similar to Rules of Professional Conduct applicable in the other provinces of Canada.

#### **ITEM 12 — TRANSFER AGENT AND REGISTRAR**

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The transfer agent and registrar for our Class A Shares and Class B Shares is Computershare Investor Services Inc. Share transfer service is available at its Montreal and Toronto offices.

#### **ITEM 13 — FORWARD-LOOKING STATEMENTS**

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This Annual Information Form includes "forward-looking statements" that involve risks and uncertainties. All statements other than statements of historical facts included in this Annual Information Form, including statements regarding the prospects of our industry and our prospects, plans, financial position and business strategy may constitute forward-looking statements within the meaning of Canadian securities legislation and regulations. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "estimate," "anticipate," "plan," "foresee," "believe" or "continue" or the negatives of these terms or variations of them or similar terminology. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. While the below list of cautionary statements is not exhaustive, some important factors that could affect our future operating results, financial position and cash flows and could cause our actual results to differ materially from those expressed in these forward-looking statements are:

- Quebecor Media's ability to successfully build and deploy its new wireless services network on the timeline that it is currently targeting, and to implement successfully its strategy of becoming a facilities-based wireless provider;
- general economic, financial or market conditions and variations in the businesses of Quebecor Media local, regional or national newspapers and broadcasting advertisers;
- the intensity of competitive activity in the industries in which we operate, including competition from other communications and advertising media and platforms;
- fragmentation of the media landscape;

- unanticipated higher capital spending required to address continued development of competitive alternative technologies or the inability to obtain additional capital to continue the development of our business;
- Our ability to implement successfully our business and operating strategies and manage our growth and expansion;
- Quebecor Media's ability to successfully restructure its newspapers operations to optimize their efficiency in the context of the changing newspaper industry;
- disruptions to the network through which Quebecor Media provides its digital television, Internet access and telephony services, and its ability to protect such services from piracy;
- labour disputes or strikes;
- changes in Quebecor Media's ability to obtain services and equipment critical to its operations;
- changes in laws and regulations, or in their interpretations, which could result in, among other things, the loss (or reduction in value) of Quebecor Media's licenses or markets or in an increase in competition, compliance costs or capital expenditures;
- our substantial indebtedness, the tightening of credit markets, and the restrictions on our business imposed by the terms of our debt; and
- interest rate fluctuations that affect a portion of our interest payment requirements on long-term debt.

The forward-looking statements in this document are made to provide investors and the public with a better understanding of the Company's circumstances and are based on assumptions it believes to be reasonable as of the day on which they are made. Investors and others are cautioned that the foregoing list of factors that may affect future results is not exhaustive and that undue reliance should not be placed on any forward-looking statements. For more information on the risks, uncertainties and assumptions that could cause the Company's actual results to differ from current expectations, please refer to the "Risks and Uncertainties" section of the Management Discussion and Analysis, which was filed with the Canadian securities regulatory authorities on March 10, 2010, which section is incorporated by reference into this Annual Information Form.

The forward-looking statements in this Annual Information Form reflect the Company's expectations as of the date hereof, and are subject to change after that date. The Company expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

#### **ITEM 14 — ADDITIONAL INFORMATION**

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Additional information relating to us may be found on the SEDAR Website at [www.sedar.com](http://www.sedar.com).

Other information, including information on the remuneration and indebtedness of directors and officers, the principal holders of our securities, securities authorized for issuance under equity compensation plans, where applicable, is contained in our Management Proxy Circular prepared in connection with our Annual Meeting of Shareholders. Other financial information is included in

the comparative consolidated financial statements and Management's Discussion and Analysis for the year ended December 31, 2009.

The above mentioned documents and our press releases may be found on our website at [www.quebecor.com](http://www.quebecor.com).

## SCHEDULE A

### INFORMATION ON THE BROADCASTING SEGMENT CONTAINED IN TVA GROUP INC.'S ANNUAL INFORMATION FORM DATED MARCH 10, 2010

**Note:** In this Schedule A, unless the context otherwise requires, the term "Company" refers to TVA Group Inc., and the terms "we," "us," "our," as well as the term "TVA," refer to the Company and its subsidiaries. Unless otherwise indicated, the information presented in this Annual Information Form is given as at December 31, 2009. All dollar amounts appearing in this Annual Information Form are in Canadian dollars, except if another currency is specifically mentioned. In addition, the table below lists a number of defined terms that we use throughout this Annual Information Form to refer to various companies within the TVA group or affiliates.

Entity	Defined term
Quebecor Inc.	"Quebecor"
Quebecor Media Inc.	"Quebecor Media"
SUN TV Company	"SUN TV"
TVA Productions Inc. and TVA Productions II Inc.	"TVA Productions"
TVA Publishing Inc.	"TVA Publishing"

#### ITEM 1 OUR COMPANY

The Company was incorporated in accordance with the laws of Québec by letters patent dated March 29, 1960, under the name of Télé-Métropole Corporation.

The Company was continued under Part IA of the *Companies Act* (Québec) by certificate and articles of continuance dated December 17, 1981. On February 17, 1998, the corporate name of Télé-Métropole Inc. was changed to TVA Group Inc.

TVA is an integrated communications company which operates in the following business sectors: television, publishing and distribution.

##### *Television*

TVA is the largest private French-language broadcaster in North America. We own six of the 10 stations that make up "**TVA Network**," and we hold a minority interest in two other stations. We are also a major producer of French-language entertainment, news and public affairs television programs as well as commercial productions intended primarily for our own network use, and we operate seven analog and digital specialty services. We also hold a minority interest in an additional specialty channel. The Company owns 75% of the outstanding shares of SUN TV, a general-interest television station located in Toronto. During the second quarter of 2009, we entered into an agreement with Sun Media Corporation under which we committed to acquire the remaining 25% interest it holds and become the sole owner of SUN TV. The transaction is subject to certain conditions.

TVA's television sector also includes the home-shopping component, through the television channel Télé Achats and TVA Boutiques inc., which specialize in retailing through mail order selling or different on-line stores such as shoppingtva.ca, bijouxcarolineneron.com or shoppingclodine.ca.

### *Publishing*

TVA Publishing publishes more than 60 magazines specializing in show business and entertainment, television, fashion and beauty, teenagers, home decor and renovation, as well as services, which makes it the leading French-language magazine publisher in Québec. TVA also offers customized editing services for its clients by taking charge of all the writing, production and distribution of their magazine.

### *Distribution*

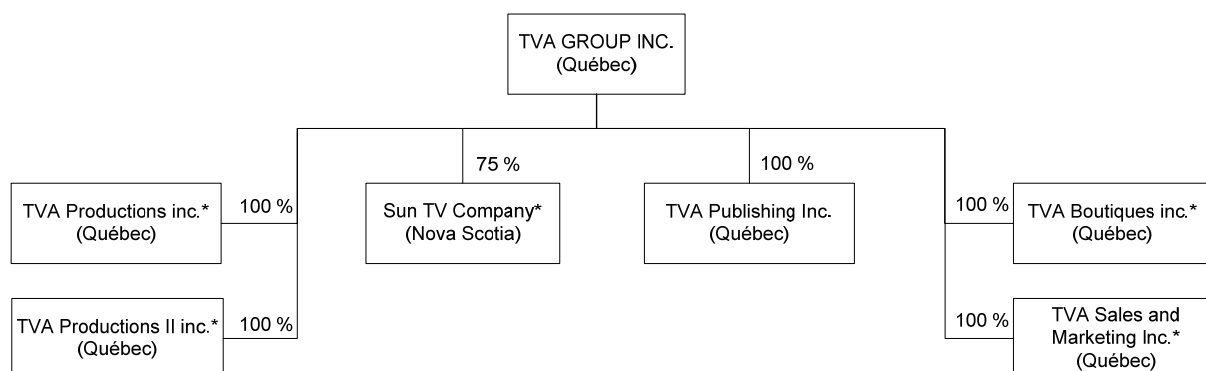
We distribute television products and films aimed primarily at the Canadian market. We own a distribution rights catalogue that we operate on different platforms and supports: cinema, DVD, Blu-ray, video-on-demand, pay-TV and pay-per-view, as well as general-interest and specialty television, institutional markets and aerospace companies.

The Company's head office is located at 1600 de Maisonneuve Boulevard East, Montréal, Québec H2L 4P2. Its Website address is: [www.tva.canoe.ca](http://www.tva.canoe.ca). Its telephone number is (514) 526-9251 and its fax number is (514) 598-6085. The information found on its Website is neither an integral part of this Annual Information Form nor is it deemed to be incorporated by reference in this Annual Information Form.

## **1.1. OUR SUBSIDIARIES**

The organizational chart below lists the Company's main subsidiaries at December 31, 2009 as well as their jurisdiction of incorporation and the percentage of voting rights held, directly or indirectly, by the Company. Some of the subsidiaries, whose total assets represented no more than 10% of our consolidated assets at December 31, 2009, and whose sales and operating revenues represented no more than 10% of our consolidated sales and consolidated operating revenues at that date, have been omitted. The omitted subsidiaries, taken as a whole, accounted for less than 20% of our consolidated assets and less than 20% of our consolidated sales and consolidated operating revenues at December 31, 2009.

The subsidiaries identified with an asterisk (\*) represent 10% or less of our total consolidated assets and 10% or less of our consolidated sales and consolidated operating revenues at December 31, 2009. We have included them to better illustrate our overall structure.



## ITEM 2 OUR BUSINESS

The following table provides information on revenues for each of TVA's business sectors.

REVENUES BY BUSINESS SECTOR (in thousands of dollars)

	Year ended December 31, 2009	Year ended December 31, 2008
Television	\$357,044	\$342,853
Publishing	\$73,974	\$78,606
Distribution	\$12,424	\$19,236
Intersegment items	(\$4,473)	(\$3,972)
<b>TOTAL</b>	<b>\$438,969</b>	<b>\$436,723</b>

### 2.1. TELEVISION

We own and operate six of the ten stations that make up TVA Network: CFTM-TV (Montréal), which is the network's flagship station, and five regional television stations: CFCM-TV (Québec City), CHLT-TV (Sherbrooke), CHEM-TV (Trois-Rivières), CFER-TV (Rimouski-Matane-Sept-Îles) and CJPM-TV (Saguenay/Lac St-Jean) (the "**regional stations**"). In addition to these regional stations are four affiliated stations: CHOT-TV (Gatineau) and CFEM-TV (Rouyn), owned by RNC Media Inc., as well as CIMT-TV (Rivière-du-Loup) and CHAU-TV (Carleton), owned by Télé Inter-Rives Ltée (the "**affiliated stations**"). We hold a 45% interest in Télé Inter-Rives Ltée. The TVA Network signal reaches nearly the entire French-speaking audience of the Province of Québec, as well as the French-speaking communities in the neighbouring provinces of Ontario and New Brunswick, and a significant portion of francophone viewers

in the rest of Canada. We also hold 75% of the outstanding shares of SUN TV, a general-interest station located in Toronto, Ontario. We also own the specialty services LCN, Mystère, Argent, Prise 2 and Les idées de ma maison, in addition to holding stakes in the television channels mentv, Mystery and Canal Évasion. We also operate a home-shopping service.

#### **2.1.1. TELEVISION BROADCASTING**

##### **CFTM-TV (MONTRÉAL)**

CFTM-TV (Montréal), which has been broadcasting since February 1961, operates from its television studios located at 1600 de Maisonneuve Boulevard East in Montréal. CFTM-TV (Montréal) transmits its signal from an antenna located on the summit of Mount Royal. Since February 1, 2007, the Company operates CFTM-DT (Montréal), under a High Definition (HD) transitional licence granted in March 2006.

CFTM-TV (Montréal)'s programming includes dramas, serials, variety and service shows, real-life series, sports programs, magazine-style and quiz shows, films, news and public affairs programs. A major portion of CFTM-TV (Montréal)'s programming schedule is produced by the Company and is complemented by shows and films acquired from independent producers and third parties. This programming constitutes a considerable portion of the programming schedules of the TVA Network's member stations. A portion of CFTM's programming is also broadcast simultaneously on the Web and is also available free of charge on video-on-demand.

##### **REGIONAL STATIONS**

The programming of our five regional stations comes primarily from CFTM-TV (Montréal) and is complemented by local programming produced by each regional station that reflects their respective cultural, economic, political and social realities. CFCM-TV (Québec City) produces an average of more than 18 hours of local programming per week, of which at least 9 hours are broadcast exclusively on its local market. Each of the other regional stations produces and broadcasts an average of more than five hours of local programming per week. TVA Network's stations carry numerous reports originating from local newscasts and form an integral part of the news content of the LCN channel

##### **AFFILIATED STATIONS**

The affiliation agreements between the Company and Télé Inter-Rives Ltée (owner of the local stations CHAU-TV (Carleton) and CIMT-TV (Rivière-du-Loup), as well as between the Company and RNC Media Inc. (owner of the local stations CHOT-TV (Gatineau) and CFEM-TV (Rouyn)), are valid until August 31, 2013.

##### **SUN TV**

TVA owns 75% of the outstanding shares of SUN TV, which owns a general-interest television licence in Toronto, Canada's largest advertising market. SUN TV's programming consists of public affairs and entertainment shows such as dramas, comedies, variety shows, documentaries and sports shows. We also simulcast hit shows from the U.S., including the very popular "60 Minutes" and "48 Hours Mystery". The channel's licence will expire on August 31, 2011.

At the end of January 2008, SUN TV received the final regulatory approvals for the implementation of digital retransmitters in the Ottawa and London, Ontario markets. These equipments became operational in the fall 2008.

During the second quarter of 2009, we have undertaken to acquire from our sister company, Sun Media Corporation, the 25% interest it owns in SUN TV in order to become its sole owner. On December 1, 2009, the Company received the CRTC's approval. The transaction is subject to certain conditions.

## **2.1.2. SPECIALTY SERVICES**

### **LE CANAL NOUVELLES (LCN)**

Launched in September 1997, this all-news channel broadcasts information packages comprising of news, sports and weather items that are updated on a regular basis. LCN broadcast a limited number of programs in category 2a) Analysis and Interpretation, such as the Denis Lévesque, Le vrai Négociateur, Mongrain and Richard Martineau shows. In 2009, LCN again posted strong growth with an average market share of 3.5% and an average weekly reach of 3,401,000 viewers.

On February 12, 2010, TVA obtained a significant amendment to the LCN licence and can now take advantage of the normalized conditions that are imposed on other news services. Therefore, the LCN method becomes more flexible with a larger program schedule.

### **MENTV**

The Company and its partner CanWest Television GP Inc. ("**CanWest**") (on behalf of and in the name of CanWest Television Limited Partnership) own a national licence to operate mentv, an English-language digital specialty channel devoted to men's lifestyles that went on the air September 7, 2001. The Company and CanWest hold a 51% and a 49% interest respectively. The channel's licence will expire on August 31, 2010. Its Website is also accessible at [www2.canada.com/specialtytv/mentv](http://www2.canada.com/specialtytv/mentv).

### **MYSTERY**

The Company and its partner CanWest own equal interest in a national licence for Mystery, an English-language digital specialty channel devoted to mystery and suspense programming that was launched on September 7, 2001. The channel's licence will expire on August 31, 2010. Its Website is also accessible at [www2.canada.com/specialtytv/mysterytv](http://www2.canada.com/specialtytv/mysterytv).

### **MYSTÈRE**

The Company owns a national licence for Mystère, a French-language digital specialty channel devoted to mystery and suspense programming that was launched on October 21, 2004. Its Website is also accessible at [www.mystere.canoe.ca](http://www.mystere.canoe.ca).

### **ARGENT**

The Company owns a national licence for a French-language digital specialty channel which offers programming that focuses on economic and business news, as well as personal finance, Argent. This channel went on air on October 21, 2004; and the official launch took place on February 21, 2005. Its Website is also accessible at [www.argent.canoe.ca](http://www.argent.canoe.ca).

### **LES IDÉES DE MA MAISON**

The Company owns a national licence for a French-language digital specialty channel devoted to renovation and do-it-yourself projects, cooking, design and decoration as well as lifestyle matters. The channel went on the air February 19, 2008. Its Website is also accessible at [www.lesideesdemamaison.canoe.ca/tele](http://www.lesideesdemamaison.canoe.ca/tele).

### **PRISE 2**

The Company owns a national licence for the French-language digital specialty channel dedicated to the great television and film classics, Prise 2. This channel was launched on February 9, 2006. Its Website is also accessible at [www.prise2.canoe.ca](http://www.prise2.canoe.ca).

## **CANAL ÉVASION**

Canal Évasion Inc. owns a national licence for a French-language digital specialty channel devoted to travel, tourism and adventure that was launched January 31, 2000. The Company holds a 8.3% interest in Canal Évasion Inc. The channel's licence will expire on August 31, 2012. Its Website is also accessible at [www.evasion.tv](http://www.evasion.tv).

### **2.1.3. OTHER SPECIALITY SERVICES**

On March 19, 2007, the Company was granted a new licence by the Canadian-Radio-television and Telecommunications Commission ("CRTC") for a French-language Category 2 pay-TV channel, Première Loge. This channel is not in operation as of this date.

On February 22 and 26, 2010, the CRTC granted the Company two new licences to operate two French language category 2 pay television programming services. The first service is aimed exclusively at a children audience aged between two and six, namely TVA Junior, which should start airing April 1, 2010. The second service, to be called TVA Sports, will offer programs relating to every aspect of sports by focusing on professional Canadian sports of general interest. This service is not yet in operation.

### **2.1.4. TÉLÉ ACHATS**

Télé Achats is the sole French-language infomercial and home-shopping channel in Québec. Télé Achats broadcasts promotional segments for products and services including those of Shopping TVA that sells consumer products directly, 24 hours a day, seven days a week.

### **2.1.5. TVA BOUTIQUES INC.**

TVA Boutiques operates namely under the trademark *Shopping TVA* and produces the same name home-shopping show broadcasted on TVA and Télé Achats. TVA Boutiques manages all consumer product sales segments broadcasted on both networks. The *Shopping TVA* program broadcasted on TVA Network and Télé Achats includes the full production of the home-shopping segment and all the necessary infrastructure to support sales, from order taking to the delivery of goods. *Shopping TVA* also operates a transactional Website at [www.shoppingtva.ca](http://www.shoppingtva.ca).

In addition, TVA Boutiques manages the manufacturing and marketing of a wide range of products endorsed by popular figures or brands, like "Tout Simplement Clodine" available on the Web at [www.shoppingclodine.ca](http://www.shoppingclodine.ca)., as well as the products of "Bijoux Caroline Néron" available on the Web at [www.bijouxcarolineneron.com](http://www.bijouxcarolineneron.com).

### **2.1.6. PRODUCTION**

TVA Productions produced close to 1,591 hours of original programming during the fiscal year ended December 31, 2009 including drama, variety and magazine-style shows, galas, documentaries, game shows and real-life series. TVA Productions' output is produced for airing on the TVA Network, the specialty channels of the Company and on its Websites.

### **2.1.7. REVENUE SOURCES**

Private general-interest television stations derive most of their revenues from the sale of air time for advertising. The rates set by stations depend largely on their audience share, on the demographic and socio-economic make-up of their audience and on other available media or promotional vehicles.

Air time on the TVA Network, i.e. CFTM-TV (Montréal), as well as the regional and affiliated stations is sold by sales representatives employed by TVA Sales and Marketing Inc. to advertising agencies acting for national advertisers. Air time is also sold by local sales representatives to local retailers or advertisers.

A total of 63% of specialty channel revenues is derived from affiliation agreements with broadcasting distribution undertakings, while 37% is derived from the sale of air time to advertisers.

The revenues of TVA Boutiques are generated from the sale of air time on Télé Achats channel as well as the sale of consumer products.

### **2.1.8. LICENCES AND REGULATION**

Television stations and specialty channels are all operated under licences issued by the CRTC. These activities are subject to the requirements and regulations of the *Broadcasting Act* (Canada), in particular the *Television Broadcasting Regulations, 1987* and the *Specialty Services Regulations, 1990*, as well as to CRTC policies and decisions published from time to time, and to the terms, conditions and expectations set out in the licence pertaining to each station or specialty channel. These licences are issued for a fixed term and, before their expiry, we must apply to the CRTC for their renewal. Renewals are generally granted to companies that have complied with the terms and conditions of their licences. The acquisition or disposition of television broadcasting activities also requires regulatory approval. We believe we are compliant with all the terms and conditions of our various licences, and have no reason to believe that our licences would not be renewed upon their expiry.

#### **Ownership and Control of Canadian Broadcast Undertakings**

Subject to any directions issued by the Governor in Council (effectively the Federal Cabinet), the CRTC regulates and supervises all aspects of the Canadian broadcasting system.

The Governor in Council, through an Order-in-Council referred to as the *Direction to the CRTC (Ineligibility of Non-Canadians)*, has directed the CRTC not to issue, amend or renew a broadcasting license to an applicant that is a non-Canadian. Canadian, a defined term in the *Direction*, means, among other things, a citizen or a permanent resident of Canada, a qualified corporation, a Canadian government, a non-share capital corporation of which a majority of the directors are appointed or designated by statute, regulation or specified governmental authorities, or a qualified mutual insurance company, qualified pension fund society or qualified cooperative of which not less than 80% of the directors or members are Canadian. A qualified corporation is one incorporated or continued in Canada, of which the chief executive officer (or if there is no chief executive officer, the person performing functions similar to those performed by a chief executive officer) and not less than 80% of the directors are Canadian, and not less than 80% of the issued and outstanding voting shares and not less than 80% of the votes are beneficially owned and controlled, directly or indirectly, by Canadians. In addition to the above requirements, Canadians must beneficially own and control, directly or indirectly, not less than 66.6% of the issued and outstanding voting shares and not less than 66.6% of the votes of the parent company that controls the subsidiary, and neither the parent company nor its directors may exercise control or influence over any programming decisions of the subsidiary if Canadians beneficially own and control less than 80% of the issued and outstanding shares and votes of the parent corporation, if the chief executive officer of the parent corporation is a non-Canadian or if less than 80% of the parent corporation's directors are Canadian. There are no specific restrictions on the number of non-voting shares which may be owned by non-Canadians. Finally, an applicant seeking to acquire, amend or renew a broadcasting license must not otherwise be controlled in fact by non-Canadians, a question of fact which may be determined by the CRTC in its discretion. Control is defined broadly in the *Direction* to mean control in any manner that results in control in fact, whether directly through the ownership of securities or indirectly through a trust, agreement or arrangement, the ownership of a corporation or otherwise. TVA and Sun Media Corporation are qualified Canadian corporations.

Regulations made under the *Broadcasting Act* (Canada) require the prior approval of the CRTC for any transaction that directly or indirectly results in (i) a change in effective control of the licensee of a broadcasting distribution undertaking or a television programming undertaking (such as a conventional television station, network or pay or specialty undertaking service), (ii) a person or a person and its associates acquiring control of 30% or more of the voting interests of a licensee or of a person who has, directly or indirectly, effective control of a licensee, or (iii) a person or a person and its associates acquiring 50% or more of the issued common shares of the licensee or of a person who has direct or indirect effective control of a licensee. In addition, if any act, agreement or transaction results in a person or a person and its associates acquiring control of at least 20% but less than 30% of the voting interests of a licensee, or of a person who has, directly or indirectly, effective control of the licensee, the CRTC must be notified of the transaction. Similarly, if any act, agreement or transaction results in a person or a person and its associates acquiring control of 40% or more but less than 50% of the voting interests of a licensee, or a person who has directly or indirectly effective control of the licensee, the CRTC must be notified.

### **Jurisdiction Over Canadian Broadcast Undertakings**

TVA's programming activities are subject to the *Broadcasting Act* (Canada) and regulations made under the *Broadcasting Act* (Canada) that empower the CRTC, subject to directions from the Governor in Council, to regulate and supervise all aspects of the Canadian broadcasting system in order to implement the policy set out in that Act. Certain of TVA's undertakings are also subject to the *Radiocommunication Act* (Canada), which empowers Industry Canada to establish and administer the technical standards that networks and transmission must respect, namely, maintaining the technical quality of signals.

The CRTC has, among other things, the power under the *Broadcasting Act* (Canada) and regulations to issue, subject to appropriate conditions, amend, renew, suspend and revoke broadcasting licenses, approve certain changes in corporate ownership and control, and establish and oversee compliance with regulations and policies concerning broadcasting, including various programming and distribution requirements, subject to certain directions from the Federal Cabinet.

Since September 1<sup>st</sup>, 2009, TVA is eligible to the Local Programming Improvement Fund's (LPIF) contributions. In the same Broadcasting Regulatory Policy, with respect to digital transition, the Commission identified the major markets where it expects conventional broadcasters to convert their full-power, over-the-air analog transmitters to digital as of August 31<sup>st</sup> 2011.

### **Copyright Board Proceedings**

The conventional and specialized television services of the Company require licences under the *Copyright Act* of the Canadian system in order to use the musical components of the program schedule and other works broadcasted by these services. Under these licences, TVA is required to pay royalties, as established by the Copyright Board under the requirements of the *Copyright Act* of the Canadian system, to the collective societies (who represent the copyright owners).

Upon request of the collective societies, and subject to the approval of the Copyright Board, the level of royalties to be paid by TVA may be modified.

### **Canadian Broadcast Programming (Off the Air and Thematic Television)**

#### ***Programming of Canadian Content***

CRTC regulations require licensees of television stations to maintain a specified percentage of Canadian content in their programming. Television broadcasters are subject to regulations requiring that, over the broadcast year and over any six-month period specified in the license, a minimum of 60% of the aggregate programming shown during the broadcast day (a continuous 18-hour period between 6:00 a.m.

and 1:00 a.m. the following day) must be of Canadian origin. Canadian origin is most commonly achieved on the basis of a points system requiring that a number of creative and production staff be Canadian and that specified Canadian production expenditure levels be met. In addition, not less than 50% of the aggregate programming between the hours of 6:00 p.m. and 12:00 midnight over the broadcast year must be of Canadian origin. Specialty or thematic television channels also have to maintain a specified percentage of Canadian content in their programming generally set forth in the conditions of their license.

Since September 1, 2000, we have been subject to a CRTC policy requiring the largest multi station ownership groups to broadcast over the broadcast year on average a minimum of eight hours per week of priority programming during prime time, from 7:00 p.m. to 11:00 p.m. To permit greater flexibility in meeting these requirements, the definitions of priority programs and prime time have been expanded. Priority programming now includes Canadian produced drama, music and dance, variety and long-form documentaries, but does not include news and information or sports programming. Quantitative commitments and fixed spending requirements have been eliminated.

### ***Advertising***

The CRTC also regulates the quantity and content of specialty television advertising. A licensee shall not broadcast more than 12 minutes of advertising during any hour subject to certain exceptions for unpaid public service announcements and promotions for upcoming Canadian programs.

### ***Broadcasting License Fees***

Broadcasting licensees are subject to annual license fees payable to the CRTC. The license fees consist of two separate fees. One fee allocates the CRTC's regulatory costs for the year to licensees based on a licensee's proportion of the gross revenue derived during the year from the licensed activities of all licensees whose gross revenues exceed specific exemption levels. The other fee, also called the Part II license fee, for broadcasting undertakings, is 1.365% of the amount by which its gross revenue derived during the year from its licensed activity exceeds \$1,500,000. Our broadcasting activities are subject to both fees.

In February 2004, we filed a claim before the Federal Court on the basis that the Part II license fee is similar to a tax levy and that the CRTC has no jurisdiction to impose a tax. This claim has been merged with a similar claim from the Canadian Association of Broadcasters. In December 2006, the Federal Court rendered judgment in our favour declaring the Part II license fee a tax levy that the CRTC had no jurisdiction to impose. The court however denied us reimbursement of amounts paid by us on account of the Part II license fees. On January 11, 2007, we filed an appeal of the Federal Court's decision that denied us reimbursement. The crown has also appealed the court's decision that the fee constitutes an illegal tax. On October 1, 2007, the CRTC issued a letter to all broadcasters accounting that it will no longer require broadcasting licensees (including distribution undertakings) to pay Part II license fees. The CRTC will therefore not collect Part II license fees that would otherwise have been due on November 30, 2007 (and subsequent years) unless the Federal Court of Appeal or Supreme Court of Canada, should this case be appealed to that level, reverses the Federal Court's decision. On December 22, 2009, the Commission issued a Broadcasting Notice of Consultation (CRTC 2009-797) inviting parties to comment on proposed amendments to the Broadcasting Licence Fee Regulations, 1997 (the Regulations). The purpose of the amendments is to initiate changes to the Regulations as a result of an out-of-court settlement reached between the Government of Canada and members of the broadcasting industry with respect to the Part II broadcasting licence fees. As part of the settlement, the Government recommended that the Commission develop a new fee regime that would cap the total annual Part II licence fees to be paid by broadcasters to the lesser of the current Part II licence fees, calculated according to section 11 of the Regulations, and \$100 million, adjusted annually after 2010 by changes in the Consumer Price Index.

In a call for comments regarding certain aspects of the regulatory framework for over-the-air television, we had asked the regulator to consider leaving off-the-air TV networks like TVA to negotiate a fee with broadcast distributors for the carriage of the signal. We have also asked to remove any obligations to use independent producers so that TV broadcasters can more often own intellectual property of TV programs

and become able to exhibit such programs on new platforms as much as possible. In Public Notice 2007-53, "*Determinations regarding certain aspects of the regulatory framework for over-the-air television*" issued on May 17, 2007, the CRTC decided (i) not to allow a subscriber fee for the carriage of local conventional over-the-air stations by Broadcast Distribution Undertakings ("BDU"), and (ii) not to eliminate the current quotas on programming to be produced by independent producers. The Chairman of the CRTC announced on November 5, 2007 that the Commission was of the view that any further consideration of the fee-for-carriage issue should take place within a broad context, such as that afforded by the upcoming review initiated by Broadcasting Notice of Public Hearing 2007-10. Accordingly, the Commission found it appropriate to expand the scope of this proceeding to include consideration of the fee-for-carriage issue. In October 2008, the CRTC denied the request made by over-the-air television stations (OTAs) with respect to imposing a subscriber fee for the carriage of their signals by BDUs, such as cable and satellite. On September 16, 2009, the Governor in Council has issued an Order in Council (P.C. 2009-1569) requesting that the Commission hold hearings and provide a report on the implications and advisability of implementing a compensation regime for the value of local television signals (Broadcasting Notice of Consultation CRTC 2009-614). This is pursuant to Broadcasting Notice of Consultation CRTC 2009-411 in which the Commission announced a hearing regarding the modalities and conditions for group-based licensing that would provide the necessary criteria to consider upcoming applications for group-based seven-year license renewals and revenue support for conventional TV broadcasters that can be drawn from distributors. Subject to the outcome of this hearing and of a Cabinet decision, TVA might be able to earn revenues from a new financing source.

The CRTC has also determined in as part of this new regulatory framework that it would be appropriate to immediately introduce competition between Canadian specialty services operating in the genres of mainstream sports and mainstream national news. Once a genre has been opened for competition, the following rules will apply to all services within the genre:

- a common and standard nature of service definition;
- common Canadian programming exhibition and spending obligations;
- no access rights; and
- no regulated wholesale fee.

The following table shows the broadcasting licences for each of our television stations, as well as the licences for our wholly-owned specialty channels:

<b>Call letters</b>	<b>Location</b>	<b>Expiry date</b>	<b>Decision number</b>
TVA Network	Canada	August 31, 2011	CRTC 2009-410
CFTM-TV	Montréal	August 31, 2011	CRTC 2009-410
CHLT-TV	Sherbrooke	August 31, 2011	CRTC 2009-410
CHEM-TV	Trois-Rivières	August 31, 2011	CRTC 2009-410
CFCM-TV	Québec City	August 31, 2011	CRTC 2009-410
CJPM-TV	Saguenay/Lac St-Jean	August 31, 2011	CRTC 2009-410
CFER-TV	Rimouski	August 31, 2011	CRTC 2009-410
Le Canal Nouvelles (LCN)	Canada	August 31, 2010	CRTC 2004-23
Mystère	Canada	August 31, 2010	CRTC 2000-469
Argent	Canada	August 31, 2010	CRTC 2000-468
Prise 2	Canada	August 31, 2012	CRTC 2005-527
Les idées de ma maison	Canada	August 31, 2012	CRTC 2005-521
SUN TV	Toronto, Hamilton, London, Ottawa	August 31, 2011	CRTC 2009-490
TVA Junior	Canada	August 31, 2016	CRTC 2010-103
TVA Sports	Canada	August 31, 2016	CRTC 2010-116

#### **2.1.9. COMPETITION, VIEWING AUDIENCES AND TELEVISION MARKET SHARE**

The television sector competes directly with all other advertising media. The competition will continue to be intense for the future. The distribution of advertising dollars among these various media is determined by several factors, among them the economic climate, advertiser preferences and interest in the product offered.

The television sector in Québec has to deal with a very competitive environment due to the multiplication of specialty services and the increase in sales of air time by them. Moreover, publicly owned stations benefit from strong financial support from governments, while also maintaining access to the advertising market and funding available for Canadian programming and for Local Programming Improvement Fund. In addition to the larger number of television channels, viewers are increasingly solicited by the Internet and its peripheral services that may attract their interest. The negative impact that the new media have on the television sector are increasingly affecting traditional advertising revenues.

The quality of our programming, the great popularity of our shows, the reputation for our news and information services and the use of new broadcasting platforms are all factors that help us maintain our audience ratings and our significant share of the advertising market. For the year 2009, TVA dominated in

terms of market share seven times a week and broadcasts 23 of the 30 best-watched shows in spite of an increase in the viewing share of specialty channels in the French-language market in 2009.

## **2.2. PUBLISHING**

### **2.2.1. TVA PUBLISHING INC.**

TVA Publishing publishes more than 60 magazines including regular, special and seasonal issues. Its principal magazines focus on five market niches:

#### **Entertainment**

- 7 Jours
- Dernière Heure
- Le Lundi
- Star Système
- Échos Vedettes
- TV Hebdo
- TV 7 Jours

#### **Decoration**

- Chez soi
- Les Idées de ma maison
- Rénovation Bricolage
- Côté Cours Côté Jardins
- Hors Série Décoration
- Votre Maison
- 150 plans

#### **Fashion and Beauty**

- Clin d'oeil
- Femme d'aujourd'hui (FA)
- Star Inc

#### **Teenagers**

- Cool

#### **Services**

- Moi & Cie
- À vos pinceaux
- Animal
- Espaces parents.ca
- Tout simplement Clodine

TVA Publishing is also active in the custom publishing segment with the following magazines:

- Air Transat
- Perspectives
- Quartier (Dix30)
- Montréal Centre-ville
- Branché
- Passion (Jean Coutu)
- Idées Réno Dépôt.

TVA Publishing also operates Websites in order to broadcast its trademarks on different digital platforms. Thus, Websites such as [www.clindoeil.ca](http://www.clindoeil.ca), [www.tvhebdo.com](http://www.tvhebdo.com), [www.espaceparents.ca](http://www.espaceparents.ca) and [www.7jours.canoe.ca](http://www.7jours.canoe.ca) are broadcasting daily relevant content related to the editorial content of our corresponding magazines. In the short term, TVA Publishing is looking to increase its trademarks' visibility on the Internet to diversify its offer to the readers and advertisers.

Each magazine's content is either produced internally by our employees or freelancers or purchased on the market. Art direction, computer graphics as well as coordination and review of the content is done by the TVA Publishing staff. Printing and touch up are done by different printers. All our magazines are distributed at newsstands by an affiliate, Messageries Dynamiques, a Sun Media Corporation division.

### **2.2.2. REVENUE SOURCES**

The main sources of revenue for the publishing sector are newsstand sales, subscriptions and advertising sales. TVA Publishing also benefits from certain government programs to support Canadian magazine publishing. The downward trend in the publishing market and the increase in media diversity remain significant issues affecting the sector's performance. Nevertheless, the strength of trademarks brings new business opportunities.

### **2.2.3. COMPETITION**

Competition in this sector remains very vigorous. Nevertheless, we remain Québec's largest publisher of French-language magazines. Our weeklies are read by more than 2.9 million readers each week, according to data compiled by the Print Measurement Bureau (PMB). The magazine 7 Jours alone, which features artistic and cultural events, has more than 900,000 readers each week. In addition, TVA's monthlies are read by more than 4 million readers on a monthly basis. We are the newsstand sales leader, holding a share of over 72% of the French-language market. In this market, TVA Publishing, with all of its magazines, obtains 49% of all subscriptions and newsstand sales.

## **2.3. DISTRIBUTION**

### **2.3.1. TVA FILMS**

During the fiscal year ended December 31, 2009, TVA Films continued its objective to increase its presence on the Canadian market by expending its catalogue consisting of Québec, Canadian and foreign films.

### **2.3.2. REVENUE SOURCES**

TVA Films acquires and manages rights for the distribution of films and audiovisual productions in Canada and abroad. Revenue is derived from three main sources: the presentation of films in movie theatres, the rental and sale of DVDs and Blu-rays and the sale of products contained in its catalogue on the various TV platforms (video-on-demand, pay-TV and pay-per-view, general interest and specialty TV channels).

The typical product in the TVA Films catalogue is a movie produced in English or French that can be distributed in theatres in Québec and Canada or directly in DVD. Some films are acquired exclusively for either the Québec or Canadian markets.

Films acquired for distribution in movie theatres have the largest revenue prospects, because their value is generally higher on the DVD/Blu-ray (sale and rental) and television markets.

However, the DVD/Blu-ray sales, in Canada and abroad, and rental market are the sectors with the best growth potential for the division. TVA Films also acquires products aimed solely at those markets; mainly products made from television productions or humorist shows.

### **2.3.3. CONTRACTUAL AGREEMENTS**

In July 2009, TVA Films entered into an agreement under which it exclusively entrusted to Universal Studio Home Entertainment the subdistribution in Canada of its new titles produced in a language other than French for the DVD/Blu-ray market. As a result, the prior agreement with Sony Pictures Home Entertainment was not renewed. However, Sony Pictures Home Entertainment retains, for a period of five years, its previously acquired rights to distribute such films. As for the distribution in DVD/Blu-ray of certain titles produced prior to 2005, TVA Films renewed for an additional period of one year its subdistribution agreement with Maple Pictures. As of December 31, 2009, TVA Films was also associated with Distribution Select, a division of Archambault Group Inc. (a sister company), for the subdistribution in Canada of its new titles produced in French for the DVD/Blu-ray market. In the new media sector, TVA Films entered into an agreement with Apple Inc. for the sale and rental of films, in English Canada, through the iTunes Website.

As for the agreements entered into in 2007 with Allarco Entertainment Inc., they did not provide their full effect as this company filed for protection under the *Companies' Creditors Arrangement Act* on June 16, 2009. The current exclusive agreement ends on September 30, 2010. TVA Films is considering a new business proposal that should be submitted during the reorganization process of this company.

Furthermore, TVA Films entered into agreements with certain producers regarding the distribution of future commercial films from the province of Québec.

#### **2.3.4. COMPETITION**

The market in both English-speaking Canada and Québec is dominated by American films. Most American blockbusters are distributed by the American “majors” (Warner, Sony Pictures, Universal, Disney, etc.); however, a Canadian distributor (Alliance and Alliance Vivafilm in Québec) is Canada’s largest film distributor.

TVA Films is comparable in size to many Canadian distributors which are all competing internationally to acquire products, sub-distribution contracts from the specialized subsidiaries of the American majors and for exclusive agreements with leading Québec producers.

The DVD/Blu-ray market is dominated by the American majors who, in addition to marketing their own products, are also distributing, under sub-distribution contracts, the titles of external producers. With the agreements in place with Distribution Sélect, Universal Studio Home Entertainment and Maple Pictures, TVA Films is in a strong position to maximize its sales in the years to come.

#### **2.4. INTELLECTUAL PROPERTY**

The core segments of the Company, which primarily include television and editing, hold or use under licence a number of trademarks which form part of our most important intangible assets. The main trademarks for our products and services are filed or registered in Canada. In addition, we have the rights arising from our use of unregistered trademarks. We take all required legal measures to protect our trademarks and believe that these trademarks are appropriately covered for the needs of the Company.

The audio-visual contents that we produce, distribute or broadcast usually benefit from a legal protection regime under the copyright laws applicable in the territories where they arise from or where they are used. These protection regimes generally provide for civil and criminal penalties in the event of any unauthorized use, broadcast or reproduction. The literary and photographic contents included in our publications and on our Websites are also protected under the copyright regime. Under the laws or contracts, we are the owners of the intellectual property rights on most of the literary contents reproduced in our publications, subject to limited exceptions, including the contents taken from national or international agencies. We therefore ensure that we enter into licence agreements with these agencies, freelancers and any other providers of similar contents under conditions that enable us to meet our operating needs. We believe that we have taken the appropriate and reasonable measures to cover, use, protect and guarantee the protection of the contents that we create and distribute.

#### **2.5. HUMAN RESOURCES AND LABOUR RELATIONS**

At December 31, 2009, we had 1,399 regular employees.

The following chart shows the number of regular employees in each business sectors.

Television:	1,125
Publishing:	250
Distribution:	24
TOTAL:	<u>1,399</u>

TVA's labour relations are governed by 14 collective agreements. At December 31, 2009, five collective agreements had expired or expired at that date. The collective agreements that were expired on December 31, 2009 cover approximately 78% of the Company's unionized regular employees.

### **ITEM 3 OUR HIGHLIGHTS**

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In the past three fiscal years, the following events have had an impact on our development and growth:

#### **2009 HIGHLIGHTS**

On March 17, 2009, the Company filed an issuer bid to repurchase for cancellation between March 19, 2009 and March 18, 2010, up to 985,210 of the Company's Class B shares, representing approximately 5% of the number of Class B shares issued and outstanding. As at December 31, 2009, 253,500 Class B shares were repurchased for cancellation.

On April 29, 2009, the Company concluded an agreement with Videotron Ltd. to sell the assets of the pay-per-view television service "Canal Indigo". On December 1, 2009, the CRTC gave its approval to this sale of assets.

On June 29, 2009, the Company has undertaken to become the sole owner of the television station SUN TV. On December 1, 2009, the Company has received the CRTC's approval to acquire all outstanding shares not already owned by TVA. The transaction is subject to certain conditions.

On June 29, 2009, our parent company, Quebecor Media, proceeded to the liquidation of Canoë Inc., which was 86.2% owned by Quebecor Media and 13.8% by the Company, and its assets were distributed proportionally to shareholders. The Company received an amount in cash and three portals including the site "Argent/Money" for the disposal of its investment in Canoë Inc.

On October 7, 2009, a number of companies, including TVA, signed an out-of-court settlement with the Crown under which the applicant companies abandoned their objection to pay Part II licence fees of the CRTC and their financial claims. On his part, the government gave up its claim of unpaid Part II licence fees for the period between September 1, 2006 and August 31, 2009. In addition, under this out-of-court settlement, the government also covenanted to recommend to the CRTC to modify its regulations, in order to limit the amount of Part II licence fees payable after August 31, 2009.

On December 11, 2009, the Company completed its debt refinancing in a 5-year term loan for an amount of \$75 million and a 3 year revolving credit facility for an amount of \$100 million.

#### **2008 HIGHLIGHTS**

On February 19, 2008, TVA launched a new French-language digital specialty channel "Les idées de ma maison" which is devoted to renovation and do-it-yourself projects, cooking, design and decoration as well as lifestyle matters. This new channel complements the magazine "Les idées de ma maison" which celebrated its 25<sup>th</sup> Anniversary in 2008.

On August 31, 2008, TVA acquired the remaining partnership interest in Canal Indigo that it did not already own. Since then, the assets of Canal Indigo were transferred to Videotron Ltd.

In the fall of 2008, new rebroadcasting transmitters were made operational to broadcast the digital signal of SUN TV in the London and Ottawa markets.

In the year ended December 31, 2008, TVA launched a Substantial Issuer Bid to repurchase for cancellation a maximum amount of 3,000,000 Class B shares, at a price of \$17.00 per share. On June 6, 2008, TVA repurchased 3,000,642 Class B shares further to this issuer bid.

## **2007 HIGHLIGHTS**

In February 2007, TVA began broadcasting its High Definition (HD) signal via certain cable and satellite providers.

In May 2007, the CRTC published a notice in which it announced a new approach for Canadian conventional television. It stipulates that as of August 31, 2011, only digital signals will be authorized.

In September 2007, the CRTC approved the applications by SUN TV to amend its broadcasting licences. The amendments allow SUN TV to operate analog as well as digital rebroadcasting transmitters in new markets, namely Ottawa and London, Ontario.

In the fall of 2007, the Company created the “TVA Création” division, specializing in concept and content development for multi-platform delivery.

## **SCHEDULE B**

### **MANDATE OF THE BOARD OF DIRECTORS**

The Board of Directors (the “**Board**”) of Quebecor Inc. (the “**Company**”) is responsible for supervising the management of the Company’s business and affairs, with the objective of increasing value for its shareholders. The Board is responsible for the proper stewardship of the Company and, as such, it must efficiently and independently supervise the business and affairs of the Company which are managed on a day-to-day basis by management. The Board may delegate certain tasks to its committees. However, such delegation does not relieve the Board of its overall responsibilities with regards to the management of the Company.

All decisions of the Board must be made in the best interests of the Company.

### **COMPOSITION AND QUORUM**

The majority of the members of the Board must be independent, as defined in the laws and regulations. The Board considers annually the independence of each of its members. In accordance with the articles of the Company, 25% of all the members of the Board are elected by holders of Class B Subordinate Voting Shares and the other members of the Board are elected by holders of Class A Multiple Voting Shares.

All members of the Board must have the skills and qualifications required for appointment as a director. The Board, as a whole, must reflect a diversity of particular experience and qualifications to meet the Company’s specific needs.

At every meeting of the Board, the quorum established is a majority of directors holding office.

### **RESPONSIBILITIES**

The Board has the following responsibilities:

- A. With respect to strategic planning
  - 1. Reviewing and approving annually the Company’s global budget and strategic plan.
  - 2. Reviewing and, at the option of the Board, approving all strategic decisions for the Company, including acquisitions or sales of shares, assets or businesses which exceed the delegated approval powers.
  
- B. With respect to human resources and performance assessment
  - 1. Selecting, appointing and, if necessary, removing the President and Chief Executive Officer.
  - 2. Approving the appointment and, if necessary, the removal of the other senior management executives.

3. Ensuring that the Compensation Committee assesses annually the performance of the Chief Executive Officer and of the Chief Financial Officer, taking into consideration the Board's expectations and the objectives that have been set.
4. Receiving the Compensation Committee Chairman's Report concerning the objectives of the Chief Executive Officer and his performance review, and approving his compensation.
5. Monitoring the management succession planning process.

C. With respect to financial matters and internal controls

1. Ensuring the integrity and quality of the Company's financial statements and the adequacy of the disclosure made.
2. Reviewing and approving the annual and quarterly financial statements and management's discussion and analysis. Reviewing the press release relating thereto.
3. Approving operating and capital expenditures budgets, the issuance of securities and, subject to the Limit of Authority Policy of Quebecor Media inc., all transactions outside the ordinary course of business, including proposed amalgamations, acquisitions or other material transactions such as investments or divestitures.
4. Determining dividend policies and declaring dividends when deemed appropriate.
5. Ensuring that appropriate systems are in place to identify business risks and opportunities and overseeing the implementation of processes to manage these risks and opportunities.
6. Monitoring the Company's internal control and management information systems.
7. Monitoring the Company's compliance with legal and regulatory requirements applicable to its operations.
8. Reviewing when needed and upon recommendation of the Audit Committee, the Company's Disclosure Policy, monitoring the Company's dealings with analysts, investors and the public and ensuring that measures are in place in order to facilitate shareholder feedback.

D. With respect to pension matters and the Stock Option Plan

1. Monitoring investment policies for the Company's pension plans.
2. Monitoring the investment management of the pension funds.

3. Approving grants of stock options in virtue of the Stock Option Plan.

E. With respect to corporate governance matters

1. Ensuring that management manages the Company competently and in compliance with applicable legislation, including making timely disclosure of relevant information regarding the Company and making statutory filings.
2. Reviewing, on a regular basis, corporate governance structures and procedures, including the decisions requiring the approval of the Board.
3. Ensuring that a Code of Business Conduct is in place and distributed to all employees. Ensuring compliance with the Code
4. Establishing a policy which enables committees of the Board and, subject to approval of the Corporate Governance and Nominating Committee, to hire external advisors at the expense of the Company when the circumstances so require. The Chairman of the Board must be kept informed of such undertaking.
5. Reviewing the size and composition of the Board and its committees based on qualification, skills and personal abilities sought in Board members. Reviewing annually the composition of Board committees and appointing committee chairpersons. Reviewing annually the mandates of Board committees upon recommendation of the Corporate Governance and Nominating Committee.
6. Approving the list of Board nominees for election by shareholders.
7. Establishing annually which directors will be designated as independent pursuant to the rules on the independence of directors.
8. Reviewing, and at the option of the Board, approving the Company's management proxy circular as well as the annual information form and all documents or agreements requiring its approval.
9. Receiving annually an attestation from the Board's committees confirming that all required elements included in their mandate and working plan have been covered.
10. Receiving annually the Chairman's report on the Board's assessment in regards to its overall effectiveness.
11. Ensuring that the directors have all the support they require in order to fully perform their duties.

## **METHOD OF OPERATION**

1. Meetings of the Board are held quarterly, or more frequently, as required. In addition, a special meeting of the Board is held annually in order to review the Company's strategic plan.
2. The Chairman of the Board, in collaboration with the Chief Executive Officer and the Secretary, determines the agenda for each meeting of the Board. The agenda and the relevant documents are provided to directors of the Company on a timely basis.
3. Independent directors meet after each meeting of the Board, or more frequently, as required.

## **SCHEDULE C**

### **QUEBECOR INC.**

#### **MANDATE OF THE AUDIT COMMITTEE**

The Audit Committee (the “**Committee**”) assists the Board of Directors (the “**Board**”) in overseeing the financial controls and reporting of Quebecor Inc. (the “**Company**”). The Committee also oversees the Company’s compliance with financial covenants and legal and regulatory requirements governing financial disclosure matters and financial risk management.

#### **COMPOSITION AND QUORUM**

The Committee is composed of a minimum of three (3) members and a maximum of five (5) members, all of whom are considered independent by the Board, in accordance with the statutory and regulatory requirements applicable to the Company. Each member of the Committee must be financially literate<sup>1</sup>. The members and Chairman of the Committee are appointed by the Board.

The quorum at any meeting of the Committee is a majority of its members.

Because of the Committee’s demanding role and responsibilities, the Corporate Governance and Nominating Committee reviews any invitation made to Committee members to join the audit committee of any other corporation.

#### **RESPONSIBILITIES**

The Committee has the following responsibilities:

A. With respect to financial reporting

1. Reviewing with management and the external auditor the annual financial statements, the external auditor’s report thereon, management’s discussion and analysis and the related press release, and obtaining explanations from management on all significant variances with comparative periods, before recommending their approval to the Board and their release.

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<sup>1</sup> i.e. the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.

2. Reviewing with management and the external auditor the interim financial statements, the external auditor's review thereof, management's discussion and analysis and the related press release, and obtaining explanations from management on all significant variances with comparative periods before recommending their approval to the Board and their dissemination.
  3. Ensuring that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, other than the financial statements, management's discussion and analysis and annual and quarterly earnings press releases.
  4. Reviewing the financial information contained in prospectuses, annual information form and other reports or documents containing similar financial information before recommending their approval to the Board and their dissemination or filing with the appropriate regulatory authorities.
  5. Reviewing with management and the external auditor the quality and not only the acceptability of the Company's accounting policies and any changes proposed thereto, including (i) all major accounting policies and practices used, (ii) any alternative treatments of financial information that have been discussed with management, the impact of their use and the treatment recommended by the external auditor, and (iii) any other important communications with management with respect thereto, and reviewing the disclosure and impact of contingencies and the reasonableness of the provisions, reserves and estimates that may have a material impact on financial reporting.
  6. Reviewing with the external auditor any audit problems or difficulties and management's response thereto and resolving any disagreement between management and the external auditor regarding financial reporting.
  7. Reviewing periodically the Company's Disclosure Policy to ensure that it conforms with applicable legal and regulatory requirements and reporting its recommendations to the Board of Directors.
- B. With respect to disclosure controls and procedures, internal control and risk management
1. Monitoring the quality and integrity of the Company's financial and accounting systems and information management systems as well as the existence and proper operation of disclosure controls and procedures and internal control over financial reporting through discussions with management and the internal and external auditors, as well as with the internal auditors of the Company and of Quebecor Media Inc. ("QMI").
  2. Reviewing periodically management's report assessing the effectiveness of the disclosure controls and procedures.
  3. Reviewing on a regular basis and monitoring the management of the significant operational risks of the Company and its main subsidiaries.

4. Establishing and, if needed, reviewing procedures for the receipt, retention and processing of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, including the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
5. Establishing and, if required, reviewing procedures for “whistleblower protection” to ensure that no employee of the Company and its subsidiaries or business units are discharged or otherwise penalized for reporting in good faith to his or her supervisor or to any competent authorities, potential violations of any laws or regulations applicable to the Company.
6. Helping the Board fulfil its responsibility to ensure that the Company complies with applicable statutory and regulatory requirements.

C. With respect to internal auditing

1. Monitoring the qualifications and performance of the internal auditors.
2. Reviewing the internal audit program, its scope and capacity to ensure the effectiveness of the systems of internal control and financial reporting accuracy.
3. Monitoring the execution of the internal audit program and, together with the internal auditors, ensuring a follow-up on the recommendations of the external auditor regarding deficiencies identified by the latter and regarding the steps management has agreed to take to correct such deficiencies.
4. Ensuring that the internal auditors are always ultimately accountable to the Committee and the Board.

D. With respect to the external auditor

1. Overseeing the work of the external auditor and reviewing the annual written statement of the external auditor regarding all his relationships with the Company and discussing any relationships or services that may impact on his objectivity or independence.
2. Recommending to the Board of Directors (i) the public accounting firm that will be submitted to the vote of shareholders for the purpose of preparing or issuing an auditor’s report or performing other audit, review or certification services, and (ii) the compensation of the external auditor for audit services.
3. Authorizing all audit services, determining which non-audit services the external auditor is entitled to provide and pre-approving all non-audit services that may be provided to the Company or its subsidiaries by the external auditor, and approving any policy pertaining thereto, the whole in accordance with the *Pre-Approval Policy* for the services to be provided by the external auditor, and regulations in force.

4. Reviewing the basis and amount of the external auditor's fees for both audit services and authorized non-audit services.
5. Reviewing the audit plan with the external auditor and management and approving the scope and time-frame of such audit plan.
6. Reviewing, if required, the policy on hiring of partners and employees and former partners and employees of the Company's current or previous external auditor.
7. Ensuring compliance with the legal requirements regarding (i) the rotation of appropriate partners of the external auditor and, (ii) the participation of the external auditor in the Canadian Public Accountability Board's program.
8. Ensuring that the external auditor is always accountable to the Committee and the Board.

E. With respect to QMI

1. While recognizing the Company's control framework, establishing a procedure to foster good collaboration and communication with the audit committee of QMI.
2. Obtaining the mandate of QMI's audit committee and confirming annually that the said committee has covered all the elements included in its mandate.
3. Obtaining, on a timely basis, minutes of meetings of QMI's audit committee for information purposes.
4. Monitoring the pension plans of the Company and its subsidiaries, to the extent permitted by the internal governance of public subsidiaries and of subsidiaries not wholly owned by the Company.
5. Reviewing all material non related party transactions and, annually, the inter-company sharing of management fees.

**METHOD OF OPERATION**

1. The Committee holds four regular meetings per year and may meet more often if required.
2. The Secretary or Assistant Secretary acts as the Committee's Secretary.
3. The Chairman of the Committee establishes the agenda for each meeting of the Committee in consultation with the Chief Financial Officer and the Secretary. The agenda and the necessary documents are provided to members of the Committee on a timely basis prior to any meeting of the Committee.
4. The Chairman of the Committee reports on a regular basis to the Board about the Committee's proceedings, findings and recommendations.

5. The Committee has, at all times, a direct line of communication with the external auditor and with the internal auditors of the QMI.
6. At each meeting to review the interim and annual financial statements, the Committee meets separately with the external auditor and the internal auditors, the whole without management being present.
7. The Committee meets on a regular basis without management, the external auditor and the internal auditor.
8. The Committee meets separately with management at least once a year and more often if required.
9. The Committee may, when circumstances dictate, retain the services of external advisors and fix their remuneration, provided the Committee advises the Chairman of the Board.
10. The Committee annually reviews its mandate and reports to the Corporate Governance and Nominating Committee on any modifications required thereto.
11. The minutes of the Committee meetings are approved by the Committee and are submitted to the Board for information purposes.
12. A resolution in writing, signed by all the members of the Committee, is as valid as if it had been passed at a meeting of the Committee.
13. The Committee annually provides the Board with an attestation confirming that all required elements included in its mandate and working plan have been covered.

Nothing contained in this mandate is intended to expand applicable standards of conduct under statutory or regulatory requirements for the directors of the Company or the members of the Committee. Even though the Committee has a specific mandate and its members may have financial experience, they do not have the obligation to act as auditors or to perform auditing, or to determine that the Company's financial statements are complete and accurate.

Members of the Committee are entitled to rely, in the absence of information to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided, and (iii) representations made by management as to the non-audit services provided to the Company by the external auditor. The Committee's oversight responsibility has not been established to provide an independent basis to determine that (i) management has maintained appropriate accounting and financing reporting principles or appropriate internal controls and procedures, or (ii) the Company's financial statements have been prepared and, if applicable, audited in accordance with generally accepted accounting principles or generally accepted auditing standards.