



ANNUAL INFORMATION FORM

January 26, 2011
Fiscal Year Ended October 31, 2010

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Note: In this Annual Information Form, all dollar figures are in Canadian dollars, unless otherwise specified. All the information contained in this Annual Information Form is up to date as of October 31, 2010, unless otherwise specified.

Item 1 - Corporate Structure

1.1 Name and Incorporation

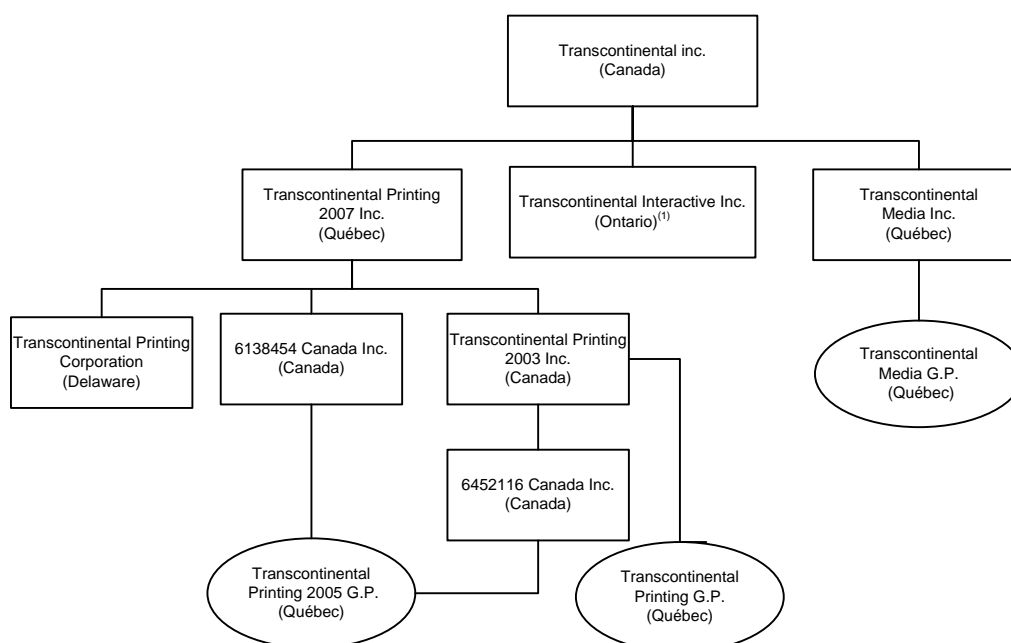
Transcontinental Inc. (the "Corporation") was incorporated under the *Canada Business Corporations Act* by Certificate of Incorporation dated March 3, 1978. A Restated Certificate of Incorporation was issued to the Corporation on October 7, 1988 containing amendments pertaining to the name of the Corporation, the number and appointment of directors of the Corporation and the share capital of the Corporation. Since the issuance of the Restated Certificate of Incorporation, the Articles of Incorporation have again been modified. Specifically, on March 27, 2003, the Corporation modified its corporate name from G.T.C. Transcontinental Group Ltd. to Transcontinental Inc. and split the number of Class A Subordinate Voting Shares and the number of Class B Shares on the basis of two Class A Subordinate Voting Shares for each Class A Subordinate Voting Share held and two Class B Shares for each Class B Share held, all of which took effect on April 10, 2003. Effective October 1, 2009, the Corporation created Cumulative 5-Year Rate Reset First Preferred Shares, Series D and Cumulative Floating Rate First Preferred Shares, Series E.

The registered office of the Corporation is located at 1 Place Ville Marie, Suite 3315, Montréal, Québec, Canada H3B 3N2.

In this Annual Information Form, the term "Corporation" means Transcontinental Inc. and the expressions "Transcontinental" and "we" mean, according to the context, the Corporation, its subsidiaries (which include, for purposes of this Annual Information Form, partnerships, trusts and other unincorporated business entities) and other affiliated entities of the Corporation, or one or more of its affiliated entities.

1.2 Intercorporate Relationships

The following corporate chart is a list of the most important direct and indirect subsidiaries and other affiliated entities of the Corporation as of October 31, 2010, indicating their jurisdiction of incorporation. All of the shares or units of such subsidiaries and other affiliated entities are held directly or indirectly by the Corporation.



(1) Amalgamated on November 1, 2010.

Item 2 - General Development of the Business

2.1 General Information

2.1.1 The Corporation

We create marketing products and services that allow businesses to attract, reach and retain their target customers. We are the largest printer in Canada and Mexico, and fourth-largest in North America. As the leading publisher of consumer magazines and French-language educational resources, and of community newspapers in Québec and the Atlantic provinces, we are also one of Canada's top media groups. In addition, our digital platforms deliver unique content through more than 250 websites. We also offer interactive marketing products and services that use new communications platforms supported by marketing strategic and planning services, database analytics, premedia, e-flyers, email marketing, custom communications and mobile solutions. We are a growth-oriented company with a culture of continuous improvement and financial discipline, whose values, including respect, innovation and integrity, are central to our operation. As of October 31, 2010, we had approximately 10,500 employees in Canada, the United States and Mexico, and reported revenues of \$2.1 billion for our fiscal year ended on such date.

2.1.2 Management of the Corporation

We favour decentralized management so as to further optimize the development of our operating sectors and provide customer services that are both flexible and rapid.

The corporate head office is responsible for financing, development, taxation, insurance and risk management, investor relations, external communications and internal control and offers services in the fields of human resources, procurement, information technology, legal affairs and accounting.

2.2 Three-Year History

The events that have influenced the general development of our business over the past three completed fiscal years are the following:

2010

- Change of name of our Marketing Communications Sector to Interactive Sector on November 1, 2010;
- Acquisition of Vortxt Interactive Inc., doing business as Vortex Mobile, a leading provider of integrated mobile solutions in Canada on November 1, 2010;
- Announcement of the closing of the Transcontinental Boucherville printing plant;
- Beginning of the printing of the new edition of *The Globe and Mail* in most of its major markets in Canada;
- Launch by Transcontinental Media of a digital representation house;
- Acquisition of Groupe Média-Business Inc., publisher of the *Le Nord* weekly newspaper distributed in the Laurentians;
- Announcement that we are providing a text messaging service for Société de transport de Laval (STL) customers to receive up-to-the-minute arrival times for bus routes as well as a text messaging service for Toronto Transit Commission customers to receive up-to-the-minute arrival times for streetcar routes;

- Relaunch of Publisac.ca, an online flyer portal of Transcontinental Media, and launch of Dealstreet.ca;
- Launch of five weekly newspapers in Québec: *Rive-Sud Express.ca* in Longueuil, *Point de vue Sainte-Agathe* and *Point de vue Mont-Tremblant* in the Laurentians, *Abitibi Express* in Val-d'Or and Amos and *Abitibi Express Ouest* in Rouyn-Noranda;
- Acquisition of LIPSO Systems Inc., a leading Canadian mobile solutions provider;
- Awarded the "Best of Show" award as well as the Gold award as the Most Environmentally Progressive Printer in Canada with more than 500 employees at the Annual Environmental Printing Awards;
- Awarded the LEED Silver Certification for new construction of the U.S. Green Building Council to Transcontinental Northern California for the environmentally conscious design and features of its plant;
- Presentation of our first Sustainability Report based on the *Global Reporting Initiative* Standard; and
- Sale of our U.S. high volume direct mail operations for net proceeds of US\$105.7 million.

2009

- Sale of *Outdoor Canada* and *Canadian Home Workshop* to Quarto Communications Limited;
- Announcement of the official beginning of printing of the *San Francisco Chronicle* daily paper at our new plant in Fremont, California;
- Sale of our Dumais Street printing plant in Rimouski;
- Sale of Transcontinental Miami Valley, a printing plant in Fairborn, Ohio, specialized in insert printing for local retailers;
- Appointment of Christian Trudeau as President of our Interactive Sector;
- Implementation of major rationalization measures to address the recession in virtue of which many jobs were eliminated and of substantive cost-cutting measures throughout Canada, the United States and Mexico;
- Acquisition of Conversys Inc., Canada's leading supplier of electronic flyers;
- Recipient of the triple chain of custody certification in all of our printing facilities in Canada and the United States;
- Recipient of seven awards at the 2008 Pearl Awards and four awards at the 2009 Pearl Awards, the North American competition which recognizes excellence in content, design, digital and strategy in custom publishing for our Interactive Sector;
- Acquisition of Redwood Custom Communications Inc. (now totembrandstories.com), a leading North American and full service marketing and communications company that creates turn-key custom publishing and branded content solutions for both print and digital platforms;
- Appointment of Brian Reid as President of our Printing Sector;

- Creation of the Interactive Sector in the context of the implementation of a new operating structure to support our growth strategy;
- Consolidation of production by Transcontinental Direct U.S.A. Inc., our direct mail subsidiary in the United States from its Warminster, PA facility to its facility in Hamburg, PA;
- Completion and execution of several financing or refinancing:
 - Completion of a bought deal public offering of 4,000,000 Cumulative 5-Year Rate Reset First Preferred Shares, Series D for gross proceeds of \$100 million;
 - Execution of a six-year financing of €55.6 million, which will be used to buy production equipment over the next two years;
 - Execution of a five-year term loan of \$50 million arranged with Société générale de financement du Québec;
 - Execution of a five-year loan for \$100 million from Caisse de dépôt et placement du Québec;
 - Renewal of our credit facilities of \$150 million for one year;
 - Extension of our \$300 million securitization program for an additional year; and
 - Completion of a private placement offering of \$100 million in unsecured debentures underwritten by Solidarity Fund QFL.

2008

- Launch of weblocal.ca, a local search site to "Find, rate, share" Canadian businesses;
- Launch of *Vita*, the French edition of *More* magazine;
- Award to Transcontinental Custom Communications of a multi-year contract by Canada Post to publish *Smart Moves™ - The Guide for your new home*, its existing magazine for Canadian moving households;
- Announcement by Transcontinental Media of its working with NewspaperDirect to migrate its newspapers to digital editions;
- Acquisition of Rastar, Inc., a U.S.-based direct marketing company that specializes in interactive database marketing and variable data digital printing, which enable fully personalized marketing communications;
- Execution of an exclusive 18-year contract with The Globe and Mail, a division of CTV GlobeMedia Publishing Inc. to print *The Globe and Mail* daily newspaper for all of the Canadian markets except Saskatchewan and Manitoba;
- Acquisition of *L'Express le journal d'ici*, a French newspaper published every two weeks that serves the city of Saint-Lin-Laurentides in Québec;
- Acquisition of Acquisition.biz;
- Announcement that the daily newspapers *The Globe and Mail* and *La Presse*, both printed by us, have been accepted into the International Newspaper Color Quality Club for 2008-2009-2010;

- Acquisition of ThinData Inc., Canada's leading permission-based marketing services firm;
- Announcement of an investment of \$20 million in state-of-the-art equipment for Transcontinental Interweb Montréal, our South Shore printing facility;
- Execution of an exclusive 6-year contract for the printing of Rogers' complete magazine portfolio;
- Announcement of the closing of *The Daily News* in Halifax and of the launch of a free daily newspaper, *Metro*, for Halifax residents in partnership with Metro International S.A. and Torstar Corporation;
- Acquisition of the newspaper *L'Autre Voix* based in the Côte-de-Beaupré region of Québec;
- Acquisition of the Italian-language weekly newspaper *Corriere Italiano* based in the Montréal area; and
- Acquisition of *The Springhill-Parrsboro Record* based in the Northern Nova Scotia region.

2.3 Significant Acquisition

During our fiscal year ended October 31, 2010, we did not complete any significant acquisition.

2.4 Strategic Orientation Update

2.4.1 General

Our ultimate goal is to ensure the growth and profitability of Transcontinental while promoting the common interests of our employees, customers and shareholders, the three pillars of the organization. Our strategy is based on several fundamental principles: to be the leader in the markets we serve, to have a disciplined approach to acquisitions and financial management, and to foster a culture of continuous improvement and of client satisfaction.

Having said this, Transcontinental's mission is to help its customers identify, reach and retain their target consumers. We do so by offering printing products and services, media content, media vehicles as well as digital dissemination tools and many new online platforms, which customers are increasingly choosing for their marketing campaigns. We will continue to develop and to adjust to new customer realities in order to help them maximize the return on their marketing dollar. Our vision is to remain the Canadian leader in a number of our niches, but also to carve out a leading position as a provider of interactive digital solutions.

2.4.2 Trends in the marketplace

Transcontinental does business in industries that are transforming at a rapid rate. Unprecedented changes are sweeping the publishing and printing industries, presenting both opportunities and risks. Marketing is increasingly based on a one-to-one approach and the customers who use such services are focusing more and more on return on investment and measurability. As such, campaigns are becoming increasingly targeted as advertisers seek to establish and develop a relationship with their customer base. Concurrently, the rise of new media, digital platforms and changing consumer habits coupled with the increasing availability of data and technology to make better use of this data, is increasing audience fragmentation, personalization of content, user-generated content and web-based communities. The velocity of a number of trends has increased. This is especially true for the rate of adoption of digital technologies and the ensuing migration of advertising dollars toward online platforms.

The ongoing transformation of the media and marketing industries is having a profound impact on the printing industry as a whole. Print products remain key components in the media mix, but their growth is limited due to

the growing impact of the trends noted above. The printers who will be able to benefit from this fast-evolving market are those who have the latest technology. These new technologies enable a better response to customers' ever-growing needs, while simultaneously enhancing printers' operational efficiency.

In addition, macroeconomic factors such as the globalization of markets, the rise of environmental and social consciousness and the volatility of the Canadian dollar are all having an effect on our business, as are more recent events, including the economic slowdown.

Taken as a whole, these new trends have started to have an impact on the demands and expectations of our customers. In fact, they have driven our customers to increasingly experiment with one-to-one marketing, new platforms and an integrated service offering from their suppliers. The Corporation has therefore designed its strategy to profit from these trends.

2.4.3 Our two-pronged strategy

Given these rapid changes in our industries, we are pursuing our transformation so that we can guide the activation of our customers' marketing process using our products and services, whether conventional, interactive or digital. This we believe we can accomplish via a two-pronged approach: (1) build on our existing business; and (2) develop new opportunities in interactive marketing and digital solutions. Consequently, in addition to making our existing operations even more efficient, we are ramping up the development of the new online platforms. Transcontinental is gradually shifting from a more general offer to a differentiated and innovative client-based offer that draws from all of its products and services—print and digital. Transcontinental is in fact one of the only printers in Canada with an offering that integrates print with the new one-to-one and interactive advertising tools demanded by our customers, particularly retailers. This is how we believe we can maximize our growth potential over the medium and long term.

Build on our existing business

Transcontinental has, from the very beginning, taken calculated risks to ensure a solid foundation for its operations. Whether this has meant capital investments or business acquisitions, the Corporation has always had only one goal in mind: to serve customers better while generating an attractive return for shareholders. Past decisions have resulted in a strong base for our traditional printing operations, media content and media vehicles. In its traditional industries, Transcontinental is characterized by top-quality employees, a committed base of loyal clients, a leading position in Canada, strong brands and a network of state-of-the-art printing plants. We also have key advantages that can help us grow new services: we master the printing of communications products, we produce excellent content, we know how to disseminate that content through the broad reach of our targeted multi-channel platforms, and we continue to be a client-centric organization that serves both advertisers and consumers.

Here are some of our achievements in fiscal 2010:

- On October 1, we successfully started printing *The Globe and Mail* daily paper on our new Canada-wide hybrid printing platform, under an 18-year contract signed in 2008;
- We acquired or launched six new weekly papers in Québec, and their websites, to offer more local content to communities and businesses;
- We launched *PREMIUM*, an innovative and high-end publication that is Québec's first bookzine;
- New agreements were signed to add print volume to the *San Francisco Chronicle* at our plant in Fremont;

- We renewed contracts with terms of one to three years worth more than \$350 million in our Printing Sector.

With the significant competitive advantages noted above, and our achievements in fiscal 2010, we believe that going forward, all three Transcontinental sectors can win market share.

Develop new opportunities in interactive and digital marketing solutions

Most of Transcontinental's revenues come from the marketing budgets of its customers. In recent quarters, given the rapid change in its traditional activities and new customer needs, Transcontinental's offering has evolved considerably over the last quarters to integrate its diversified mix of print products and media content—both mass and targeted—along with one-to-one advertising and new interactive marketing communications platforms. Below is a list of our selected accomplishments in fiscal 2010:

- We acquired LIPSO Systems Inc., a Québec company and leading provider of mobile solutions in Canada. With this acquisition, Transcontinental adds a number of key services to its marketing communications offering, including cell-phone bar-code readers, a mobile technology allowing for mobile couponing in retail sales, and electronic ticketing in transportation and entertainment. In November 2010, after the close of our 2010 fiscal year, Transcontinental also acquired Vortex Mobile, an Ontario company and also a Canadian leader in mobile solutions, to strengthen our product and services offering in our Interactive Sector;
- We launched a digital representation house, an agency that sells advertising on the Web, to augment our offering to advertisers in our magazines, particularly women's magazines, through exclusive partnerships with the largest online content publishers in North America;
- We signed two separate agreements with the Toronto Transit Commission and the Société de transport de Laval to provide real-time custom text messaging that alerts riders to the times of bus and streetcar stops;
- We made strategic investments of about \$10.6 million in the Media Sector, primarily to develop our new digital platforms such as relaunch and launch of Publisac.ca and Dealstreet.ca, respectively, as well as an online reputation management application through weblocal.ca, our Canada-wide search engine;
- After the close of our fiscal year, we announced that our Marketing Communications Sector would henceforth be called the Interactive Sector. This name change marks our commitment to being the leader in interactive marketing solutions in North America, and to focusing more on integrating our acquisitions made over the last few years. The units now under Transcontinental Interactive will combine their forces to offer customers integrated marketing, database analytics, premedia, direct online marketing, one-to-one marketing, mobile marketing and custom communications, as well as digital printing of marketing products;
- The mobile applications we launched in September 2009 for the popular magazine *The Hockey News* were a great success. The Hockey News Mobile has become the indispensable companion to over one million hockey fans, who can now download game data in real time and access rich content on their smart phones. Downloads have also increased, to a lesser degree, on mobile applications for *Elle Canada*, *Elle Québec*, *Canadian Living*, the *Métro* daily, *Les Affaires*, *Finance et Investissement* and *Investment Executive*.

In short, we plan to use our unique products and marketing services to ramp up development of our new integrated services for advertisers. The solid foundations laid down over time in our existing operations, our niche strategy and the exploitation of the new emerging channels put us in a very competitive position to take advantage of opportunities in the medium and long term. In fact, we plan to deploy these new services at a much faster pace going forward.

However, certain challenges must be overcome in order for us to maximize the integration and development of our new activities. We will need to focus more on developing interactive marketing strategies for our customers, while further integrating our existing products and services. Finally, in line with the transformation in the printing and publishing industries, Transcontinental will push forward with an integrated transformation that will satisfy the new needs of its customers and adapt to new consumer behaviours.

Although the economic situation had a somewhat limiting impact on the growth of these new services early in the year, we took advantage of that time to further integrate all of our products and services so that we could offer the most comprehensive interactive marketing solutions in Canada.

2.4.4 Evolution 2010

This business project, launched in November 2005, ended on October 31, 2010. Below is a table summarizing the financial objectives of *Evolution 2010* and Transcontinental's performance in relation to these objectives over the course of the program. These financial objectives were not to be construed as guidance or forecasts for any individual year, but rather as long-term targets that we strove to achieve during this business project.

Financial Objectives	2006	2007	2008	2009	2010	Analysis and Comments
Increase economic value creation (variance compared to previous year):	N/A ⁽¹⁾	(\$18M)	(\$28M)	(\$15M)	\$34M	We were able to increase the economic value created in 2010 because it was an excellent year, whereas 2009 has been more difficult. However, we were unable to increase the economic value created during the <i>Evolution 2010</i> project. This was mainly due to the economic situation, the negative impact of the exchange rate, and capital expenditures required for major projects (<i>San Francisco Chronicle</i> , <i>The Globe and Mail</i> and Transcontinental Transmag), which all required capital outlays before they could fully contribute to earnings.
Grow sales organically by 5% on average per year	0%	3%	2%	(11%)	1%	Despite the impact of the North American recession on the publishing and printing industries, fiscal 2009 was the only year in which organic growth in sales fell off. However, organic growth remained below the 5% objective.
Grow adjusted earnings per share (excluding the foreign exchange impact) by 10% on average per year	N/A ⁽¹⁾	11%	19%	(11%)	19%	We exceeded our objective over the 5 years of the project, except, given the negative impact of the North American recession on our operations, in fiscal 2009.

Financial Objectives	2006	2007	2008	2009	2010	Analysis and Comments
Maintain a range of net debt to total capitalization ratio (excluding securitization) of 35% to 50%	25%	29%	39%	42%	36%	This indicator was maintained within the target range throughout the project. It did rise, however, in fiscal years 2008 and 2009, due to major investments in our newspaper printing outsourcing projects (<i>San Francisco Chronicle</i> and <i>The Globe and Mail</i>). However, with the sale of almost all of our direct mail operations in the United States and the increase in cash flows in 2010, this indicator improved considerably in the final year.
Invest \$120 million on average per year in capital assets (excluding newspaper outsourcing projects)	\$114M	\$92M	\$131M	\$86M	\$37M	Our capital expenditures net of newspaper printing outsourcing projects, were, mainly in 2009 and 2010, lower than our objective. Improved equipment productivity, material gains in operational efficiency as well as more flexible printing services lead to lower capital expenditures over the last two years. We now believe that we have a state-of-the-art structure that gives us a significant competitive advantage, and we have achieved this by minimizing capital expenses in relation to <i>Evolution 2010</i> .
Sustain dividend growth	19%	10%	13%	2%	9%	The Corporation was able to increase its dividend every year despite the economic slowdown and the credit crisis, without hampering development and growth.

(1) Following the restatement of financial statements in December 2007, this data is no longer available.

Although there is no formal successor program to *Evolution 2010*, in the years ahead we will be focusing on innovation. Transcontinental evolved successfully from a printer and publisher to a marketing solutions integrator because of new ideas, and we plan to continue cultivating innovation. The transformation of our cultural, technological and business environment will manifest through our employees all across the company, ensuring that we continue to meet the needs of our customers. Even though we have made important gains in synergies and integration in recent years, to become a leader in interactive marketing solutions in North America while consolidating our leading position in many of our niches in Canada, we must innovate.

2.5 Strategic Acquisitions

An intrinsic part of our strategy is also to grow through strategic acquisitions. We are committed to maintaining a disciplined approach when making acquisitions. We ensure that the companies we acquire fit our stringent acquisition criteria: (1) fit within our strategic plan; (2) be profitable and growing; (3) provide synergies with our operations; (4) have good management and compatible corporate culture; and (5) be accretive to earnings and EVC positive within a reasonable period of time. We have recently made strategic acquisitions while continuing to deliver on our disciplined financial management objective.

In November 2010, we acquired Vortxt Interactive Inc., doing business as Vortex Mobile, a leading provider of integrated mobile solutions that helps businesses build meaningful consumer relationships. Following the acquisition of LIPSO Systems Inc., we, through the acquisition of Vortex, added key new services to our marketing solutions offering, namely the capacity to design and implement end-to-end marketing campaigns using mobile and social media channels.

In May 2010, we acquired LIPSO Systems Inc., a leading Canadian provider of integrated mobile solutions, including connectivity, transaction management (SMS, MMS, etc.) and application developments. This purchase added a number of key services to our marketing communications offering, including cell phone bar code reading, a mobile technology allowing for couponing in retail sales, and electronic ticketing in transportation and entertainment.

In January 2009, we acquired Conversys Inc., Canada's leading supplier of electronic flyers. This acquisition complements our existing print and interactive communications offering to major retailers. Conversys's multi-channel marketing services enable businesses to increase sales and more effectively interact with their customers by delivering a continuous flow of digital content through various media, including web sites, email, and mobile devices. Conversys excels in providing content conversion and hosting services to large scale retail organizations.

In November 2008, we acquired Redwood Custom Communications (now totembrandstories.com), a North American leader in custom communications on multiple platforms. Totembrandstories.com is a full service marketing and communications company and creates turn-key custom publishing and branded content solutions for both print and digital platforms. Totembrandstories.com's offering includes data sciences, research and measurement, database marketing, variable printing, photo studio and premedia tools. This makes it an attractive complement to the services offered by our Interactive Sector.

In September 2008, we acquired Rastar, Inc., a U.S.-based direct marketing company that specializes in interactive database marketing and variable data digital printing, which enable fully personalized marketing communications. Rastar's industry experience, combined with its digital printing expertise, allows us to further expand our integrated marketing services offering and enables our customers to achieve the best possible returns on their marketing campaigns.

In March 2008, we acquired ThinData Inc., Canada's leading permission-based email marketing services firm. ThinData's offering fits perfectly with our integrated marketing services growth strategy which includes expanding our premedia, database management and analytics, direct marketing and cybermarketing and e-marketing capabilities to deliver unique solutions to our customers and our media properties.

2.6 Environmental Responsibility

We recognize the critical nature of environmental issues, and take extensive precautions to protect our natural world. Transcontinental is not a major contributor to Greenhouse Gases (GHG), but that does not mean that we are not concerned about the impact of our activities on air quality. Striving everyday to improve our environmental performance, our company-wide environmental policies and procedures are founded on three main guiding principles: (1) protect the environment for present and future generations; (2) reduce risks and

improve efficiencies; and (3) introduce improved technology and processes. The following describes our environmental policies and examples of how we are implementing them.

In the second quarter of 2010, the Environmental Printing Awards recognized Transcontinental's commitment to sustainable development. Transcontinental won Best of Show, which honours the most environmentally progressive printer of the past year, all categories combined. The Corporation also won a Gold award for most environmentally progressive printing company in Canada, 500+ employees.

Also, in February 2010, we tabled our *Sustainability Report 2009 – Committing ourselves to performance*, based on the *Global Reporting Initiative* (GRI) standard. This report articulates Transcontinental's commitment to the path of sustainable development around four themes:

- **Engagement and ownership:** Mobilize employees at all levels of the organization, and our suppliers, customers and partners;
- **Innovation is the key driver, internally and externally:** Supporting and rewarding initiative as a key component of the strategy;
- **Connecting words to actions:** Setting targets and key performance indicators and measure progress;
- **Shared journey:** Communicating challenges and progress at each step of the way.

The following are some of Transcontinental's achievements mentioned in the report:

- **Greenhouse gas emissions:** Reduction of 22% in the course of the last two years and implementation of a global energy management program to reduce emissions by 15% by 2012 compared to the level in 2008;
- **Paper Purchasing Policy:** Increase in the use of Gold and Gold Plus papers, the highest ranked papers in the environmental classification developed by Transcontinental;
- **Chain-of-Custody:** Triple forest product chain-of-custody certification (FSC/SFI/PEFC) in all of our Canadian facilities as well as for Transcontinental Rastar in the U.S.;
- **Recycling programs:** Recovery of 700 tonnes of paper in the Montreal subway system and contribution of \$480,000 to provincial and municipal recycling programs;
- **Health, Safety and Wellness:** Decrease in the accident frequency rate, from 1.08 in 2009 to 0.94 in 2010;
- **Corporate philanthropy:** Investment of about \$5.8 million in social and humanitarian causes in 2010, in the form of donations and sponsorships;
- **LEED certification:** LEED Silver certification for Transcontinental Northern California, the plant built in Fremont, California to print the *San Francisco Chronicle*.

Environmental policy

With respect to the measures undertaken in order to minimize the effect on the environment and given our three above mentioned principles, our environmental policy revolves around the following issues:

- Compliance to applicable legal requirements - We comply, in all material respects, with all environmental laws and regulations adopted by the federal, provincial, state, municipal and local governments;

- **Pollution prevention:**

Product Stewardship - We recognize that we share in the responsibility for the environmental impact of the products we produce. Therefore, we cooperate with other public and private bodies to develop systems for the recovery, re-use and recycling of the Corporation's products;

Eco-Efficiency - We strive to improve our products and processes so as to progressively reduce routine discharges of contaminants and to use resources efficiently;

Paper purchasing policy - Transcontinental promotes the use of environmentally preferable papers. With respect to fibre sourcing, Transcontinental promotes the use of papers with maximized post-consumer and de-inked recycled fibre and also encourages the use of papers made with pre-consumer recovered fibre or alternative fibres in preference to virgin wood fibre. Where virgin wood fibre is required, preference will be given to forest fibre from sustainable forests, certified by a recognized organization, avoiding fibre from high conservation value forests where those values are not protected. Other papers may also be promoted where it can be shown that there is an overall environmental advantage, in keeping with the principles of sustainable development;

Climate Change and Energy Use - We recognize the dual challenge of climate change and energy supply security. Therefore, we will maximize the efficiency of our operations and encourage a transition to low carbon fuels and renewable energy;

Waste Management - We strive to reduce our waste and to re-use and recycle materials. We strive to minimize the generation of hazardous waste;

Risk Management - We strive to avoid accidental discharges of contaminants into the environment and prepare emergency plans so that we can diligently contain and clean up any potential environmental incidents. We evaluate environmental risks prior to acquiring properties or businesses, and prior to changing or undertaking major new activities;

Supply Chain Improvement - We encourage our suppliers to adopt environmental practices consistent with this policy;

- **Monitoring and Reporting** - We monitor our performance in carrying out this policy;
- **Communication** - We foster openness and dialogue with all stakeholders, including employees, regulators, neighbours, shareholders, suppliers, customers and the public, concerning the environmental impacts of Transcontinental's activities, and will be responsive to their legitimate concerns;
- **Continuous Improvement** - We strive to continuously improve our environmental performance;
- **Implementation and Accountability** - The Transcontinental Management team and the Sector Management teams are responsible for ensuring the implementation of all elements of this policy.

2.7 Changes to the Organizational Structure

In early fiscal 2009, we announced the establishment of a new structure to support our growth strategy through the creation of the Marketing Communications Sector (now the Interactive Sector). At that time, the strategy involved accelerating the development of new services based on advertising personalization (personalized communication) and new communication platforms, while continuing to strengthen and broaden our publishing and printing services through our two other Sectors.

Subsequently, after a strategic review, we reorganized further our Interactive and Printing Sectors, and the new structure took effect on November 1, 2009. As a result, all of our Canadian commercial printing and direct mail operations in the Interactive Sector were transferred to the Printing Sector. The aim of this reorganization was to make the development of new integrated and one-to-one marketing communication solutions on multiple platforms the fundamental mission of a separate sector, with print production being concentrated in another sector.

The Printing Sector comprises our services to publishers of newspapers, books, magazines and catalogues, our marketing product printing business, our Mexican operations, our Canadian direct mail operations, and our services for retailers. The Interactive Sector is consolidating its offer through a new model based on growing business through specialization. This Sector was given a new name on November 1, 2010, Transcontinental Interactive which has six Divisions that combines a set of highly specialized practices and a portfolio of interactive solutions:

- Custom communications: creating custom content and one-to-one media programs by combining a journalistic offering and high-level marketing, to help customers achieve their goals of building a solid relationship with their customer base;
- Premedia: offering solutions aimed at creating, managing and transforming visual content for use on multiple platforms;
- One-to-one marketing solutions: developing and implementing one-to-one dialogue strategies so that customers can move from mass communication to highly personalized communication;
- Digital promotions: transforming print promotional material, i.e., flyers and catalogues, into enriched, user-friendly and interactive digital content that is distributed via multiple channels;
- Digital printing solutions: developing Internet marketing strategies tied in with digital printing;
- Mobile Solutions: developing mobile programs and/or campaigns, commerce mobile web destinations and mobile applications enabling our customers to engage in relevant and contextual dialogues.

As for the Media Sector, its four Groups are: Local Solutions, Business and Consumer Solutions, Educational Book Publishing as well as New Media and Digital Solutions. This Sector mainly focuses on two avenues of growth: offering content and solutions for Canadian women, and offering community newspaper publishing, distribution and digital services for local communities.

Item 3 - Narrative Description of the Business

Unless otherwise specified, in this Annual Information Form, given the presentation of our consolidated financial statements, we will describe our business based on the structure in place as at October 31, 2010.

3.1 Operating Sectors

The following table sets forth the revenues and the percentage of revenues by operating sector for the fiscal years ended October 31, 2010 and 2009.

Fiscal Year Ended October 31

(in millions of dollars except for percentages)	2010 (\$)	2010 (%)	2009 (\$)	2009 (%)
Printing Sector ⁽¹⁾	1,442.7	69.0	1,530.8	70.5
Interactive Sector ⁽¹⁾	123.3	5.9	123.5	5.7
Media Sector	608.3	29.1	607.0	28.0
Inter-segment sales, other activities and unallocated amounts	(82.7)	(4.0)	(91.5)	(4.2)
Total	2,091.6	100.0	2,169.8	100.0

(1) Comparative figures of the Printing and Interactive Sectors have been reclassified to reflect the transfer of the activities of the Marketing Products Group from the Interactive Sector to the Printing Sector as of November 1, 2009. The comparative figures were also adjusted to conform to the presentation adopted in 2010. Figures presented above do not include results from our Direct Mail Group sold in April 2010 since these activities are presented as discontinued operations.

3.2 Economic Cycles

A significant risk that we face, and which we have difficulty controlling, is related to economic cycles. As well, more than 80% of our operating revenues depend on retailers' advertising budgets. Advertising spending by advertisers tends to be cyclical, reflecting the global economic climate and consumers' buying habits.

However, due to the implementation of a development strategy based on becoming a leader in our niches, and because it is well diversified, we believe we can limit our exposure to economic cycles without, however, eliminating their occurrence or controlling their magnitude. We believe we mitigate this risk by the very composition of Transcontinental's operations, since a substantial segment of the client base operates in less cyclical markets, such as food and personal care. Furthermore, in the Media Sector, Transcontinental relies on a good balance between local and national advertising. It should be noted that in recent years close to half the advertising revenue in this sector has come from local advertising, which has been less volatile than national advertising.

3.3 Printing Sector

We are operating 39 production plants in Canada, the United States and Mexico. Management believes that our strategic focus on achieving plant specialization and reducing costs in the printing products that we create has allowed us to offer our customers superior quality products at very competitive prices.

3.3.1 Services, equipment and manufacturing process

Services

We operate 39 production plants in Canada, the United States and Mexico, allowing us to offer our customers a complete line of specialized services for the production of printed material, from the beginning to the end of the graphical production line:

- printing services including production on sheet-fed press, heat-set and cold-set web presses, ink jet printers, laser and digital printers, and screen printing;
- postpress services including finishing, lamination/coating, case and perfect binding/stitching and folding, customized ink jet printing, surprinting, branding, trimming and inserting; and
- distribution services including postal management and shipping.

Given the geographic location of our plants and the type of equipment we have, we are able to serve local, regional and national markets. The simultaneous printing of a single product in several plants leads to a

reduction in transportation costs for the customer and allows for shorter lead times. Our operating flexibility allows us to transfer work from one plant to another to meet production deadlines while enabling us to handle contingencies. Since October 31, 2010, we have closed two of our production plants which are Transcontinental Boucherville and Transcontinental Moncton.

Equipment and Manufacturing Process

We operate more than 166 presses and ultramodern printers spread out over our plants in the Printing Sector. The fleet of equipment includes:

- heat-set web offset presses;
- cold-set web offset presses;
- sheet-fed presses;
- ink jet printers;
- laser printers;
- digital printers; and
- large format presses.

The equipment and manufacturing process allow for short to zero make-ready time, speed in printing, superior reproduction quality and product differentiation. Most of our presses and printers are computer-controlled, and many have in-line finishing capabilities. Technical compatibility between presses gives tremendous flexibility and allows us to adapt easily to last-minute changes and ensure delivery seven days a week.

The quality of printing services is ensured by expert staff in compliance with industry standards. We currently use the services of the laboratories of the Québec Institute of Graphic Communications (QIGC). These ultramodern installations allow for the ongoing analysis of the inks, papers and other raw materials used by our network of plants. We share the results with our suppliers in order to quickly correct any problems or discrepancies, thus ensuring our high level of quality.

We use the offset printing process. This process is characterized by the transfer of a printing plate image to a rubber surface, called a blanket, which is mounted on a cylinder. The blanket is first rolled over the printing plate in order to receive the image, which is then transferred to paper. There are several types of offset printing processes: sheet-fed and web, heat-set and cold-set. The web printing process consists of printing on rolls of paper while the sheet-fed printing process consists of printing on sheets of paper. Short-run printing is generally best served by sheet-fed, while longer run printing is generally best served by web.

Heat-set web offset printing involves a press using a dryer to fix or dry instantaneously the oil-based inks. This process provides great speed (up to 90,000 copies per hour) and a better quality of printing on higher quality coated paper. This process is used mainly to print magazines, periodicals, catalogues, flyers, newspaper inserts, tabloids, books, directories and direct mail products. We own 70 heat-set web offset presses.

Cold-set offset printing involving a press that does not use a dryer; rather ink is absorbed into the paper and dries by oxidation. This process is used mainly to print newspapers, books printed in black and white, directories and certain types of flyers. We own 18 cold-set web offset presses.

We operate 51 sheet-fed presses which allow us to offer the highest quality services for books, commercial printing, entertainment and direct mail products.

The majority of our production plants are equipped with prepress equipment that allows carrying out the various stages of graphic production with the help of digital technology. Skills developed by us with electronic prepress equipment are used in all markets to further reduce production lead time while increasing the opportunity for last-minute changes.

We are able to provide our customers with direct digital imaging services that streamline the process of preparing pages for print, and allow use of data from other vehicles such as the Internet. We have also installed direct computer-to-plate production systems for offset printing in our production plants, which eliminate the costly and time-consuming film preparation in print productions.

3.3.2 Customers and competition

Although we are the largest printer in Canada, the printing industry is highly competitive with respect to most categories of products and regions. Further, this industry is North American in scope in several categories providing opportunities for a diverse set of competitors from both the United States and Canada. Some of the industry's markets are currently oversupplied in several geographic regions in North America, adding increased pricing pressure in the market. Some North American companies involved in those printing activities have greater capacity and financial resources than we do. We compete in certain segments with several large firms in North America, including R.R. Donnelley & Sons Company, Cenveo, Inc. and Quad/Graphics, Inc, as well as with numerous regional printers.

We believe that the major competitive factors in the printing business are quality and product innovation, the range of services offered, pricing, the availability of printing capacity with the appropriate equipment and state-of-the-art technology, delivery lead times, distribution capacity and customer service. We believe that, primarily due to the continued excess capacity in the industry, there has been downward pricing pressure in many market segments in recent years and it has led to increased competition in the printing industry. The development of new printing technologies at reduced prices is also enabling small-niche printers to compete on highly specialized segments of the industry.

No single customer of the Printing Sector has accounted for more than 10% of such Sector's revenues during the last two fiscal years. Furthermore, we have entered into contracts with a significant number of our major customers in the Printing Sector. Such contracts have terms between one to 18 years and generally have price adjustment clauses based on volume, cost of raw materials, labour and/or the Consumer Price Index. Moreover, niche markets such as sheet-fed printing and the printing of direct marketing materials are not typically subject to long-term contracts with customers.

3.3.3 Geographic distribution

The following table sets forth the revenues and the percentage of revenues based on their geographic distribution for the Printing Sector for the fiscal years ended October 31, 2010 and 2009.

Revenues by Geographic Region⁽¹⁾

(in millions of dollars except for percentages)	Fiscal Year Ended October 31			
	2010 (\$)	2010 (%)	2009 (\$)	2009 (%)
Revenues generated from plants in Canada	1,147.3	79.5	1,208.3	78.9
Exports from plants in Canada	159.0	11.0	198.9	13.0
Revenues generated from plants in the United States and in Mexico	136.4	9.5	123.6	8.1
Total	1,442.7	100.0	1,530.8	100.0

(1) Comparative figures of the Printing and Interactive Sectors have been reclassified to reflect the transfer of the activities of the Marketing Products Group from the Interactive Sector to the Printing Sector as of November 1, 2009. The comparative figures were also adjusted to conform to the presentation adopted in 2010. Figures presented above do not include those of the Direct Mail Group sold in April 2010 since these activities are presented as discontinued operations.

3.3.4 Raw materials and energy prices

The primary raw materials the Corporation uses in its Printing Sector are paper, ink and plates. This Sector's activities consume energy, i.e., electricity, natural gas and oil. Fluctuations in raw materials and energy prices affect our operations.

The current difficulties in the pulp & paper industry have resulted in a decrease in the supply of paper, which in turn could result in paper price increases. While paper costs are a pass through to customers for our Printing Sector, the increase in the price of paper can have a negative effect on our printing operations if it changes the purchasing habits of our customers, in terms of number of pages printed for example. Moreover, the increase in the price of paper negatively affects the profitability of our Media Sector. In order to mitigate this risk, the Corporation does not rely on any one supplier and has agreements with its most important suppliers in order to ensure a stable flow of resources. In addition, some supply agreements contain escalation clauses that index selling prices to fluctuations in raw material costs and currency.

Furthermore, fluctuations in the price of oil, a core ingredient in the composition of ink, have a direct impact on ink prices. While most of our contracts with customers provide for escalation clauses based on fluctuations in the price of ink, an increase can have a negative effect on our operations if it changes the purchasing habits of our customers in terms of the number of pages printed or a reduction in the use of colour for example. Finally, fluctuations in the price of oil have an impact on gasoline prices. Any increase thereto would negatively affect our distribution activities in the Media Sector. In addition, Transcontinental continues to make efforts of finding new ways to reduce energy costs.

3.3.5 Services

Transcontinental is the largest printer in Canada. The Printing Sector's activities are divided into five groups: the Magazine, Book and Catalogue Group; the Retail Group; the Newspaper Group; the Marketing Products Group; and the Mexico Group. Its core competency is manufacturing excellence. Our unique newspaper outsourcing model, as well as our on-demand printing and fulfillment of direct marketing products activities, positions Transcontinental well, particularly as this Sector is undergoing a challenging period. In addition, with state-of-the-art capital assets and a history of investing above the industry average, we are well positioned to remain a leader in our groups.

Magazine, Book and Catalogue Group

As of the date hereof, with four plants specialized in magazine and catalogue printing located in Québec, Ontario, Manitoba and Saskatchewan, the Magazine, Book and Catalogue Group prints more than 300 magazines, including all of the magazines published by Transcontinental's Media Sector, making it the largest magazine printer in Canada.

In fiscal 2008, we signed two exclusive six-year contracts to print all of Rogers' 70 magazines, including *Châtelaine*, *Maclean's*, *L'actualité* and *Canadian Business*, as well as its marketing communications products. These contracts took effect in the second quarter of fiscal 2009.

In addition, Transcontinental is Canada's largest book printer. The three specialized plants, located in Québec, offer printing services for various products (educational, trade, religious, cookbooks, yearbooks, agendas and maps). This Group has developed expertise in the short-run printing of books, in particular for the educational market, using traditional and digital technologies.

Retail Group

Transcontinental is the leading printer of retail flyers and inserts in Canada. The Canada-wide printing network allows the Retail Group to serve national, regional and local customers in a cost effective and timely manner.

The Retail Group customers are predominantly in the food, pharmacies, home improvement and specialty retailer categories. In fiscal 2010, we extended long-term contracts with current customers valued at \$140 million annually.

Marketing Products Group

The Marketing Products Group includes 10 production plants specializing in digital and offset commercial printing of marketing products located in Ontario and Québec serving both large and small customers as diverse as advertising agencies to blue-chip corporations in the financial and pharmaceutical sectors.

The production lines of sheet-fed presses, web presses (with and without in-line finishing capabilities), digital printers and large format presses enable the Group to support our customers with their marketing, business and consumer directed advertising material, point of purchase displays, banners, annual reports, etc. Our inserting, personalization by ink-jet printing and lasering as well as our mailing capabilities can support our customers' direct marketing campaigns. This Group also offers fulfillment services to our customers.

Newspaper Group

Transcontinental is the leading printer of newspapers in Canada. As of the date hereof, newspapers are produced in 13 plants located in six provinces of Canada and in Fremont, California, of which seven are specialized. The list of customers is comprised of more than 150 newspapers across the country, including 22 dailies (including Transcontinental's 11 dailies). The dailies include the *San Francisco Chronicle*, *The Globe and Mail* in its principal markets (the Atlantic Provinces, Québec, Ontario, Alberta and British Columbia), *La Presse* for its overall market, *The St-John's Telegram* in Newfoundland and Labrador, *Le Droit* in Québec and Ontario, *Le Soleil* in Québec City, *Le Nouvelliste* in Trois-Rivières and *Métro* in Montréal and in Halifax.

On August 26, 2008, we announced that we had signed an exclusive 18-year contract with The Globe and Mail, a division of CTV GlobeMedia Publishing Inc., to print *The Globe and Mail* in most of its major markets in Canada until 2028. This contract represents an extension of existing contracts with *The Globe and Mail* in the Atlantic Provinces, Québec and Ontario, and adds two new markets: Alberta and British Columbia. The printing is now in Halifax, Montréal, Toronto, Calgary and Vancouver. We have invested more than \$175 million in innovation related to the acquisition and modernization of our hybrid presses in Vancouver, Calgary, Toronto, Montréal and Halifax in order to give *The Globe and Mail* the flexibility to deliver colour in every page, and glossy magazine-quality production and at the same time creating a new and innovative Canada-wide platform for newspaper and flyer printing, the first Canadian network to integrate the printing of these two products. This network has the capacity to deliver colour on every page for *The Globe and Mail*, and it also addresses the needs of our retail customers on the flyer side. On October 1, 2010, we announced that we were printing the new edition of *The Globe and Mail* in most of its major markets in Canada.

On July 6, 2009, we began officially printing the *San Francisco Chronicle* daily paper at our brand new 338,000-square-foot plant in Fremont, California. The plant in Fremont offers comprehensive printing and postpress services. As well as handling a range of related products, the plant prints 250,000 copies of the *San Francisco Chronicle* from Monday to Saturday and 340,000 on Sunday. Transcontinental has an exclusive, 15-year contract to print the daily newspaper and related products. The project represented a total investment size of approximately US\$230 million for Transcontinental. The contract size is for more than US\$1 billion (excluding paper) in revenues over 15 years, and provides for indemnification from Hearst Corporation should the *San Francisco Chronicle* cease publication or be sold. Transcontinental's Fremont plant capacity will have the opportunity to leverage capacity to additional production volumes generated by other contracts.

Mexico Group

As the largest printer in Mexico, Transcontinental operates three printing plants and employs close to 800 people. Two plants are located in the Mexico City area and one plant is located in the city of Toluca, one

hour from Mexico City. Transcontinental is the only printer in Mexico with a plant and equipment specially designed for the retail market, using heat-set web offset presses with short cut-off. Services include printing of flyers for the retail market, newspapers, magazines, school books, catalogues and commercial material. In November 2009, we installed a new 32-page Goss press with a capacity of 90,000 copies per hour; this is the first press of this kind installed in Mexico.

3.4 Interactive Sector

On November 1, 2010, the name of our Marketing Communications Sector was changed to the Interactive Sector. This Sector's mission remains the same, which is to develop interactive communication solutions based on digital technology.

3.4.1 Equipment and manufacturing process

The Interactive Sector operates two printing facilities in Salt Lake City that are equipped with 28 presses and ultramodern digital printers.

For more information regarding manufacturing process, see 3.3.1 – Services, equipment and manufacturing process - Equipment and Manufacturing Process.

3.4.2 Customers and competition

The Interactive Sector is comprised of a variety of services that enhance the ability of brand owners and advertisers (marketers) to reach their target customers. Over the last few years, we have established ourselves amongst leaders in this rapidly changing and highly dynamic sector. Through acquisitions and organic growth, our Interactive Sector is now offering services such as custom communications, premedia and digital content management, direct marketing and personalized permission-based email marketing, database analytics, transformation of offline content into interactive digital content, mobile marketing services, and personalized digital web to print. While the barriers to entry in many of these market segments can be limiting, we have been able to capitalize on the trusted relationships that we have developed through our traditional businesses to gain new business opportunities. We provide these services to both our clients directly and to advertising agencies who require our unique technologies, market knowledge or specialized services integration. As with most sectors that rely heavily on technological innovation for the development of new services, we face new competitors. In many instances, the providers of these services are not limited to Canada or North America as development capabilities are in high demand from all over the world. This market pressure fosters a challenging environment where we, and our customers, are constantly learning about new technologies and strategies for enhanced interaction and connections with targeted demographics.

Our competitors are widely dispersed, diverse in scale and specialization and in many cases new to the markets they serve. Included in this industry would be companies such as Axiom, Harte-Hanks Inc., Epsilon, Aspen Marketing, Razorfish/Publicis, Consolidated Graphics, Inc. and Vistaprint N.V. There are also a number of smaller companies that are privately held who compete for our customers on unique offerings. As such, this market remains highly fragmented and competitive.

No single customer of the Interactive Sector has accounted for more than 15% of said Sector's revenues during the last two fiscal years. We orient our services towards the Chief Marketing Officers of our customers or through direct relationships with individual operating entities, depending on the size of the firm and project. Some facets of our marketing communications offering operate through recurring revenue streams, and others are single projects. We plan to increase the renewal rate of our customer contracts by leveraging upon our other services.

3.4.3 Geographic distribution

The following table sets forth the revenues and the percentage of revenues of the Interactive Sector, based on their geographic distribution for the fiscal years ended October 31, 2010 and 2009.

Revenues by Geographic Region⁽¹⁾

(in millions of dollars except for percentages)	Fiscal Year Ended October 31			
	2010 (\$)	2010 (%)	2009 (\$)	2009 (%)
Revenues generated from production facilities in Canada	73.8	59.9	66.1	53.5
Exports from production facilities in Canada	11.4	9.2	11.1	9.0
Revenues generated from production facilities in the United States	38.1	30.9	46.3	37.5
Total	123.3	100.0	123.5	100.0

(1) Comparative figures of the Printing and Interactive Sectors have been reclassified to reflect the transfer of the activities of the Marketing Products Group from the Interactive Sector to the Printing Sector as of November 1, 2009.

3.4.4 Services

The Interactive Sector encompasses the Corporation's custom communications, premedia services and digital content management services, personalized permission-based email marketing, database analytics services, transformation of offline content into interactive digital content, and personalized digital web to print services. This Sector is structured by specialty and is composed of six divisions: the Custom Communications Division; the Premedia Division; the One-to-One Marketing Solutions Division; the Digital Promotions Division; the Digital Printing Solutions Division and the Mobile Solutions Division. Its core competency is integrating strategy, content and execution across multi-channel marketing programs, by leveraging knowledge of the latest trends in marketing and new platforms for reaching consumers.

Custom Communications Division

The Custom Communications Division provides marketing consulting, design services, and content creation and management, including custom publishing, photography, print-to-web and digital content distribution. Our acquisition of Redwood Custom Communications (now totembrandstories.com), completed in November 2008, expanded our offering to include content agency services. With four locations located in Ontario, the service offering includes communications strategy, branded content development and complete outsourcing and management of creative advertising production for our customers.

Premedia Division

This Division offers premedia services and digital content management services. For a number of our clients, we provide extensive digital storage of their visual content library for multi-channel marketing purposes. The Premedia Division has also become an outsource partner for retail clients, working closely with them and their sales and marketing teams, to provide timely, high-end content for their marketing campaigns. The Premedia Division has developed a market leading reputation for its use of state-of-the art technology, its full complement of physical media facilities, and the technical expertise of the staff.

One-to-One Marketing Solutions Division

This Division provides database marketing and analytics services to allow the Corporation's clients to better target their respective customers. In September 2008, we acquired Rastar, Inc., a U.S.-based direct marketing company that specializes in personalized digital web to print services. This acquisition allowed us to expand our marketing communications service offering and provided us access to Rastar's many Fortune 500 companies' clients in diversified verticals such as the automotive, consumer goods and retail industries. Rastar's thought leadership in interactive database marketing, combined with the Corporation's vision and scope, helps clients develop and execute personalized dialogue strategies driven by database analytics. The Division also provides email delivery of marketing content, and a rapidly expanding business in direct-to-consumer digital photo-book production.

With the acquisition of ThinData Inc., completed in February 2008, we have extended our ability to reach individual consumers, as email marketing becomes a key element of an integrated direct marketing offering. ThinData is Canada's leading personalized permission-based email marketing services firm.

Digital Promotions Division

The January 2009 acquisition of Conversys Inc., a significant North American provider of online e-flyer services to retailers, extended our services to include transformation of offline content into interactive digital content.

The Digital Promotions Division provides integrated marketing solutions for creative and content development across multiple channels, driving coherent communications strategies supporting customers' brands, and delivering improved marketing performance of advertising campaigns.

Digital Printing Solutions Division

For several customers such as financial institutions, pharmaceutical corporations, retailers and manufacturing companies, targeted printed material is the vehicle of choice for efficiently promoting their image as well as their products and services. Therefore, this Division produces various printed materials used in marketing: catalogues, brochures, etc.

The Division also includes the business communications and consumer solutions businesses. Our production facilities include state-of-the-art digital on-demand printing and finishing technology as well as other mailing and fulfillment capabilities.

Mobile Solutions Division

Our acquisition of LIPSO Systems Inc. and Vortxt Interactive completed in 2010 enhanced our interactive marketing solutions by adding key new services to our marketing solutions offering, namely the capacity to design and implement end-to-end marketing campaigns leveraging mobile and social media channels.

3.5 Media Sector

As the fourth largest press group in Canada, the Media Sector combines our magazines, local and regional newspapers and educational book publishing activities, digital media activities with more than 250 websites and our distribution activities. This Sector is known under the name of Transcontinental Media. These activities are divided into four Groups: the Local Solutions Group, the Business and Consumer Solutions Group, the Educational Book Publishing Group and the New Media and Digital Solutions Group. The core competency of the Media Sector is creating top-quality content and deploying it on multiple platforms. Transcontinental is connecting advertisers and consumers through engaging content. The Media Sector's four Groups focus on two

of our priority growth areas: offering content and solutions for Canadian women and local communities. Our 250 websites are comprised of 185 local sites, 37 microsites, 36 consumer sites, 7 finance sites and a few others.

With our newspaper portfolio that includes 11 dailies and 150 weekly, bi-weekly, and monthly newspapers published in the provinces of Newfoundland and Labrador, Nova Scotia, Prince Edward Island, New Brunswick, Québec, Ontario and Saskatchewan, we are the second largest publisher of community newspapers in Canada.

We distribute door-to-door in Québec newspapers printed mainly by us, flyers and advertising material as well as new products and services which activities have made us the leader in this industry in Eastern Canada. We also offer, through our Targeo division, a Pan-Canadian distribution brokerage service. The Corporation distributes more than 50 million printed products to more than 12 million Canadian households every week. Innovative and popular products, such as the Publisac and Publisac.ca, deliver over three billion pieces of advertising items per year.

Information is increasingly being distributed on a digital platform and creating interactive communities of interest has become a major trend. The share of the Internet in advertising has also grown significantly in recent years. As an example, the Local Solutions Group operates around 185 local and regional websites that are the local reference with respect to virtual community information.

We have a portfolio of approximately 29 publications and many related special interest publications. We are the leading consumer magazine publisher in Canada. We have two categories of publications: (i) consumer publications which benefit with leading positions in the Canadian market such as *Canadian Living*, *Style at Home*, *Canadian Gardening*, *Good Times*, *More* and *Elle Canada*, as well as their French language counterparts *Coup de Pouce*, *Décor*, *Fleurs*, *Plantes et Jardins*, *Le Bel Âge*, *Vita* and *Elle Québec*; and (ii) business publications such as *Investment Executive* and its French language counterpart *Finance et Investissement*, *Les Affaires*, *Affaires Plus* and others. We also operate more than 30 websites leveraging content from our magazines and create original digital content.

With over 6,100 titles in print used in the majority of educational institutions offering courses in the French-language in Canada, we are North America's largest French-language educational publisher covering all grade levels, from kindergarten through university, as well as related sectors such as adult education, vocational training and teacher's professional resources.

The New Media and Digital Solutions Group is responsible for expanding Transcontinental's existing and future brands into new channels of distribution.

3.5.1 Customers and competition

Customers of the Media Sector are typically either large national advertisers or smaller regional and local advertisers. Because of the breadth of our publications and websites, we are able to offer unique platforms and mediums to all companies that are interested in advertising. From local display advertisements in our community newspapers to full page advertisements in our nationally distributed magazines, each of our customers has an opportunity to reach their targeted demographic with a high degree of accuracy.

No single customer of the Media Sector has accounted for more than 5 % of the Sector's revenues during the last two years.

The revenues of the Business and Consumer Solutions Group are generated by its advertising revenues as well as through subscription and newsstand sales. We are the largest publisher of consumer-oriented magazines in Canada. Magazines geared to consumers constitute the largest part of our sales. Magazines published by others, whether of general interest or with a special focus, as well as the other medias (television, radio, Internet and other communication or advertising platforms) compete with our magazines for sales of advertising space and

subscription and newsstand sales. In particular, the availability in Canada of several magazines published by American publishers creates significant competition for our magazines especially on newsstands. The Canadian magazine market is one of the most competitive; Canadians have access to more magazine titles per capita than in most other countries in the world.

The revenues of the Local Solutions Group include primarily revenues from advertising, from subscription and newsstand sales as well as from flyer distribution. We are the second leading publisher of local and regional newspapers in Canada and the first in Eastern Canada. We reach more than 2.4 million households per week with our weekly newspapers, 1.2 million in the Montréal region alone. Because of their level of penetration and strong credibility, our local and regional newspapers are an excellent information tool within their targeted community as well as an ideal vehicle for any advertising campaign. In some markets, other existing local and regional newspapers as well as other media (television, radio, Internet and other communication or advertising platforms) compete with the Local Solutions Group regarding sales of advertising space and subscription, and newsstand sales. Despite this high level of competition, the community and regional newspaper segment has been more resilient to the drop in advertising dollars than the national or large metro dailies. Our readers continue to rely on our publications for quality information about their interests and our advertisers realize this.

By distributing approximately three billion printed products per year and other products each week to more than four million homes, the Local Solutions Group is a leader in the distribution market in the Province of Québec. The Local Solutions Group competes for distribution of advertising material and other products with daily and weekly newspapers, direct mail services and some regional distribution companies. We believe that the most significant competitive factors in the distribution business in Québec are pricing, quality of service, delivery lead times, the ability to make targeted distribution and market penetration. It is the reach of our network that differentiates us in the market from our competitors and the convenience of our methods that make us one of the market leaders in this segment.

The revenue base of the Educational Book Publishing Group is diversified by market, customer, subject and title. Its principal customers are departments of education, school boards, elementary and high schools, Cégeps, colleges and vocational schools, community colleges, universities and, in some cases, foreign distributors. This Group operates in all three sectors of the Canadian French language educational publishing industry and its competitors differ in each of these three sectors. Its competitors include Groupe Modulo, Les Éditions du Renouveau Pédagogique Inc. and Les Éditions CEC.

The revenues of the New Media and Digital Solutions Group are derived solely from online advertising. Overall, our properties reach more than four million unique visitors per month across Canada in both French and English. The Group markets more than 250 websites derived from our leading print brands, online local newspapers and from specific cyberbrands. In Canada, our sites are amongst the leading sites for niche communities - women and business owners - and offer online content in growing categories such as food, family, health, home, gardening, decor, TV entertainment, business news and sports. We compete against 'pure-play' websites and the websites of our traditional media competitors. By offering unique content of interest to our readers that complements the material in our printed formats, we seek to differentiate ourselves in this crowded marketplace. Increasingly innovative technologies are being deployed to enhance the user experience on our websites in an attempt to increase the time spent by our visitors, gain market share, and provide better marketing opportunities for our advertisers.

3.5.2 Geographic distribution

For the fiscal years ended October 31, 2010 and 2009 almost all of the revenues for the Media Sector (which represented \$608.3 million in fiscal 2010 and \$607.0 million in fiscal 2009) were generated in Canada.

3.5.3 Raw materials

Paper is the primary raw material used in our publishing activities. To increase our purchasing power, we combine our purchases of raw materials for our three operating sectors. For more information on this particular topic, see Section 3.3.4 - Raw materials and energy prices.

3.5.4 Seasonal variations

Generally, our Media Sector's revenues are subject to seasonal variations, with increases in both the second and fourth fiscal quarters. In particular, the Educational Publishing Group's revenues are highly seasonal with the majority of the revenues occurring in the months of June to September to correspond with the traditional back-to-school season of educational institutions.

3.5.5 Services

Local Solutions Group

The Local Solutions Group consists of newspaper publishing and distribution operations. Transcontinental publishes local and regional newspapers in the Provinces of Newfoundland and Labrador, Nova Scotia, Prince Edward Island, New Brunswick, Québec, Ontario and Saskatchewan. The Local Solutions Group publishes 11 dailies and 150 weekly, bi-weekly, monthly and bi-monthly newspapers. With a total circulation of approximately 250,000 copies for the dailies and approximately 2.4 million copies for the weeklies, some of Transcontinental's papers have been published for more than 100 years.

The local and regional newspapers are recognized both for the quality of their writing and their production, as indicated by the several prestigious awards which they receive each year. Always attentive to the needs of its readers and advertisers, the Local Solutions Group regularly conducts market studies which enable it to consistently improve the quality of its products. Moreover, this Group publishes a large number of theme inserts, special sections, directories and other publications which respond to the specific needs both of advertisers and readers.

A list of the local and regional newspapers published by us as of June 30, 2010, the most recent date at which information is available, is attached hereto as Schedule A.

We are part of a group that publishes *Métro* in Montréal, a free tabloid that is distributed Monday to Friday in Montréal. We are also part of a group that publishes *Metro* in Halifax, a free daily newspaper that is distributed Monday to Friday in the Halifax vicinity.

In 2008, we entered into an agreement with NewspaperDirect to migrate our newspapers to digital editions as part of our ongoing online strategy and our commitment to implement technology that makes life easier for our customers. All of our wholly owned publications, paid dailies and free dailies have been released as full-featured digital editions. The new editions can be accessed from any web browser and will give subscribers instant access to a digital replica of the full printed editions of the newspapers on PCs, Macs, Smartphones, iPhones, and Blackberry, iPad and iPod Touch devices, often before they hit the newsstands. For advertisers, it means that their print ads will also be online and will give them the ability to have more options to enhance and make their advertisements more interactive for readers.

Our distribution operations were originally developed for the door-to-door distribution in Québec of newspapers printed mainly by us, as well as flyers and advertising material. The Local Solutions Group has since added new products and services to its distribution activities to become the leader in this industry in Eastern Canada. The Local Solutions Group also has distribution operations in various areas in Newfoundland and Labrador, Nova Scotia, Prince Edward Island, Saskatchewan and Ontario.

We also offer, through our Targeo division, a Pan-Canadian distribution brokerage service. The Corporation distributes more than 50 million printed products to more than 12 million Canadian households every week. These innovative and popular products, such as the Publisac and Publisac.ca, deliver over three billion pieces of advertising items per year.

We offer our customers innovative products and services such as:

- The Publisac, a plastic bag containing flyers, advertising material and newspapers that is delivered at the consumer's door or mailbox. The Publisac reaches three million households in Québec every week, delivering 97% market penetration. The Publisac has been well received and valued in Québec for years. In fact, over 50 million advertising items are delivered to more than three million households every week;
- The Publisac Media, a Publisac on which advertising messages are printed;
- The Ad-Stand, a display stand located in the lobby of multi-unit residential buildings and in which flyers and newspapers are made available to residents;
- The Marketing and Geomarketing Service which, by directly accessing the Print Measurement Bureau database of Statistics Canada and with the help of the Arc View software cartography program which enables the correlation of data with geography, provide a targeted distribution of advertising material for a given product to specific markets defined by the demographic and geographic factors established by customers, such as age, income, size of family and consumption habits;
- The Themed-Bags, namely Publisacs in which the flyers revolve around a specific theme.

With our computerized systems, we handle the distribution by means of databases that enable us to segment the market and to target customers based on socio-demographic consumer attributes such as household income and purchasing preferences. In addition, by calculating the precise number of copies to be distributed, these systems provide advertisers with a maximum return on their advertising dollar. We rely on a team of contractors operating independently who ensure distribution to households and business establishments. We maintain a rigorous and on-going control over distribution points and provide our customers with services that allow them to measure the effectiveness of particular flyers and to target consumers.

Information is increasingly being distributed on a digital platform and creating interactive communities of interest has become a major trend. The share of the Internet in advertising has also grown significantly in recent years. As an example, the Local Solutions Group operates around 185 local and regional websites that are the local reference with respect to virtual community information.

In addition, Transcontinental operates the weblocal.ca portal. Weblocal.ca, launched in October 2008, now attracts close to 1.5 million unique visitors every month. Weblocal.ca is an online search and social media site for finding and reviewing local businesses, products or services in communities across Canada. Highly interactive, weblocal.ca is driven by content shared by users such as recommendations, ratings and reviews, as well as pictures and videos. Weblocal.ca fits well in Transcontinental's strategy of generating key growth opportunities by providing local community content and solutions.

Business and Consumer Solutions Group

The Business and Consumer Solutions Group publishes 29 regular titles. These titles include 24 consumer publication titles and five business publication titles, including one weekly title. Through these magazines, the Group serves Canadian readers from coast to coast in both official languages and gives advertisers access to a readership that is not only national, but one that also offers significant added value that arises from the prestige of the related brands. Transcontinental is the largest publisher of consumer-oriented magazines.

Moreover, we operate more than 30 websites leveraging content from our magazines and also create original digital content to better serve digital communities of interests. We aim to increase revenues derived from our digital platform and launch new products and services that complement our print-based activities. We are leveraging our existing brands such as *Coup de Pouce* and *Canadian Living*. All of our titles are available on devices such as iPad via the Zinio application.

We consider the brand names of the Business and Consumer Solutions Group as major assets, such brand names being associated to magazines with a large circulation and recognized for the quality and pertinence of their content.

The following table provides a list of our various titles published by the Business and Consumer Solutions Group, the number of issues per year and their circulation as of June 30, 2010, the most recent date at which information is available.

<i>Magazines</i>	<i>Number of issues per year</i>	<i>Circulation</i>
<i>Consumer Publications</i>		
Canadian Gardening	6	124,028 ⁽¹⁾
Canadian Living	12	500,062 ⁽¹⁾
Condo Direct	16	40,000 ⁽³⁾
Constructo Magazine	2	18,000 ⁽³⁾
Coup de Pouce	12	205,597 ⁽¹⁾
Décormag	10	79,684 ⁽¹⁾
Elle Canada (Les Publications Transcontinental-Hachette inc.)	12	130,363 ⁽¹⁾
Elle Québec (Les Publications Transcontinental-Hachette inc.)	11	81,864 ⁽¹⁾
Fleurs, Plantes et Jardins	7	60,705 ⁽¹⁾
Good Times	11	139,916 ⁽¹⁾
Homemakers	9	300,764 ⁽²⁾
Le Bel Âge Magazine (Les Publications Senior inc.)	11	126,423 ⁽¹⁾
Le Journal du Bel Âge (Les Publications Senior inc.)	10	70,000 ⁽³⁾
Madame	9	73,748 ⁽²⁾
Maison d'aujourd'hui	2	40,000 ⁽³⁾
Maison Direct	18	40,000 ⁽³⁾
MaisonsNeuves.com	11	28,000 ⁽³⁾
More	8	135,064 ⁽³⁾
Québec Vert	8	6,000 ⁽³⁾
Style at Home	12	230,002 ⁽¹⁾
The Hockey News	26	106,661 ⁽¹⁾
Vancouver Magazine	10	47,081 ⁽²⁾
Vita	8	95,094 ⁽¹⁾
Western Living	10	62,717 ⁽²⁾
<i>Economic Publications</i>		
Affaires Plus	48	76,101 ⁽¹⁾

<i>Magazines</i>	<i>Number of issues per year</i>	<i>Circulation</i>
Finance et Investissement	16	14,208 ⁽³⁾
Investment Executive	16	48,548 ⁽³⁾
Les Affaires	9	76,274 ⁽¹⁾
Premium (l'intelligence en affaires) ⁽⁴⁾	6	20,015 ⁽¹⁾

(1) Latest statistics from the Audit Bureau of Circulation (A.B.C.) as of June 30, 2010.

(2) Latest statistics from Canadian Circulation Audit Board (C.C.A.B.) as of March 30, 2010.

(3) Internal statistics for year 2010.

(4) First issue on March 19, 2010.

Transcontinental Media, through its subsidiary Les Éditions Transcontinental Inc., also publishes books in French and English destined to Canadian consumers. In addition to publishing management and personal finance books, Les Éditions Transcontinental Inc.'s original specialty, it also publishes more than 35 practical books in several niches: psychology, self-help, work and career, cooking, consumption, health, leisure and sports. Its catalogue contains almost 300 titles.

We are also involved in the creation of conferences aimed at giving business people and financial players information and knowledge relevant to their business needs.

Educational Book Publishing Group

The Educational Book Publishing Group specializes in the creation, development, adaptation, translation, publishing, commercialization and distribution of French-language educational resources, including textbooks, teachers' guides, activity books, digital resources and other related materials and resources. The operations of this Group also include distribution of books of general literature. Its product lines cover all grade levels, from kindergarten through university, as well as related sectors such as adult education, vocational training and teachers' professional resources. The Educational Book Publishing Group's strong brands include Beauchemin, Chenelière Éducation, Chenelière McGraw-Hill, Gaëtan Morin Éditeur and Graficor.

We are a preferred collaborator of the ministries of education of all Canadian provinces and territories and are the only educational publisher that has published French-language materials for all departments of education across Canada. This Group's mission is to support Canadian educators and students in the implementation of learning programs and course planning by publishing quality materials and resources required for teaching and learning.

Our operations, for the most part, are divided into three divisions which serve the three main school markets (the school market in Canada outside Québec; the school market in Québec; and the higher education market). In addition, we have a division specialized in the production of teaching materials for the benefit of teachers and other professionals of the education sector. We are the leading publisher in the French school market in Canada outside Québec and in the French higher education publishing market in Canada and we are one of the leading publishers in the French school market in Québec. This Group benefits from a revenue base that is diversified by market, customer, subject and title. In addition to its catalogue of over 6,100 existing or previously published titles (commonly referred to as the backlist), the Educational Book Publishing Group has over 300 titles currently being developed for the current or future school years (commonly known as the frontlist).

New Media and Digital Solutions Group

The New Media and Digital Solutions Group is responsible for expanding Transcontinental's existing and future brands into new channels of distribution. As one of the fastest growing market segments of

Transcontinental, this Group is responsible for not only the use of the brands in the new channels, but also the strategic direction the brands will take. As well as managing this for internal media brands such as *Canadian Living* and *Publisac*, this expertise is being extended to external clients of Transcontinental through extensive integrated platform, branding, promotions and database work.

3.6 Reorganizations

We regularly proceed with legal reorganizations of some of our subsidiaries and affiliated entities in order, among other considerations, to improve our organizational structure or our products and services offering, none of which have had a material effect on our activities, operations or financial results except for the changes set forth in Section 2.7 - Changes to the Organizational Structure.

3.7 Environmental Regulations

We are subject to laws and regulations regarding the environment. These laws and regulations relate to the production, storage, transportation, disposal and emission into the environment of various substances. Permits are required for the operation of our business. We are also subject to and comply with various laws and regulations, which allow regulatory authorities to require us to proceed with the cleanup of any environmental contamination of our own sites and at facilities where our waste is or has been disposed of. In addition, we ensure compliance with environmental standards by means of an audit program carried out with the help of a firm specializing in environmental issues.

The Board of Directors of the Corporation adopted an environmental policy with respect to the entire Corporation. In connection with this policy, an environment handbook was prepared and information and continuous training sessions are held for the benefit of the employees concerned. We also have staff members working to ensure compliance with applicable environmental standards. Our environmental policy is founded on the following guiding principles: protect the environment for present and future generations; reduce risks and improve efficiencies; and introduce improved technology and processes.

Our commitment with respect to the environment is reflected, among other things, by the use of short cut-off presses for the printing of flyers, which allows for substantial savings in paper. In addition, paper waste is recycled and specialized firms are retained to process or eliminate used inks, solvents and plates in accordance with applicable laws and regulations. We promote the use of environmentally friendly paper and all of our plants are triple chain of custody approved.

3.8 Human Resources

As of October 31, 2010, we had approximately 10,500 employees. The following table presents the approximate breakdown of our employees of our operating sectors as of October 31, 2010. Employees at head office and at administrative services center are excluded.

Description	Number of employees
Printing Sector	6,003
Interactive Sector	900
Media Sector	3,296

As at December 17, 2010, 2,345 of our employees were represented by certified associations under 32 active and separate collective agreements. These agreements expire at different dates up to February 2016. Six collective agreements were renewed during the last year. There are presently seven collective agreements

covering 289 of our employees under negotiation and 11 collective agreements covering 1,402 employees will expire before December 31, 2011.

With respect to our non-unionized employees, the working conditions, which are periodically revised, are governed by agreements between the various business units involved and their employees.

3.9 Properties

We believe that our owned and leased facilities are adequately equipped and maintained regarding existing and planned operations. Substantially all of our properties and equipment are free and clear of any security interests in favour of third party lenders.

3.10 Risk Factors

The risk factors related to the Corporation and our activities are described on pages 29 to 35 of our Management's Discussion and Analysis for the year ended October 31, 2010. The material factors that could have an effect on the results of the Corporation include, but are not limited to: economic cycles; competition; new media; operational efficiency; regulation; geographic distribution and exchange rate; dependence on information systems; recruiting and keeping talent; impairment tests; exchange of confidential information and privacy; business development; integration of acquisitions; loss of reputation; participating shares and preferred shares; availability of capital and use of financial leverage; interest rate; credit; pension plans; environment; raw materials and energy prices; and future policies of the Canadian and U.S. Postal Systems.

The heading "Risks and Uncertainties" under our Management's Discussion and Analysis for the year ended October 31, 2010 is therefore incorporated herein by reference and will be updated on a quarterly basis under the heading "Risks and Uncertainties" of the Management's Discussion and Analysis quarterly report.

Item 4 - Selected Consolidated Financial Information

4.1 Dividends

Each holder of Class A Subordinate Voting Shares and Class B Shares of Transcontinental is entitled to receive the dividends that the Board of Directors can declare at its discretion. However, in the past, our policy has been to pay a quarterly dividend in cash. It should be noted however that our policy has been to retain the major portion of our cash flows in order to invest in different business opportunities. Currently, there are no restrictions preventing us from paying dividends subject to the dividends on the issued and outstanding Preferred Shares, Series D being paid preferentially and cumulatively.

The following table presents a summary of the cash dividends per share declared and paid by the Corporation to all holders of its Class A Subordinate Voting Shares and Class B Shares over the last three fiscal years:

Fiscal Years Ended October 31	
2008	\$0.31
2009	\$0.32
2010	\$0.35

Subject to being declared by the Board of Directors, Transcontinental pays dividends on its Preferred Shares, Series D every quarter. As these shares were issued on October 2, 2009, no dividend has been declared or paid prior to fiscal year 2010. The following table presents a summary of the cash dividend per share declared and paid by the Corporation to all holders of Preferred Shares, Series D in fiscal year 2010:

Fiscal Year Ended October 31

2010	\$1.7476
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4.2 Subsequent Events

On December 8, 2010, the Board of Directors of Transcontinental declared a quarterly dividend of \$0.11 per share to all holders of Transcontinental's Class A Subordinate Voting Shares and Class B Shares. This dividend is payable on January 21, 2011 to all shareholders of record as of the close of business on January 7, 2011.

On December 8, 2010, the Board of Directors declared a quarterly dividend of \$0.4253 per share to all holders of Preferred Shares, Series D. This dividend is payable on January 15, 2011 to all shareholders of record on January 15, 2011.

Item 5 - Capital Structure of the Corporation

5.1 General Description of the Capital Structure

The Corporation is authorized to issue an unlimited number of Class A Subordinate Voting Shares, an unlimited number of Class B Shares and an unlimited number of Preferred Shares, all without par value.

The following table sets forth the principal rights of the shares that the Corporation is authorized to issue:

Class of Shares	Rights
Class A Subordinate Voting Shares:	<p><i>Voting Rights</i> The Class A Subordinate Voting Shares entitle the holders thereof to one vote per share.</p> <p><i>Dividends:</i> The Class A Subordinate Voting Shares entitle the holders thereof to receive, <i>pari passu</i> with the holders of Class B Shares, any and all dividends declared by the Corporation subject to the rights of holders of Preferred Shares.</p> <p><i>Conversion:</i> The Class A Subordinate Voting Shares can be converted into Class B Shares on the basis of one for one when a takeover bid is made directly or indirectly to the Majority Group (as defined in the Articles). Moreover, they confer the same privilege when the majority group makes a takeover bid.</p> <p><i>Dissolution:</i> The holders of Class A Subordinate Voting Shares are entitled, <i>pari passu</i> with the holders of Class B Shares, to share the remaining assets of the Corporation following its dissolution.</p>
Class B Shares:	<p><i>Voting Rights:</i> The Class B Shares entitle the holders thereof to 20 votes per share.</p> <p><i>Dividends:</i> The Class B Shares entitle the holders thereof to receive, <i>pari passu</i> with the holders of Class A Subordinate Voting Shares, any and all dividends declared by the Corporation subject to the rights of holders of Preferred Shares.</p>

Class of Shares	Rights
Preferred Shares:	<p><i>Conversion:</i> The Class B Shares can, at any time, be converted into Class A Subordinate Voting Shares on the basis of one for one.</p> <p><i>Dissolution:</i> The holders of Class B Shares are entitled, <i>pari passu</i> with the holders of Class A Subordinate Voting Shares, to share the remaining assets of the Corporation following its dissolution.</p> <p><i>Issuance in Series:</i> First Preferred Shares and Second Preferred Shares can be issued in series.</p> <p><i>Voting Rights:</i> The Preferred Shares do not entitle the holders thereof to vote or assist at any meeting of shareholders unless required pursuant to the <i>Canada Business Corporations Act</i>.</p> <p><i>Dividends:</i> The Preferred Shares entitle the holders thereof to receive preferential cumulative dividends.</p> <p><i>Dissolution:</i> In the event of the liquidation or dissolution of the Corporation, holders of Preferred Shares are entitled to receive, for each share held by them, a sum equal to the consideration received by the Corporation upon the issuance of such shares.</p>
<i>Preferred Shares, Series D:</i>	<p><i>Dividends:</i> Cumulative 5-Year Rate Reset First Preferred Shares, Series D entitle holders to fixed cumulative preferential cash dividends, as and when declared by the board of directors of the Corporation, payable quarterly on the 15th day of each January, April, July and October at an annual rate of \$1.6875 par share for the initial five-year period ending on and including October 15, 2014. The dividend rate will be reset on October 15, 2014 and every five years thereafter at a rate equal to the 5-year Government of Canada bond yield plus 4.16%. These shares will be redeemable by Transcontinental on October 15, 2014 and on October 15 every five years thereafter subject to certain restrictions.</p>
<i>Preferred Shares, Series E:</i>	<p><i>Conversion:</i> Holders of these shares will have the right, at their option, to convert their shares into cumulative floating rate preferred shares, Series E subject to certain conditions, on October 15, 2014 and on October 15 every five years thereafter.</p> <p><i>Dividends:</i> Cumulative Floating Rate Preferred Shares, Series E will entitle holders to cumulative quarterly floating dividends at a rate equal to the three-month Government of Canada Treasury Bill yield plus 4.16%.</p>

5.2 Ratings

We have received the following credit ratings from Standard & Poor's Ratings Services ("S&P") and DBRS Limited ("DBRS").

	S&P	DBRS
Corporate Rating	BBB/Stable	BBB (High) / Stable
Preferred Shares, Series D		Pfd-3 (High) / Stable
- Canadian Scale	P-3 (High)	
- Global Scale	BB+	

5.2.1 Corporate rating

Standard & Poor's Ratings Services

A S&P Issuer Corporate Credit Rating is a current opinion of an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they become due. The Issuer Credit Rating is not a recommendation to purchase, sell, or hold a financial obligation issued by an obligor, as it does not comment on market price or suitability for a particular investor.

S&P credit ratings range from AAA to D, which represent the range from the highest to lowest quality. According to S&P, the BBB rating is the fourth highest of 10 major rating categories. The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. An obligor rated "BBB" has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

A credit rating outlook notation indicates the possible direction in which a rating may move over the next six months to two years. "Positive" means it may be raised; "Negative" means it may be lowered; and "Stable" means it is unlikely to change.

DBRS Limited

According to DBRS, corporate credit ratings are forward-looking measures that assess an issuer's ability and willingness to make timely payments of principal and interest. Credit ratings are not buy, hold, or sell recommendations, but rather the result of qualitative and quantitative analysis focusing solely on the credit quality of the issuer and its underlying obligations.

DBRS credit ratings range from AAA to D, which represent the range from the highest to lowest quality. According to DBRS, the BBB rating is the fourth highest of 10 major rating categories.

Each rating category is denoted by the subcategories "high" and "low". The absence of either a "high" or "low" designation indicates the rating is in the "middle" of the category. The AAA and D categories do not utilize "high", "middle" and "low" as differential grades. Long-term debt rated BBB is of adequate credit quality. Protection of interest and principal is considered acceptable, but the entity is fairly susceptible to adverse changes in financial and economic conditions, or there may be other adverse conditions present which reduce the strength of the entity and its rated securities.

Each DBRS rating category is appended with one of three rating trends - "Positive", "Stable", or "Negative". The rating trend helps to give the investor an understanding of DBRS's opinion regarding the outlook for the

rating in question. However, the investor must not assume that a positive or negative trend necessarily indicates that a rating change is imminent.

5.2.2 Preferred Shares, Series D

Standard & Poor's Ratings Services

S&P's preferred share rating is a current assessment of the creditworthiness of a company in meeting a specific preferred share obligation issued in the market, compared to preferred shares issued by other issuers in the Canadian market.

S&P's preferred share credit ratings range from P-1 (high) to D, which represent the range from the highest to lowest quality of securities rated. Such P-3 (high) rating is the seventh highest of eighteen ratings used by S&P in its Canadian preferred share rating scale. A P-3 (high) rating on the Canadian preferred share rating scale corresponds to a BB+ rating on S&P's global preferred share rating scale and to a BBB S&P's corporate rating.

DBRS Limited

The DBRS preferred share rating scale indicates their assessment of the risk that an issuing entity may not be able to meet its full obligation to pay dividends and principal in a timely manner. Every DBRS rating is based on quantitative and qualitative considerations relevant to the issuing entity.

DBRS' preferred share credit ratings range from Pfd-1 (high) to D, which represent the range from the highest to lowest quality. Pfd-3 (high) is the seventh highest of sixteen ratings used by DBRS for preferred shares. According to DBRS, preferred shares rated Pfd-3 are of adequate credit quality and, while protection of dividends and principal is still considered acceptable for such preferred shares, the issuing entity of preferred shares with a Pfd-3 rating is considered to be more susceptible to adverse changes in financial and economic conditions, and there may be other adverse conditions present which detract from debt protection.

Ratings are intended to provide investors with an independent assessment of the credit quality of an issue or issuer of securities and do not speak to the suitability of particular securities for any particular investor. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be withdrawn or revised entirely by a rating agency at any time if in its judgment circumstances so warrant.

Item 6 - Management's Discussion and Analysis of the Financial Condition and Results of Operations

A discussion and analysis by management of the financial condition and results of operations for the fiscal year ended October 31, 2010 is presented in our Management's Discussion and Analysis for the year ended October 31, 2010, which is incorporated herein by reference. To complement such management's discussion and analysis, reference is made to the Consolidated Financial Statements for the years ended October 31, 2010, and 2009 and the Notes to Consolidated Financial Statements, which Consolidated Financial Statements and Notes are incorporated herein by reference.

Item 7 - Market for Securities

Our Class A Subordinate Voting Shares, our Class B Shares and our Preferred Shares, Series D are listed for trading on the Toronto Stock Exchange under ticker symbols TCL.A, TCL.B and TCL.PR.D, respectively.

The following tables present the monthly price variations as well as the volume of operations with respect to the Class A Subordinate Voting Shares, the Class B Shares and the Class D Preferred Shares on the Toronto Stock Exchange for the fiscal year ended October 31, 2010.

Class A Subordinate Voting Shares - TCL.A

Month	High (\$)	Low (\$)	Volume
November 2009	13.50	11.95	1,475,792
December 2009	13.64	11.66	3,015,930
January 2010	14.16	12.30	2,491,024
February 2010	13.36	11.97	1,601,915
March 2010	13.90	12.20	3,500,834
April 2010	14.25	12.63	2,642,849
May 2010	13.23	11.44	2,605,118
June 2010	14.20	12.10	3,655,280
July 2010	15.25	12.45	2,973,892
August 2010	15.00	11.82	5,882,855
September 2010	14.30	12.18	3,414,900
October 2010	15.74	13.51	4,991,895
Total			38,252,284

Class B Shares - TCL.B

Month	High (\$)	Low (\$)	Volume
November 2009	13.00	12.27	14,900
December 2009	13.33	11.54	6,050
January 2010	13.66	12.83	31,655
February 2010	13.98	12.00	2,465
March 2010	13.77	12.00	5,950
April 2010	15.50	13.34	116,505
May 2010	12.44	11.01	2,400
June 2010	13.80	12.50	4,250
July 2010	14.00	13.27	2,305
August 2010	14.50	12.41	15,700
September 2010	13.75	12.07	3,138
October 2010	15.62	13.64	14,107
Total			219,425

Preferred Shares, Series D - TCL.PR.D

Month	High (\$)	Low (\$)	Volume
November 2009	24.70	24.05	218,565
December 2009	25.20	24.55	264,901
January 2010	25.50	24.56	315,051
February 2010	25.32	24.75	121,624
March 2010	25.50	24.95	154,420
April 2010	25.35	24.80	106,660
May 2010	25.14	24.53	125,546
June 2010	25.51	24.55	157,673
July 2010	25.60	24.97	154,039
August 2010	25.94	25.20	77,093
September 2010	26.50	25.83	89,472
October 2010	26.51	25.99	107,821
Total			1,892,865

Item 8 - Directors and Officers

The names of our directors, their city of residence, their principal occupation, the year since each has exercised their mandate, the number of voting Shares (Class A Subordinate Voting Shares and Class B Shares) of the Corporation that the directors owned beneficially or over which they exercised control or direction, as well as the number of share units held by the directors pursuant to the Deferred Share Unit Plan of the Corporation (or in the case of directors who are also employees of the Corporation, the number of vested deferred share units granted pursuant to the Share Unit Plan of Transcontinental Inc. for executives), as of October 31, 2010 are indicated below.

Name	Principal Occupation	Director Since	Number of Class A Subordinate Voting Shares	Number of Class B Shares	Number of Deferred Share Units
Lucien Bouchard, G.O.Q. Montréal, Québec	<input type="checkbox"/> Partner, Davies Ward Phillips & Vineberg LLP (law firm)	2001	1,128	—	27,134
Claude Dubois Montréal, Québec	<input type="checkbox"/> President, Gestion Phila Inc. (holding company)	1978	142,572 ⁽¹⁾	4,000 ⁽¹⁾	25,312
Pierre Fitzgibbon Québec, Québec	<input type="radio"/> President and Chief Executive Officer, Atrium Innovations Inc. (development, manufacturing and marketing of added- value products for the health and nutrition industry)	2009	2,000	—	2,141

Name		Principal Occupation	Director Since	Number of Class A Subordinate Voting Shares	Number of Class B Shares	Number of Deferred Share Units
Richard Fortin Longueuil, Québec	○ ◇	Chairman of the Board, Alimentation Couche- Tard Inc. (distribution - convenience stores)	2004	6,000	–	25,545
Harold "Sonny" Gordon, Q.C. Sunny Isles, Florida United States	▽	Chairman of the Board, Dundee Corporation (management corporation, financial services and wealth management)	1993	–	1,000	26,649
Monique Lefebvre Montréal, Québec	▽	Psychologist, Executive Coaching, and Chair of Héma-Québec Foundation	2000	1,000	–	15,744
Isabelle Marcoux ⁽²⁾ Montréal, Québec		Vice Chair of the Board and Vice President, Corporate Development, Transcontinental Inc.	2005	4,000	1,000	1,009 ⁽³⁾
Pierre Marcoux ⁽²⁾ North York, Ontario		Senior Vice President, Business and Consumer Solutions Group, Transcontinental Media G.P.	2005	5,000	1,000	414 ⁽³⁾
Rémi Marcoux C.M., O.Q., F.C.A. Montréal, Québec		Executive Chairman of the Board, Transcontinental Inc.	1978	154,400	13,209,840 ⁽²⁾	–
François Olivier ⁽²⁾ Montréal, Québec		President and Chief Executive Officer, Transcontinental Inc.	2008	2,740	–	54,750 ⁽³⁾
François R. Roy Montréal, Québec	○	Corporate Director	2008	–	–	6,879
Lino A. Saputo, Jr. Montréal, Québec	□	President and Chief Executive Officer, Saputo Inc. (consumer products- food processing)	2008	–	–	13,372
André Tremblay Montréal, Québec	▽	Managing Partner, Trio Capital inc. (private equity fund management)	2007	–	–	16,406

◇ Lead Director .

○ Member of the Audit Committee of the Board of Directors.

▽ Member of the Human Resources and Compensation Committee of the Board of Directors.

□ Member of the Corporate Governance Committee of the Board of Directors.

(1) Of which 137,572 Class A Subordinate Voting Shares and 4,000 Class B Shares are held by Gestion Phila Inc., a holding company controlled by Mr. Claude Dubois.

(2) Of which 9,209,840 Class B Shares are held by Capinabel Inc. and 4,000,000 Class B Shares are held by 7506333 Canada Inc., a corporation controlled by Capinabel Inc. Capinabel Inc. has also issued to a third party debentures exchangeable for 600,000 Class B Shares held by Capinabel Inc. The debentures may be repaid in cash or by transferring Class B Shares. The

shares of Capinabel Inc. are held directly and indirectly by Mr. Rémi Marcoux and members of his immediate family. Mr. Rémi Marcoux controls Capinabel Inc. The shares of Capinabel Inc. and 7506333 Canada Inc. represent 71.45% of the voting rights attached to the outstanding participating shares of the Corporation. Ms. Isabelle Marcoux and Mr. Pierre Marcoux are members of Mr. Rémi Marcoux's immediate family. Mr. Olivier is the husband of Ms. Isabelle Marcoux.

- (3) These deferred share units were acquired pursuant to the Share Unit Plan of Transcontinental Inc. for executives.

Each director remains in office until the following annual shareholders' meeting or until the election or appointment of his successor, unless he resigns or his office becomes vacant as a result of his death, removal or other cause. Management of the Corporation is nominating for election at the annual meeting of shareholders to be held on February 17, 2011 Ms. Nathalie Marcoux, Vice President finance of Capinabel Inc. and Ms. Anna Martini, President of Groupe Dynamite Inc.

The following table sets forth the names, city of residence and position held with the Corporation of each officer of the Corporation as of the date hereof.

Name and city of residence	Position held with the Corporation
André Bolduc Montréal, Québec	Director of Internal Audit
Philippe Bonin Montréal, Québec	Corporate Treasurer
Jean Denault Saint-Mathias-sur-Richelieu, Québec	Corporate Vice President, Procurement and Technology
Christine Desaulniers Town of Mount-Royal, Québec	Vice President, Chief Legal Officer, and Corporate Secretary
David Galarnreau Montréal, Québec	Corporate Controller
Benoît Huard Lorraine, Québec	Vice President and Chief Financial Officer
Isabelle Lamarre Montréal, Québec	Director, Legal Affairs and Assistant Corporate Secretary
Natalie Larivière Montréal, Québec	President, Media Sector
Donald LeCavalier Montréal, Québec	Vice President, Finance
Martin Longchamps Montréal, Québec	Corporate Vice President, Mergers and Acquisitions
Isabelle Marcoux Montréal, Québec	Vice Chair of the Board and Vice President, Corporate Development
Rémi Marcoux Montréal, Québec	Executive Chairman of the Board
Jennifer F. McCaughey Candiac, Québec	Director, Investor Relations and Corporate Communications
Sylvain Morissette Montréal, Québec	Vice President, Corporate Communications
François Olivier Montréal, Québec	President and Chief Executive Officer
Brian Reid Annan, Ontario	President, Printing Sector
Christian Trudeau Carignan, Québec	President, Interactive Sector

The directors and officers of the Corporation who have not held their principal occupation with the Corporation for more than five years have had the following principal occupations during the last five years (except where a director or officer has occupied more than one position in the same company or an affiliate thereof, only the date of his appointment to his current position is indicated):

- Mr. Philippe Bonin is Corporate Treasurer since August 2010. From March 2010 until August 2010, he was Principal at Tandem Expansion Fund (a private equity investment fund). From February 2006 until March 2010, he held several positions at Transcontinental including Senior Director, Mergers and Acquisitions and Business Integration. Previously, he was Director, Financial Reporting at Bell Nordiq Group Inc. (a telecommunications company);
- Mr. Pierre Fitzgibbon is President and Chief Executive Officer of Atrium Innovations Inc. since July 2007. Prior to July 2007, he was Senior Vice President, Finance, Technology and Corporate Affairs of National Bank of Canada and prior to July 2005, he was Vice Chairman of National Bank Financial since 2002;
- Mr. David Galarnau is Corporate Controller since January 20, 2011. Prior to joining the Corporation in September 2007, he was Corporate Director, tax and financing accounting of Maax Corporation (a manufacturer and distributor of bath and spa products) from March 2004 until September 2007;
- Mrs. Isabelle Lamarre is Director, Legal Affairs and Assistant Corporate Secretary since May 22, 2007. From 2001 until 2007 she had been a partner at the Montréal office of the law firm Lavery, de Billy LLP;
- Mrs. Natalie Larivière is President, Media Sector since August 7, 2006. Previously, she was President and General Manager of Archambault Group Inc. (a media company member of the Quebecor Media group of companies);
- Mr. Donald LeCavalier is Vice President, Finance since 2010. Prior to joining the Corporation as Treasurer in 2006, he was Treasurer of Transat A.T. Inc. (a tourism company) from August 2000 until April 2006;
- Mr. Martin Longchamps is Vice President, Mergers and Acquisitions since June 2010. From February 2005 until June 2010 he held various positions at EdgeStone Capital Partners (a private equity investment fund), including as Partner;
- Mr. Sylvain Morissette became Vice President, Corporate Communications on February 2, 2009. Before such date, he was President and General Manager of the Association of Quebec Advertising Agencies from 2006 until 2009 and National Director, Corporate Communications and Public Relations of RONA Inc. (a hardware retailer) from 1998 until 2006;
- Mr. François R. Roy is corporate director. From June 2007 until June 2010 he was Vice Principal (Administration and Finance) of McGill University. From March 2000 until May 2003 he was Chief Financial Officer of Telemedia (a portfolio company);
- Mr. Christian Trudeau became President, Interactive Sector on March 12, 2009. Since 2004, Mr. Trudeau was President and Chief Operating Officer of Centria Commerce (an organization that offers services in project management to entrepreneurs) and prior thereto he was President and Chief Operating Officer of BCE Emergis Inc (an information technology company now an integral part of Telus).

As of October 31, 2010, directors and officers of the Corporation (other than Mr. Rémi Marcoux), as a group, beneficially owned, directly or indirectly, 219,548 Class A Subordinate Voting Shares and 7,000 Class B Shares of the Corporation, then representing approximately 0.33% and 0.05%, respectively, of the outstanding shares of each such class.

To the best knowledge of the Corporation, no proposed director, as at January 6, 2011, or within 10 years before January 6, 2011; (a) is or has been subject to a cease trade order, an order similar to a cease trade order or an order that denied a company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer of that company; (b) is or has been subject to a cease trade order, an order similar to a cease trade order or an order that denied a company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer of that company and which resulted from an event that occurred while that person was acting in such capacity; (c) is or has been a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (d) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his assets, with the exception of:

- (i) Mr. Gordon, who was a director of Great Northern Paper, Inc., a private U.S. corporation, until June 3, 2002, approximately seven months before such corporation filed for an arrangement under Chapter II of the U.S. Bankruptcy Code on January 9, 2003, followed by liquidation on May 22, 2003 pursuant to Chapter 7 of said Act. Mr. Gordon is no longer a director of Great Northern Paper, Inc.;
- (ii) Mr. Roy who was a director of Komunik Corporation until April 1, 2008, approximately eight months before such corporation voluntarily filed for protection under the *Companies' Creditors Arrangement Act* ("CCAA") on November 18, 2008. Mr. Roy is no longer director of Komunik Corporation;
- (iii) Mr. Roy who was a director of Pixman Nomadic Media Inc. until November 27, 2009, more than two months before such corporation filed a notice of intention to make a proposal to its creditors under the *Bankruptcy and Insolvency Act* (Canada). Between November 3, 2009 and February 17, 2010, the Alberta Securities Commission, the British Columbia Securities Commission, the Ontario Securities Commission and the Autorité des marchés financiers issued cease trade orders in respect of Pixman Nomadic Media Inc. in connection with its failure to file certain financial statements and other continuous disclosure documents within the prescribed delays. Mr. Roy is no longer a director of Pixman Nomadic Media Inc.; and
- (iv) Mr. Tremblay who was a director and President and Chief Executive Officer of Microcell Telecommunications Inc., when it asked for and was granted protection under the CCAA on January 3, 2003. On May 1, 2003, Microcell Telecommunications Inc. successfully emerged from the CCAA proceedings. Mr. Tremblay is no longer a director of Microcell Telecommunications Inc.

Furthermore, to the best knowledge of the Corporation, no proposed director of the Corporation has been as at January 6, 2010 subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable shareholder in deciding whether to vote for a proposed director.

Item 9 - Transfer Agent and Registrar

The transfer agent and registrar of our shares is CIBC Mellon Trust Company ("CIBC Mellon"), having a place of business at 2001 University Street, Suite 1600, Montréal, Québec, H3A 1A6. CIBC Mellon also has offices in Toronto.

Item 10 - Proceedings

In the normal course of business, we are involved in various legal proceedings. Legal proceedings resulting from our activities in the Printing, Interactive or Media Sectors could have adverse effects both with respect to costs and to our reputation. In order to manage this risk, we, in addition to having a civil liability insurance policy, often limit our potential responsibility with respect to damages under the contracts which we sign regarding our printing activities, and with respect to our media activities, we provide our journalists with information sessions and continuous training in addition to signing specific contracts with freelancers.

Item 11 - Material Contracts

No material contract outside the ordinary course of business was entered into by the Corporation during the last two years.

Item 12 - Information Regarding the Audit Committee

12.1 Charter of the Corporation's Audit Committee

The charter of the Corporation's audit committee is included in Schedule B.

12.2 Composition of the Audit Committee

The Corporation's Audit Committee is composed of the three following persons:

Name of the Director	Independent	Financially Literate
Pierre Fitzgibbon	x	x
Richard Fortin, acting as Audit Committee Chair	x	x
François R. Roy	x	x

12.3 Background and Related Experience

Mr. Pierre Fitzgibbon

Mr. Pierre Fitzgibbon is a member of the Ordre des comptables agréés du Québec, holds a bachelor's degree in business administration from the École des Hautes Études Commerciales of Montréal and a certificate in management from Harvard Business School. He is President and Chief Executive Officer of Atrium Innovations Inc. since July 2007. Prior to such date, Mr. Fitzgibbon was Senior Vice President, Finance, Technology and Corporate Affairs of National Bank of Canada and, prior to July 2005, he was responsible of advisory services and corporate financing at National Bank Financial, as Vice Chairman. From January 1998 until December 2001, Mr. Fitzgibbon was Chief Executive Officer of New World Mobility. For three years, prior to joining New World Mobility, Mr. Fitzgibbon held various executive positions in Finance, Corporate and Business Development at Chase Capital Partners Hong Kong and Telesystems Wireless International Inc. in Canada and Asia. He also spent five years at Domtar Corporation in various executive positions, namely as Chief Financial Officer.

Mr. Richard Fortin

Mr. Richard Fortin has a Bachelor in Administration with a major in Finance from Laval University. Throughout his career, he has constantly remained on top of any new accounting rules. He worked for more than 13 years in the banking industry, holding various management positions, namely as Vice President, Québec for the Société Générale (Canada). As such, Mr. Fortin was called upon to analyze numerous financial

statements and to familiarize himself with generally accepted accounting principles. Mr. Fortin is currently Chairman of the Board of Alimentation Couche-Tard Inc., a publicly traded corporation. Previously, he was Executive Vice President and Chief Financial Officer of Alimentation Couche-Tard Inc. since 1986.

Mr. François Roy

Mr. François R. Roy is Corporate Director. From June 2007 until June 2010 he was Vice-Principal (Administration and Finance) of McGill University. Previously, from March 2000 until May 2003, he was Chief Financial Officer of Telemedia Corporation, a private portfolio company; from August 1998 until March 2000, he was Executive Vice President and Chief Financial Officer of Quebecor Inc.; from August 1997 until July 1998, he was Executive Vice President and Chief Financial Officer of Avenor Inc., a forest product company. Mr. François R. Roy also holds an MBA from the University of Toronto and is a member or chairman of audit committees for several public and private corporations.

12.4 Reliance on Certain Exemptions

We have not at any time during our last fiscal year relied on any exemption set out in Multilateral Instrument 52-110.

12.5 Policies and Procedure Regarding Prior Approval

The Audit Committee has adopted rules regarding the scope of the services provided by the external auditor, which rules have been implemented as of its fiscal year starting on November 1, 2002. Our external auditor provides audit-related services to the Corporation and its subsidiaries, audit-related or connected services, consulting services regarding research and development credits as well as tax-related consulting services. We will not give our external auditor any mandates to provide certain non-audit and non-tax related services to the Corporation and its subsidiaries, such as bookkeeping or other services related to the accounting books or financial statements or regarding the design and implementation of financial disclosure systems, services related to evaluation, actuarial services, internal auditing services, investment banking services and legal services. With respect to all other non-audit and non-tax related consulting services, management must obtain the prior approval of its Audit Committee.

12.6 Fees Relating to the Services of the External Auditor

The following table sets forth, by category, the fees incurred by the Corporation and payable to its external auditors KPMG LLP (its auditor since its 2009 fiscal year) and Samson Bélair Deloitte & Touche LLP (its auditor before its 2009 fiscal year) for the fiscal years ended October 31, 2010 and 2009,.

Category of Fees (in thousands of dollars)	KPMG LLP 2010 (\$)	KPMG LLP 2009 (\$)	Samson Bélair Deloitte & Touche LLP 2009 (\$)
Auditing fees	849.6	801.5	395.1
Fees for audit-related or connected	111.6	42.1	111.4
Compliance with taxation requirements and consulting services thereto	324.3	391.3	181.6
Other fees	268.2	11.8	85.6
Total	1,553.7	1,246.7	773.7

Auditing fees include total fees paid to the auditors for auditing the annual consolidated financial statements and other regulatory audits and filings.

Fees for audit-related or connected services included the total fees related to auditing services paid to the auditors, in particular for auditing the pension plans and for consulting services with respect to accounting and financial disclosure standards.

Tax-related fees include the total fees related to tax services paid to the auditors, in particular for consulting services regarding our compliance with income tax laws, tax planning in the preparation of our tax returns as well as regarding capital taxes and sales taxes. The auditors also offer consulting services with respect to tax credits for scientific research and experimental development.

Other fees include the total fees related to other services paid to the auditors for all other services rendered to the Corporation that do not fall under any of the above-mentioned categories, in particular services related to financial structuring.

Item 13 - Forward-Looking Statements

From time to time, we make written or oral forward-looking statements within the meaning of certain securities laws, including the "safe harbour" provisions of the *Securities Act* (Ontario). We may make such statements in this document, in other filings with Canadian regulators, in reports to shareholders or in other communications. These forward-looking statements include, among others, statements with respect to our medium-term goals, our outlook, business project and strategies to achieve those objectives and goals, as well as statements with respect to our beliefs, plans, objectives, expectations, anticipations, estimates and intentions. The words "may", "could", "should", "would", "outlook", "believe", "plan", "anticipate", "estimate", "expect", "intend", "objective", the use of the conditional tense, and words and expressions of similar nature are intended to identify forward-looking statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements, as a number of important factors could cause our actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to: credit risks, data security and utilization, market dynamics, liquidity, financing and operational risks; the strength of the Canadian, Mexican and United States' economies in which we conduct business; the impact of the movement of the Canadian dollar relative to other currencies, more particularly the U.S. dollar, the euro and the Mexican peso; the impact from raw material and energy prices; the seasonal and cyclical nature of certain businesses, notably the book publishing activities, the effects of changes in interest rates; the effects of competition in the markets in which we operate; the effects of new media and the corresponding shift of advertising revenue to new platforms; judicial judgments and legal proceedings; our ability to develop new opportunities through our strategy; our ability to hire and retain qualified personnel and maintain a good reputation; our ability to complete strategic transactions; changes in accounting policies and methods we use to report our financial condition, including uncertainties associated with critical accounting assumptions and estimates; infrastructure risks; the possible impact on our businesses from public health emergencies, international conflicts and other developments; and our success in anticipating and managing the foregoing risks; other factors may affect future results including, but not limited to, timely development and introduction of new products and services, changes in tax laws, changes in environmental regulations, changes in the U.S. and Canadian postal systems policies, technological changes and new regulations.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to the Corporation, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Assumptions used to derive forward-looking information could vary materially one at a time or in conjunction. Variation in

one assumption may also result in changes in another, which might magnify or counteract the effect on forward-looking information. Unless otherwise required by the securities authorities, we do not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by us or on our behalf.

When relying on forward-looking statements to make decisions with respect to the Corporation, investors and others should carefully consider the risk factors set forth in this Annual Information Form and other uncertainties and potential events, including those set forth in our Management's Discussion and Analysis for the year ended October 31, 2010, as updated in our interim Management's Discussion and Analysis issued thereafter.

Item 14 - Additional Information

Additional information, including remuneration of directors and officers, loans to officers, stock options, share units and interest of insiders in material transactions is, where applicable, contained in our Management Proxy Circular for our Annual General Meeting of Shareholders. Additional financial information is provided in the comparative consolidated audited financial statements of the Corporation for the year ended October 31, 2010. A copy of these documents may be obtained, free of charge from our Corporate Secretary or our Director, Investor Relations and Corporate Communications at 1 Place Ville Marie, Suite 3315, Montréal, Québec, H3B 3N2. These documents can also be obtained on SEDAR's website (www.sedar.com) or on our website (www.transcontinental.com).

In addition, when securities of the Corporation are in the course of a distribution pursuant to a short form prospectus or when a preliminary short form prospectus has been filed, the following documents may be obtained free of charge from our Corporate Secretary or our Director, Investor Relations and Corporate Communications:

- (i) A copy of this Annual Information Form, together with a copy of any document or portion thereof incorporated by reference therein;
- (ii) A copy of the comparative financial statements of the Corporation for its most recently completed financial year together with the report of the auditors thereon and a copy of any interim financial statements of the Corporation subsequent to financial statements for its most recently completed financial year;
- (iii) A copy of the Corporation's Management Proxy Circular for its most recent Annual Meeting of Shareholders; and
- (iv) A copy of any other documents that are incorporated by reference in the preliminary short form prospectus or the short form prospectus.

At any other time, a copy of the documents referred to in subparagraphs (i), (ii) and (iii) above will be provided free of charge from our Secretary or our Director, Investor Relations and Corporate Communications.

A copy of this Annual Information Form can be obtained, free of charge, from our Corporate Secretary or our Director, Investor Relations and Corporate Communications at 1 Place Ville Marie, Suite 3315, Montréal, Québec, H3B 3N2, on SEDAR's website (www.sedar.com) or on the Corporation's website (www.transcontinental.com).

Schedule A
List of the newspapers of Transcontinental

The following table provides a list of the local and regional newspapers published by Transcontinental and their circulation as of June 30, 2010, the most recent date at which information is available.

<i>Daily Newspapers</i>	<i>Circulation</i>	<i>Weekly Newspapers</i>	<i>Circulation</i>
<u><i>Nova Scotia</i></u>		<u><i>Québec & Ontario</i></u>	
Amherst Daily News	3,004 ⁽⁴⁾	Abitibi Express Amos/Rouyn Région	29,993 ⁽³⁾
The Cape Breton Post	23,245 ⁽⁴⁾	Abitibi Express Vallée-de l'Or/LaSarre Région	30,422 ⁽³⁾
The News	7,197 ⁽⁴⁾	Journal de Rosemont-La Petite Patrie	59,000 ⁽¹⁾
The Truro Daily News	6,142 ⁽⁴⁾	Progrès de Villeray	33,044 ⁽¹⁾
<u><i>Prince Edward Island</i></u>		Journal Le Plateau	35,601 ⁽¹⁾
The Guardian	19,153 ⁽⁴⁾	Courrier Ahuntsic	33,741 ⁽¹⁾
The Journal Pioneer	8,200 ⁽⁴⁾	Progrès de St-Léonard	31,812 ⁽¹⁾
<u><i>Québec & Ontario</i></u>		Guide Montréal Nord	37,079 ⁽¹⁾
Métro	142,154 ⁽⁴⁾	Flambeau Mercier / Anjou	55,919 ⁽¹⁾
<u><i>Saskatchewan</i></u>		Les Nouvelles Hochelaga Maisonneuve	24,319 ⁽³⁾
The Moose Jaw Times Herald	5,916 ⁽⁴⁾	L'Informateur de R.D.P.	20,624 ⁽¹⁾
The Prince Albert Daily Herald	6,550 ⁽⁴⁾	Avenir PAT / Montréal-Est	27,755 ⁽¹⁾
<u><i>Newfoundland and Labrador</i></u>		Courrier Laval (Wednesday's edition)	128,869 ⁽¹⁾⁽⁵⁾
The St-John's Telegram	23,495 ⁽⁴⁾	Le Trait d'Union (Sunday's edition)	55,882 ⁽¹⁾
The Western Star	6,325 ⁽⁴⁾	Journal Le Courrier	55,954 ⁽¹⁾
<u><i>Weekly Newspapers</i></u>		Messenger de Verdun	25,353 ⁽¹⁾
<u><i>New Brunswick</i></u>		Messenger de Lasalle	32,335 ⁽¹⁾
Sackville Tribune Post	2,759 ⁽²⁾	Messenger de Lachine / Dorval	24,482 ⁽¹⁾
<u><i>Nova Scotia</i></u>		La Voix Pop	28,412 ⁽¹⁾
The Hants Journal	2,617 ⁽²⁾	Nouvelles St-Laurent	29,884 ⁽¹⁾
The Digby County Courier	1,582 ⁽²⁾	L'Express d'Outremont	23,335 ⁽¹⁾
The King County Register	4,461 ⁽²⁾	L'Express de Mont-Royal	9,039 ⁽³⁾
The Annapolis County Spectator	2,382 ⁽²⁾	Courrier Bordeaux-Cartierville	17,208 ⁽¹⁾
The Shelburne County Coast Guard	3,070 ⁽²⁾	Magazine Iles-des-Sœurs	9,875 ⁽¹⁾
The Queens County Advance	2,027 ⁽²⁾	Cités Nouvelles	48,008 ⁽¹⁾
Halifax Clayton Park News	35,978 ⁽²⁾	The Chronicle	48,008 ⁽²⁾
Dartmouth Cole Harbour News	36,628 ⁽²⁾	Westmount Examiner	9,601 ⁽²⁾
The Bedford-Sackville News	30,734 ⁽²⁾	L'Action du Mercredi	56,952 ⁽¹⁾
Amherst Citizen	3,062 ⁽²⁾	L'Action du Week-end	49,977 ⁽¹⁾
The Yarmouth County Vanguard	4,698 ⁽²⁾	L'Express Montcalm	20,000 ⁽¹⁾
The Kings County Advertiser	3,900 ⁽²⁾	L'Action d'Autray	18,540 ⁽¹⁾
Truro Daily News Weekender	21,500 ⁽⁴⁾	L'Écho de Maskinongé	13,800 ⁽³⁾
Springhill-Parrsboro Record	1,695 ⁽²⁾	Hebdo Rive-Nord les Méandres	54,154 ⁽¹⁾
Sunday Post	44,000 ⁽³⁾	Hebdo Rive-Nord les Riverains	46,982 ⁽¹⁾
The Weekly News Halifax West	34,478 ⁽³⁾	La Nouvelle Union	42,629 ⁽¹⁾
<u><i>Prince Edward Island</i></u>			
Island Market Place	7,500 ⁽³⁾		

La Nouvelle Union (weekend edition)	42,629 ⁽¹⁾	The Broadview Express	543 ⁽²⁾
L'Avenir de l'Érable	11,991 ⁽¹⁾	The Oxbow Herald	1,156 ⁽²⁾
Le Reflet du Lac	26,271 ⁽¹⁾	<i>Newfoundland and Labrador</i>	
L'Express (Wednesday's edition)	48,570 ⁽¹⁾	The Charter	970 ⁽²⁾
L'Express (Sunday's edition)	48,139 ⁽¹⁾	The Southern Gazette	3,690 ⁽²⁾
Le Progrès de Coaticook	8,936 ⁽¹⁾	The Labradorian	2,093 ⁽²⁾
La Nouvelle	15,740 ⁽¹⁾	The Aurora	1,909 ⁽²⁾
La Revue	89,800 ⁽¹⁾	The Compass	4,213 ⁽²⁾
Le Bulletin	14,270 ⁽¹⁾	The Packet	4,760 ⁽²⁾
La Petite Nation	10,150 ⁽¹⁾	The Beacon	4,379 ⁽²⁾
The Orleans Star	46,000 ⁽³⁾	The Pilot	3,393 ⁽²⁾
L'Express d'Ottawa	12,000 ⁽¹⁾	The Coaster	1,679 ⁽²⁾
Le Lac St-Jean	22,883 ⁽¹⁾	The Norwester	2,924 ⁽²⁾
L'Étoile du lac	14,492 ⁽¹⁾	The Gulf News	2,779 ⁽²⁾
La Voix du Sud	29,299 ⁽¹⁾	The Georgian	1,715 ⁽²⁾
L'Appel	58,271 ⁽¹⁾	The Northern Pen	5,076 ⁽²⁾
Charlesbourg Express	28,255 ⁽¹⁾	The Advertiser (Monday's edition)	2,562 ⁽²⁾
Beauport Express	29,154 ⁽¹⁾	The Advertiser (Thursday's edition)	3,001 ⁽²⁾
L'Actuel	44,419 ⁽¹⁾		
Québec Express	31,178 ⁽¹⁾	Monthly Newspapers	Circulation
Hebdo Journal mercredi/samedi	55,475 ⁽¹⁾	<hr/>	
Hebdo St-Maurice	31,090 ⁽¹⁾	<i>Nova Scotia</i>	
Courrier Sud	21,082 ⁽¹⁾	Farm Focus	10,200 ⁽³⁾
Hebdo Mékinac des Chenaux	13,526 ⁽¹⁾	Nova Scotia Business Journal	40,000 ⁽³⁾
L'Écho de La Tuque Haut-St-Maurice	6,576 ⁽¹⁾	The Burnside News	6,800 ⁽³⁾
Seaway News	37,000 ⁽³⁾	The Souwester	3,461 ⁽³⁾
Corriere Italiano	12,700 ⁽¹⁾	<i>Prince Edward Island</i>	
L'Autre Voix	14,050 ⁽¹⁾	Atlantic Post Calls	755 ⁽³⁾
La Parole d'affaires	45,500 ⁽³⁾	PEI Seniors	23,500 ⁽³⁾
Point de vue Laurentides	17,940 ⁽¹⁾	<i>Québec & Ontario</i>	
Point de vue Ste-Agathe	16,306 ⁽¹⁾	Constructo	2,958 ⁽³⁾
Journal Le Nord	53,795 ⁽¹⁾⁽⁶⁾	La Parole d'affaires	45,500 ⁽³⁾
Rive-Sud Express	143,000 ⁽³⁾	Le Courrier du Lac	7,200 ⁽³⁾
<i>Saskatchewan</i>		Le Jacques-Cartier	10,620 ⁽¹⁾
Moose Jaw This Week Sunday Times	17,104 ⁽²⁾	Le Journal Agricole	3,200 ⁽³⁾
Rural Roots	30,056 ⁽²⁾	Le Journal du Bel Âge (Les Publications Senior inc.)	70,000 ⁽³⁾
The Southwest Booster	17,133 ⁽³⁾	Mon Toit	10,000 ⁽³⁾
The Triangle News	886 ⁽²⁾	Bi-Monthly Newspapers	Circulation
Radville Star	972 ⁽²⁾	<hr/>	
Radville Deep South Star	786 ⁽²⁾	<i>Québec</i>	
The Grenfell Sun	1,075 ⁽²⁾	Journal de l'Habitation	27,000 ⁽¹⁾
		<i>Saskatchewan</i>	
		Shop PA (replaces The Northern Visitor)	11,000 ⁽³⁾

<i>Other Newspapers</i>	<i>Circulation</i>
<u><i>Nova Scotia</i></u>	
Atlantic Canada Group Tour Planner	8,000 ⁽³⁾
Atlantic Construction Journal	3,500 ⁽³⁾
Golf Ontario Style	8,000 ⁽³⁾
HRM Business Parks Directory	6,000 ⁽³⁾
Maritime Provinces Waste Water Report	1,200 ⁽³⁾
New England Group Travel Planner	8,000 ⁽³⁾
Ontario Group Travel Planner	8,000 ⁽³⁾
Québec & Ontario Group Travel Planner	8,000 ⁽³⁾
Yuletide Preparations	9,000 ⁽³⁾
<u><i>Prince Edward Island</i></u>	
G! The Sassy Offshoot of the Guardian	22,500 ⁽³⁾
<u><i>Québec & Ontario</i></u>	
Bottin téléphonique de l'Érable	8,582 ⁽³⁾
Le Cahier de l'expo agricole	48,000 ⁽³⁾
Le Canard	210,000 ⁽³⁾
Voir vert	35,000 ⁽³⁾
Book of list	21,000 ⁽³⁾
Forum Agricole-Agroalimentaire-Forestier	11,000 ⁽³⁾
Tour de l'île	9,000 ⁽³⁾
Plaisirs d'été	200,000 ⁽³⁾

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- (1) Latest statistics of the ODC Certified Distribution Inc.
 - (2) As certified by Canadian Media Circulation Audit (CMCA).
 - (3) Internal statistics.
 - (4) Latest statistics of the Canadian Circulation Audit Board (C.C.A.B.).
 - (5) New newspaper after merger of the district editions of Laval. First edition was May 2010.
 - (6) Acquisition of the newspaper in September 2010.

Schedule B

Mandate of the Audit Committee

The Audit Committee of Transcontinental Inc. (the "Corporation") is composed exclusively of independent directors who have no direct or indirect material relationship with the Corporation, its subsidiaries or affiliates of the Corporation. A material relationship is defined as any relationship which could, in the view of the Board of Directors, be reasonably expected to interfere with the exercise of a Committee member's independent judgement.:

1. COMPOSITION

The Board of Directors shall appoint a minimum of three of its members to the Committee, one of whom shall serve as Committee Chair and all of whom shall be financially literate. The members of the Committee shall be appointed or changed by resolution of the Board of Directors to hold office from the time of their appointment until the next annual general meeting of the shareholders or until their successors are so appointed. The Board of Directors may remove or replace a member of the Committee at any time. A member shall cease to be a member of the Committee upon ceasing to be a director.

The Committee shall fix its own procedure at meetings and for the calling of meetings. Unless waived by the members of the Committee, the Committee shall meet separately "in camera" in the absence of management at each regularly scheduled meeting to allow its members to discuss openly and candidly.

Unless otherwise decided from time to time by the Board of Directors, two members of the Committee shall constitute quorum for the transaction of business at a meeting. For any meeting(s) at which the Committee Chair is absent, the Chair of the meeting shall be the person present who shall be decided by a majority of the members present. At a meeting, any question shall be decided by a majority of the votes cast by members of the Committee. The Corporate Secretary or Assistant Secretary shall be the secretary of the Committee.

2. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Committee are established by the Board of Directors and include the functions customarily performed by audit committees, such as the following:

- (i) Helping members of the Board of Directors meet their responsibilities, in particular their responsibility for overseeing the financial information production and reporting process;
- (ii) Providing sound communication between directors and the external auditor;
- (iii) Ensuring itself of the independence of the external auditor;
- (iv) Satisfying itself of the credibility and objectivity of financial reports;
- (v) Favouring the implication of directors and facilitating in-depth discussions among directors, management and the external auditor;
- (vi) Assuming the responsibility, on behalf of the shareholders, for the relationship between the Corporation and the external auditor;
- (vii) Examining and approving the mandate of the external auditor as well as the nature and scope of the audit to be conducted by the external auditor and receiving its official written statement attesting to its independence;

- (viii) Recommending to the Board of Directors the nomination of the external auditor and approving its compensation;
- (ix) Examining and approving the mandate, the organization and the independence of the internal auditor of the Corporation, including the scope of its responsibilities, its objectives and its work programs as well as its staff;
- (x) Overseeing the work of the external auditor engaged for the purpose of preparing or issuing the audit report or performing other audit, exam or attest services for the Corporation, including the resolution of disagreement between management and the external auditor regarding financial information;
- (xi) Discussing with the external auditor any restrictions imposed on the scope of its work and any problems arising in connection with its audit of the Corporation and its subsidiaries;
- (xii) Informing the Board of Directors of the Corporation of any conflict between the external auditor and management of the Corporation which the Committee has not settled within a reasonable timeframe;
- (xiii) Pre-approving a budget for all non-auditing services that the external auditor of the Corporation must carry out for the Corporation or its subsidiaries in order to allow the Committee to consider the effect of the services on the independence of the external auditor and examining and authorizing all fees paid to the external auditor for any service. This responsibility of the Audit Committee cannot be delegated to management of the Corporation in any way whatsoever;
- (xiv) Reviewing and recommending to the Board of Directors for approval, before their release, the annual and quarterly consolidated financial statements of the Corporation, including the notes thereto, the management's discussion and analysis relating thereto and the press releases regarding the annual and quarterly results;
- (xv) Reviewing the accounting policies followed by the Corporation, including any material changes made thereto during a fiscal year and ensuring that they are adequate under the circumstances and in compliance with applicable laws and regulations;
- (xvi) Reviewing, in conjunction with management and the external auditor, any new financial or regulatory requirements that could affect the presentation of the Corporation's financial information;
- (xvii) Assessing the efficiency and integrity of the Corporation's internal controls and management information systems taking into account comments from the external auditor, the internal auditor of the Corporation and the Chief Financial Officer of the Corporation;
- (xviii) Reviewing the recommendations that the internal auditor and the external auditor bring to the attention of management of the Corporation and which they consider material with a view to improving accounting practices, internal controls and management information systems;
- (xix) Ensuring that an adequate corporate disclosure policy is in place for the review of the Corporation's public disclosure of financial information extracted or derived from the financial statements;
- (xx) Ensuring that procedures established for the receipt, retention and the treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and regarding the confidential and anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;

- (xxi) Reviewing and approving the Corporation's hiring policies regarding current and former partners and employees of the present and former external auditor of the Corporation;
- (xxii) Ensuring that a process allowing management to identify the major risks the Corporation is facing is implemented and taking all necessary measures or ensuring that such measures are taken to manage such risks; in this regard, making inquiries with respect to the insurance portfolio, the currency position, any pending and threatened litigation as well as any contingent liabilities of the Corporation and its subsidiaries; reviewing the level of provisions with respect to the Corporation's accounts and evaluating their adequacy; and
- (xxiii) Meeting privately on a regular basis with the internal auditor and the external auditor, without management being present, to discuss management of the Corporation's financial affairs and internal controls.

To allow it to fulfill its obligations mentioned above, the Committee shall have unlimited access, at any time, directly or through duly appointed representatives, to the pertinent books and accounting systems of the Corporation, to its external auditor, to its internal auditor, to its accounting staff and members of management as well as to any independent legal counsel or other counsel deemed appropriate by the Committee, the whole at the cost of the Corporation; the Committee shall have the authority to establish remuneration of such consultants. The external auditor as well as the internal auditor of the Corporation and members of management shall also have unlimited access to the Audit Committee.

The Committee reports to the Board of Directors after every Committee meeting.