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ANNUAL INFORMATION FORM

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January 26, 2012  
Fiscal Year Ended October 31, 2011

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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, 2011, 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, Montreal, Quebec, Canada H3B 3N2.

In this Annual Information Form, the term "Corporation" means Transcontinental Inc. and the expressions "TC 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 Corporation's significant subsidiaries and other affiliated entities held directly or indirectly through one or more subsidiaries or associated companies as of October 31, 2011, and their jurisdiction of creation are as follows:

Legal Entity	Jurisdiction – Incorporation	% of Securities Owned by the Corporation
6138454 Canada Inc.	Canada	100 %
Chenelière Éducation Inc.	Canada	100 %
Transcontinental Nova Scotia Media Group Inc.	Canada	100 %
Transcontinental Newfoundland and Labrador Media Group G.P.	Quebec	100 %
Transcontinental Atlantic Media Group Inc.	Canada	100 %
Transcontinental Atlantic Media Group G.P.	Quebec	100 %
Optipress Printing G.P.	Quebec	100 %
Transcontinental Printing 2005 G.P.	Quebec	100 %
Transcontinental Printing 2007 inc.	Quebec	100 %
Transcontinental Printing Inc. <sup>(1)</sup>	Canada	100 %
Transcontinental Printing G.P.	Quebec	100 %
Transcontinental Media 2007 inc.	Quebec	100 %
Transcontinental Media inc.	Quebec	100 %
Transcontinental Media G.P.	Quebec	100 %
Transcon Printing & Graphics, Inc.	New York	100 %
Transcontinental Interactive Inc.	Canada	100 %
Transcontinental Northern California (2009), Inc.	Delaware	100 %
Transcontinental Printing Corporation	Delaware	100 %

(1) Amalgamated on November 1, 2011.

The Corporation has other subsidiaries, but they have not been included in the table because each represents 10% or less of our total consolidated assets and 10% or less of our total consolidated operating revenues. These other subsidiaries together represented 20% or less of our total consolidated assets and 20% or less of our total consolidated operating revenues at October 31, 2011. All of the shares or units of such subsidiaries and other affiliated entities are held directly or indirectly by the Corporation.

## Item 2 - Our Business

### 2.1 Profile

#### TC Transcontinental

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 fourth-largest in North America. As the leading publisher of consumer magazines and French-language educational resources, and of community newspapers in Quebec and the Atlantic provinces, we are also one of Canada's top media groups. TC Transcontinental is also the leading door-to-door distributor of advertising material in Canada through its celebrated Publisac network in Quebec and Targeo in the rest of Canada. Thanks to a wide digital network of more than 1000 websites, we reach over 13 million unique visitors per month in Canada. TC Transcontinental also offers interactive marketing products and services that use new communication platforms supported by marketing strategy and planning services, database analytics, premedia, e-flyers, email marketing, custom communications and mobile solutions. Transcontinental Inc. (TSX: TCL.A, TCL.B, TCL.PR.D), known by the brands TC Transcontinental, TC Media and TC Transcontinental Printing, has approximately 10,000 employees in Canada and the United States, and reported revenues of more than C\$2.0 billion in 2011. For more information about the Corporation, please visit [www.tc.tc](http://www.tc.tc).

#### Management of the Corporation

We favor decentralized management in order 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, communication, legal affairs and accounting.

### 2.2 Strategic Orientation Update

#### General

Our ultimate goal is to ensure the growth and profitability of TC Transcontinental while promoting the common interests of our customers, employees, shareholders and community, which are the four 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 innovation and of client satisfaction.

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

Our transformation continues as it guides the customer's marketing activation process, drawing on both our traditional and our interactive and digital products and services. Our approach is two-pronged: 1) leverage our existing operations and 2) develop new directions in interactive and digital marketing solutions. Consequently, in addition to exploiting our existing operations more effectively, we need to ramp up the development of these new directions on new digital platforms. We will

also gradually shift from a more general offering to an offering that is more highly differentiated, innovative and tailored to each client, activated through all of our print and digital products and services. We believe that this will maximize our growth potential over the medium and long-term.

## Trends in the Marketplace

We do business in industries that are transforming at a rapid rate. In fact, 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. 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 and can offer a full line of multiplatform solutions. These new technologies enable a better response to customers' needs, while simultaneously enhancing printers' operational efficiency.

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

Taken as a whole, these new trends have started to have an impact on the demands and expectations of 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. We have therefore designed our strategy to profit from these trends.

## Leverage our Existing Operations

From the very beginning, we have taken calculated risks to support solid growth in our operations. Whether this involves investments in property, plant and equipment, or the acquisition of other businesses, we have always had a single goal: to serve our customers better while generating attractive returns for our shareholders. These decisions have resulted in a solid core of what could be called conventional print, content and media vehicle operations. In these traditional activities, we are characterized by the quality of our workforce, our strong and loyal customer base, our position as a Canadian leader, our strong brands and our network of state-of-the-art printing plants. We also have key advantages that can help us grow new services: outstanding expertise in the printing of communication products, top-quality content production, effective distribution of such content through its targeted multi-channel platforms, and the fact that we continue to be a customer-focused organization serving both advertisers and consumers.

Here are some of our achievements in fiscal 2011:

- Signing of an agreement to acquire indirectly all of the shares of Quad/Graphics Canada; the transaction is subject to the approval of Canadian regulators, including the Competition Bureau (Canada);
- Higher revenues in our Local Solutions Group:
  - o Acquisition of the assets of Groupe Le Canada Français: 11 weekly papers and a series of web portals;
  - o Acquisition of the assets of Avantage Consommateurs de l'Est du Quebec: three weekly papers and a regional information portal;

- o Launch of several weekly papers in Quebec;
- o Increase in distribution revenues.
- New agreements were signed in fiscal 2011, bringing to more than a dozen the number of publications printed at our Fremont, California plant.

Over the next year, as the leader in several of our niches and given our enviable financial position, we will continue to strengthen our core operations in order to maintain our gross profit margins and preserve our market share.

### Develop New Directions in Interactive and Digital Marketing Solutions

We derive most of our revenues from the marketing budgets of our clients. In recent years, to meet their changing needs, our offering has greatly evolved and it has integrated one-to-one marketing and new platforms for interactive marketing communications into our broad line of print products and media content for both our own brands and for customers. The following is a selected list of our achievements in fiscal 2011:

- Acquisition of Vortxt Interactive, a Canadian leader in mobile solutions. This acquisition, in conjunction with that of Lipso Systems in April 2010, enhances our mobile solutions offering.
- In fiscal 2011, our Media Sector tripled its digital audience by, among other things, winning new major contracts and rolling out new websites:
  - o Online advertising representation for Ziff Davis and The New York Times Company, to represent Canadian advertising inventory for their respective brands;
  - o Launch of themegacatch.com site to meet the needs of local advertisers and communities;
  - o Launch of BidGo.ca, an innovative site dedicated entirely to local auctions.
- Our Interactive Sector was named by Red Pill Email as the leading supplier of email and messaging solutions in Canada.
- Our Interactive Sector won more than 30 major awards at the 2011 Magnum Opus Awards, which recognizes excellence in publishing, concept and strategy in custom media.
- The Canadian Booksellers Association (CBA) chose our Printing Sector as its official supplier of ebook-solutions for distribution by online bookstores.

In short, we plan to leverage our unique marketing products and services to accelerate development of our new integrated services for advertisers. The Corporation's solid foundation, built up over time by our existing operations, our niche strategy and the exploitation of new emerging trends, position us competitively to take advantage of opportunities that will arise in the medium and long term. Implementation of these new services should accelerate in the next few years.

In order to ramp up the integration of our marketing activation offering, a new operating structure was introduced effective November 1, 2011. The purpose of the new structure is to group all digital and interactive marketing solutions. For more information with respect to this reorganization, see Section 2.4 – Changes to Organizational Structure.

### 2.3 Environmental and Social Responsibility

We recognize the critical nature of environmental issues, and take extensive precautions to protect the natural world. TC 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 every day to improve our environmental performance, our

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 advanced technology and processes.

In fiscal 2011, we distinguished ourselves in the environmental arena and in the community. First, for the third year in a row, we were included in the Maclean's/Jantzi Sustainalytics ranking of the 50 most responsible companies in Canada. This ranking is established by measuring a broad range of environmental, social and governance (ESG) indicators. Also, once again, we were ranked by Corporate Knights as one of Canada's best 50 corporate citizens. This is the fifth consecutive year that TC Transcontinental has been included in this ranking. Corporate Knights is an independent Canadian-based media company which annually evaluates corporations based on their community engagement, occupational health and safety and governance practices.

Also, in February 2011, we tabled our *Sustainability Report 2010 – Committing ourselves to performance*, based on the *Global Reporting Initiative* (GRI) standard. This report articulates TC 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 TC Transcontinental's achievements mentioned in the report:

- **Greenhouse gas emissions:** Reduction of 20% of our emissions;
- **Paper Purchasing Policy:** Increase in the use of Gold and Gold Plus papers, the highest ranked papers in the environmental classification developed by TC 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 851 tonnes of paper in the Montreal subway system and contribution of \$474,000 to provincial and municipal recycling programs;
- **Health, Safety and Wellness:** Decrease in the accident frequency rate, from 1.08 in 2009 to 0.98 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, among others, 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 – TC Transcontinental recognizes that it shares in the responsibility for the environmental impact of the products it produces. 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 - TC Transcontinental promotes the use of environmentally preferable papers. With respect to fibre sourcing, TC 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 – TC Transcontinental strives to reduce its 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 TC Transcontinental's activities, and are responsive to their legitimate concerns;
- Continuous Improvement – TC Transcontinental strives to continuously improve its environmental performance;
- Implementation and Accountability - The TC Transcontinental Management team and the sector management teams are responsible for ensuring the implementation of all elements of this policy.

## 2.4 Changes to the Organizational Structure

On November 1, 2011, we proceeded with a reorganization of our operating structure. The purposes are to strengthen our digital media and interactive marketing solutions offer and to become more agile in our response to the multiplatform marketing communication needs of our customers.

Most of the Interactive Sector's employees have therefore been integrated with TC Media. These operations are now carried out by two business groups: the Digital Solutions Group and the new Content Solutions Group. The Educational Book

Publishing Group, the Local Solutions Group as well as the Business and Consumer Solutions Group now complete this Sector.

The employees working in personalized printing in the Interactive Sector in Salt Lake City now come under TC Transcontinental Printing. The Printing Sector has also altered its organizational structure and the existing business groups are now reorganized into four new groups:

- Retail and Newspaper – West (Ontario, the Western Provinces and California);
- Retail and Newspapers – East (Quebec and the Atlantic Provinces);
- Magazine, Book and Catalogue;
- Marketing Products (including Rastar (Salt Lake City)).

## 2.5 Description of the Operations

The following table sets forth the revenues and the percentage of revenues by operating sector for the fiscal years ended October 31, 2011 and 2010.

(in millions of dollars except for percentages)	Fiscal Year Ended October 31			
	2011 (\$)	2011 (%)	2010 (\$)	2010 (%)
Printing Sector <sup>(1)</sup>	1,400.8	68.5	1,379.4	68.0
Interactive Sector	125.4	6.1	123.3	6.1
Media Sector	612.4	30.0	608.3	30.0
Inter-segment sales, other activities and unallocated amounts	(95.0)	(4.6)	(82.7)	(4.1)
<b>Total</b>	<b>2,043.6</b>	<b>100.0</b>	<b>2,028.3</b>	<b>100.0</b>

(1) Figures presented above do not include results from our Mexican printing operations sold in September 2011 since these activities are shown as discontinued operations.

### TC Transcontinental Printing

Unless otherwise specified, in this Section, we will describe our business based on the structure in place as at November 1, 2011.

#### *Principal Markets*

We operate 38 production plants in Canada and the United States, 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;
- 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.

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.

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.

### *Revenues by Geographic Region<sup>(1)</sup>*

The following table sets forth the revenues and the percentage of revenues based on their geographic distribution for TC Transcontinental Printing for the fiscal years ended October 31, 2011 and 2010.

(in millions of dollars except for percentages)	Fiscal Year Ended October 31			
	2011 (\$)	2011 (%)	2010 (\$)	2010 (%)
Revenues generated from plants in Canada	1,196.4	85.4	1,157.4	83.9
Exports from plants in Canada	136.2	9.7	149.0	10.8
Revenues generated from plants in the United States	68.2	4.9	73.0	5.3
<b>Total</b>	<b>1,400.8</b>	<b>100.0</b>	<b>1,379.4</b>	<b>100.0</b>

(1) Figures presented above do not include results from our Mexican printing operations sold in September 2011 since these activities are shown as discontinued operations.

### *Equipment and Manufacturing Process*

We operate more than 172 presses and printers spread out over our plants mostly 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 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.

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 and certain types of flyers.

We operate multiple 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 also have direct computer-to-plate production systems for offset printing in our production plants.

### *Customers and Competition*

Customers of the Print Sector are typically publishers (news, magazines, books) and marketers (retailers, cataloguers, advertisers, agencies).

Although we are the largest printer in Canada, and the fourth largest in North America, the printing industry is highly competitive with respect to all 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. All of the industry's markets are currently oversupplied in all 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 market segments with several large firms in North America, including R.R. Donnelley & Sons Company, Quad/Graphics, Inc and Cerveo, Inc., as well as with numerous Canadian printers including, St. Joseph Print Group Inc., Advocate Printing & Publishing Inc., DataGroup Inc., The Dollco Corporation, Quebecor Media Inc., Glacier Media Inc., Hemlock Printers Ltd., PostMedia Network Canada Corp., Solisco Printers Inc., Teldon Print Media and many others. This Sector also competes with direct marketing players like Aspen Marketing Services as well as digital printing leaders such as Consolidated Graphics, Inc. and Vistaprint N.V.

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. 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.

### *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, TC Transcontinental continues to make efforts of finding new ways to reduce energy costs.

### *Production and Services*

TC Transcontinental Printing is the largest printer in Canada and the fourth largest in North America. TC Transcontinental Printing's activities are divided into four groups: Retail and Newspaper - West, Retail and Newspaper - East, Magazine, Book and Catalogue and Marketing Products. 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.

#### Retail and Newspaper - West Group and Retail and Newspaper - East Group

The Retail and Newspapers – West (Ontario, the Western Provinces and Northern California) Group and the Retail and Newspapers – East (Quebec and the Atlantic Provinces) Group are comprised of both retail and newspaper printing plants including our hybrid printing platform.

TC Transcontinental Printing is the leading printer of retail flyers and inserts in Canada. Our Canada-wide printing network allows these groups to serve national, regional and local customers in a cost effective and timely manner. The Retail and Newspaper Groups customers are predominantly in the food, pharmacies, home improvement and specialty retailer categories. In fiscal 2011, we extended material long-term contracts with current customers.

The competitive dynamic in the market segment of retail flyer/insert printing has greatly evolved in the last five years but has notably accelerated in the last 18 months. Several trends and market characteristics are changing the competitive dynamic for printers of retail flyers/inserts and materials as well as impacting the volume and size of flyers/insert products in North America. As a result of these trends, Canadian printers have to compete not only between themselves but with US printers and increasingly with digital substitutes or multichannel suppliers.

TC Transcontinental Printing is the leading printer of newspapers in Canada. As of the date hereof, newspapers are produced in 12 plants located in eight 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 TC Transcontinental's 10 dailies). The dailies include the *San Francisco Chronicle*, *The Globe and Mail* in its principal markets (the Atlantic Provinces, Quebec, Ontario, Alberta and British Columbia), *La Presse* for its overall market, *The St-John's Telegram* in Newfoundland and Labrador, *Le Droit* in Quebec and Ontario, *Le Soleil* in Quebec City, *Le Nouvelliste* in Trois-Rivières and *Métro* in Montreal and *Metro* 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, Quebec and Ontario, and adds two new markets: Alberta and British Columbia. The printing is now done in Halifax, Montreal, Toronto, Calgary and Vancouver. We have invested more than \$175 million in innovation related to the acquisition and modernization of hybrid presses in Vancouver, Calgary, Toronto, Montreal and Halifax in order to give *The Globe and Mail* the flexibility to deliver

colour on 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 began printing the new edition of *The Globe and Mail* in most of its major markets in Canada three months early.

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. TC 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 TC Transcontinental. TC Transcontinental's Fremont plant capacity has the opportunity to leverage capacity to additional production volumes generated by other contracts.

On February 17, 2011, we have concluded an agreement with Canadian Tire. This new agreement, worth several hundred million dollars, started in January 2012 for 4 years and approximately doubles the marketing services TC Transcontinental provides to the retailer, making TC Transcontinental Canadian Tire's leading provider of marketing solutions across Canada.

#### Magazine, Book and Catalogue Group

As of the date hereof, with four plants specialized in magazine and catalogue printing located in Quebec, Ontario, Manitoba and Saskatchewan, the Magazine, Book and Catalogue Group prints more than 300 magazines, including all of the magazines published by TC Media, 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, TC Transcontinental Printing is Canada's largest book printer. The three specialized plants, located in Quebec, 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. As an additional service, we offer digital educational books or literature books through the Internet.

In September 2011, TC Transcontinental closed the sale of its Mexican operations to Quad/Graphics, Inc. The divestiture of its Mexican assets to Quad/Graphics, Inc. is in line with the strategy to further strengthen the printing assets in Canada and continue to improve the profitability while helping our customers to better reach their target consumers.

#### 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 Quebec 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, 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.

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 Group produces various printed materials used in marketing: catalogues, brochures, etc.

The Group 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.

There are also two printing facilities in Salt Lake City that are equipped with 22 presses and 16 ultramodern digital printers.

## TC Media

Unless otherwise specified, in the Section, we will describe our business based on the structure in place as at November 1, 2011.

### *Principal Markets*

As the fourth largest media group in Canada, our 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 referred to as TC Media. These activities are divided into five Groups: the Local Solutions Group, the Business and Consumer Solutions Group, the Educational Book Publishing Group, the Digital Solutions Group and the Content Solutions Group.

The core competency of TC Media is creating top-quality content and deploying it on multiple platforms. TC Transcontinental is connecting advertisers and consumers through engaging content. Our 250 websites are comprised of 185 local sites, 37 microsites, 36 consumer sites, seven finance sites and a few others.

With our newspaper portfolio that includes 10 dailies and 173 weekly, bi-weekly, and monthly newspapers published in the provinces of Newfoundland and Labrador, Nova Scotia, Prince Edward Island, New Brunswick, Quebec, Ontario and Saskatchewan, we are the second largest publisher of community newspapers in Canada.

In Quebec, we distribute door-to-door newspapers printed mainly by us, flyers and advertising products 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 advertising 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 products 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 more than 185 local and regional websites that are the local reference with respect to virtual community information.

We have a portfolio of 28 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 hold 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*, *Décormag*, *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 6,600 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.

On November 1, 2011, we combined the Media Sector and the Interactive Sector and formed one sector, TC Media.

Following this integration, the Digital Solutions Group is responsible for expanding TC Transcontinental's existing and future brands into new channels of distribution, the ad network as well as the delivery of interactive marketing services (email, mobile and digital promotions) to help marketers build their brands and presence on digital platforms.

The Content Solutions Group encompasses TC Transcontinental's custom communications, branded content development and the promotional content (premedia) solutions which also houses the content management system.

### *Customers and Competition*

Customers of TC Media 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 TC Media has accounted for more than 5 % of the Sector's revenues during the last two fiscal 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 Montreal 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 efficient complement to 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, subscriptions 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 local interests and our advertisers realize this.

By distributing approximately three billion printed advertising materials per year and other products (such as newspapers) each week to more than four million homes, the Local Solutions Group is a leader in the distribution market in the Province of Quebec and in the Atlantic Provinces. The Local Solutions Group competes for distribution of advertising material and other products with daily and weekly newspapers, direct mail services and some other distribution companies. We believe that the most significant competitive factors in the distribution business in Quebec 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 Digital Solutions Group and Content Solutions Group are derived amongst others from advertising campaigns including online advertising. Overall, our properties reach more than four million unique visitors per month across

Canada in both French and English. The Digital Solutions 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. 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.

The Digital Solutions Group and the Content Solutions Group are 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, the Content Solutions Group is now offering services such as custom communications and content development across multiple channels and the Digital Solutions Group is now offering 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. We orient some of our service offerings 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.

For the Digital Solutions Group and the Content Solutions Group, 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 Harte-Hanks Inc., Epsilon, 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.

### *Revenues by Geographic Region*

For the fiscal years ended October 31, 2011 and 2010 almost all of the revenues for the Media Sector (which represented \$612.4 million in fiscal 2011 and \$608.3 million in fiscal year 2010) were generated in Canada.

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, 2011 and 2010.

(in millions of dollars except for percentages)	Fiscal Year Ended October 31			
	2011 (\$)	2011 (%)	2010 (\$)	2010 (%)
Revenues generated from production facilities in Canada	73.7	58.8	73.8	59.9
Exports from production facilities in Canada	16.0	12.8	11.4	9.2
Revenues generated from production facilities in the United States	35.7	28.4	38.1	30.9
Total	125.4	100.0	123.3	100.0

## *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 Book 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.

## *Services*

### Local Solutions Group

TC Media publishes local and regional newspapers in the Provinces of Newfoundland and Labrador, Nova Scotia, Prince Edward Island, New Brunswick, Quebec, Ontario and Saskatchewan. The Local Solutions Group publishes 11 dailies and 173 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 TC Media 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 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 Montreal, a free tabloid that is distributed Monday to Friday in Montreal. 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.

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 electronic tablet devices or smartphones, 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 in Quebec through Publisac for the door-to-door distribution of newspapers printed mainly by us, as well as flyers and other 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 vehicles, such as the Publisac, Publisac.ca and Go-bag, deliver over three billion pieces of advertising material per year.

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 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, TC Media 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 TC 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 28 regular titles. These titles include 23 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. TC Media is the largest publisher of consumer-oriented magazines in Canada.

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 mobile through third-party provider.

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 the most recent date at which information is available.

<i>Magazines</i>	<i>Number of issues per year</i>	<i>Circulation</i>
<u>Consumer Publications</u>		
<i>Canadian Gardening</i>	6	114,423 <sup>(1)</sup>
<i>Canadian Living</i>	12	505,665 <sup>(1)</sup>
<i>Condo Direct</i>	16	40,000 <sup>(3)</sup>
<i>Constructo Magazine</i>	1	20,000 <sup>(3)</sup>
<i>Coup de Pouce</i>	12	205,079 <sup>(1)</sup>
<i>Décormag</i>	10	75,530 <sup>(1)</sup>
<i>Elle Canada</i> (Les Publications Transcontinental-Hearst inc.)	12	130,958 <sup>(1)</sup>
<i>Elle Québec</i> (Les Publications Transcontinental-Hearst inc.)	12	79,087 <sup>(1)</sup>
<i>Fleurs, Plantes et Jardins</i>	6	52,381 <sup>(1)</sup>
<i>Good Times</i>	11	135,172 <sup>(1)</sup>
<i>Le Bel Âge Magazine</i> (Les Publications Senior inc.)	11	127,006 <sup>(1)</sup>
<i>Le Journal du Bel Âge</i> (Les Publications Senior inc.)	10	70,000 <sup>(3)</sup>
<i>Maison d'aujourd'hui</i>	2	37,500 <sup>(3)</sup>
<i>Maison Direct</i>	18	40,000 <sup>(3)</sup>

<i>Magazines</i>	<i>Number of issues per year</i>	<i>Circulation</i>
<i>Magazine Maisons Neuves</i>	11	28,000 <sup>(3)</sup>
<i>More</i>	8	131,468 <sup>(1)</sup>
<i>Québec Vert</i>	8	6,000 <sup>(3)</sup>
<i>Style at Home</i>	12	230,002 <sup>(1)</sup>
<i>The Hockey News</i>	30	100,077 <sup>(1)</sup>
<i>Vancouver Magazine</i>	10	46,149 <sup>(2)</sup>
<i>Vita</i>	8	93,746 <sup>(1)</sup>
<i>Voir Vert</i>	2	20,000 <sup>(3)</sup>
<i>Western Living</i>	10	160,260 <sup>(2)</sup>
<b><u>Economic Publications</u></b>		
<i>A+</i>	9	76,250 <sup>(1)</sup>
<i>Finance et Investissement</i>	16	14,208 <sup>(3)</sup>
<i>Investment Executive</i>	16	45,019 <sup>(3)</sup>
<i>Les Affaires</i>	46	75,159 <sup>(1)</sup>
<i>Premium (l'intelligence en affaires)</i>	6	13,825 <sup>(1)</sup>

(1) Latest statistics from the Audit Bureau of Circulation (A.B.C.) as of June 30, 2011.

(2) Latest statistics from Canadian Circulation Audit Board (C.C.A.B.) as of September 30, 2011.

(3) Internal statistics for year 2011.

TC 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 organization of conferences aimed at providing 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 partner 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 Quebec; the school market in Quebec; 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 Quebec and in the French higher

education publishing market in Canada and we are one of the leading publishers in the French school market in Quebec. This Group benefits from a revenue base that is diversified by market, customer, subject and title. In addition to its catalogue of over 6,600 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).

### Digital Solutions Group

The Digital Solutions Group is responsible for expanding TC Transcontinental's existing and future brands into new channels of distribution. This Group represents one of the fastest growing market segments of TC Transcontinental. As well as managing this for internal media brands such as *Canadian Living* and *Publisac*, this expertise is being extended to external clients of TC Transcontinental through extensive integrated platform, branding, promotions and database work.

The Digital Solutions Group encompasses the TC Transcontinental's personalized permission-based email marketing, database analytics services, transformation of offline content into interactive digital content, and personalized digital web to print services. This Group will develop its specialties as premedia, one-to-one marketing solutions, digital promotions; digital printing solutions and mobile solutions. 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.

This Group provides database marketing and analytics services to allow TC Transcontinental's customers to better target their respective customers. The Digital Solutions Group 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.

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.

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.

### Content Solutions Group

The Content Solutions Group encompasses the Corporation's custom communications, branded content development and the promotional content (premedia) solutions which also houses the content management system. This Group 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.

This Group 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](http://totembrandstories.com)), completed in November 2008, expanded our offering to include content development 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.

This Group also 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 Content Solutions Group 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 Content Solutions Group 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.

## 2.6 Economic Cycles

A significant risk that we face, and which we cannot control, is related to economic cycles, including the risk of economic recession. As well, more than 80% of our operating revenues depend, directly or indirectly, on marketing 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 we are 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 our operations, since a substantial segment of the client base operates in less cyclical markets, such as food and personal care. Furthermore, in our Media Sector, we rely on a good balance between local and national advertising. It should be noted that in recent years close to half of our advertising revenue in this sector has come from local advertising, which has fluctuated less than national advertising in periods of economic slowdown.

## 2.7 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.

Amongst other actions, 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.

## 2.8 Human Resources

As of November 1, 2011, we had approximately 9,700 employees. The following table presents the approximate breakdown of our employees within our operating sectors as of November 1, 2011. Employees located at head office and within administrative services center are excluded.

Description	Number of employees
TC Transcontinental Printing	5,614
TC Media	3,774

As at December 13, 2011, 2,149 of our employees were represented by certified associations under 25 active and separate collective agreements. These agreements expire at different dates up to February 2016. Nine collective agreements covering 920 of our employees were renewed during the last year. There are presently four collective agreements, covering 124 of our employees, under negotiation and five other collective agreements, covering 366 of our employees, are currently expired and negotiations will begin in the following months. Four other collective agreements, covering 353 of our employees, will expire by December 31, 2012.

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

## 2.9 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.

## 2.10 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 2.4 - Changes to the Organizational Structure.

## 2.11 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 positive economic value creation (EVC) within a reasonable period of time. We have recently made strategic acquisitions while continuing to deliver on our disciplined financial management objective.

In August 2011, we acquired the publishing assets of Groupe Le Canada Français, both print publications and websites. Print publications have a combined weekly circulation of more than 155,000 copies. We announced in August 2011 that we acquired the majority of the assets of Avantage Consommateurs de l'Est du Québec Inc., including print publications, which have a combined weekly circulation of 60,000 copies as well as digital and distribution activities. These acquisitions fit with TC Media's plan to develop its network across Quebec and enhancing our integrated offering to regional and national advertisers.

In September 2011, we sold our Mexican operations and a portion of our black and white book operations (destined for U.S. export) to Quad/Graphics, Inc.

In July 2011, we announced the indirect acquisition of all the shares of Quad/Graphics Canada Inc. This transaction is subject to the approval of the Canadian Competition Bureau. The transaction covers seven of Quad/Graphics' facilities across Canada, including six printing plants and one premedia facility. The operations employ 1,500 people. The combination of the divestiture of our Mexican operations and black and white book printing business destined for U.S. export and the acquisition of Quad/Graphics Canada, is expected to generate at least \$40 million in net incremental EBITDA for TC Transcontinental, over the next 12 to 24 months following the closing of the transaction last to occur.

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](http://totembrandstories.com)), a North American leader in custom communications on multiple platforms. [Totembrandstories.com](http://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](http://Totembrandstories.com)'s offering includes data sciences, research and measurement, database marketing, variable printing, photo studio and premedia tools.

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.

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 innovative solutions to our customers and our media properties.

## 2.12 Significant Acquisition

During our fiscal year ended October 31, 2011, we did not complete any significant acquisition.

## 2.13 Risk Factors

The risk factors related to the Corporation and our activities are described on pages 27 to 30 of our Management's Discussion and Analysis for the year ended October 31, 2011. 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; 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, 2011 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 3 - Highlights for last 3 years

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

### 2011

- Launch of a new brand, logo and positioning TC on November 23, 2011;
- Appointment of Nelson Gentiletti as Chief Financial Officer and Corporate Development on November 1, 2011;
- Rolling-out by TC Media of its online deal site, *themegacatch.com*;
- On November 1, 2011, TC Transcontinental implemented a new operating structure by combining its digital and interactive marketing solutions operation;

- Announcement that, at the next shareholder's meeting on February 16, 2012, TC Transcontinental's founder, Mr. Rémi Marcoux, will leave his position as Executive Chairman of the Board but will remain a member of the Board and that Isabelle Marcoux will thereon become Chair of the Board;
- Acquisition of most of the assets of Avantage Consommateurs de l'Est du Québec inc.;
- Acquisition of the publishing assets of Groupe Le Canada Français, both print publications and websites;
- TC Transcontinental and Quad/Graphics Inc. entered into a definitive agreement pursuant to which TC Transcontinental will indirectly acquire all of the shares of Quad/Graphics Canada Inc. (which remains subject to the approval of the Competition Bureau (Canada)) and will sell its Mexican operations as well as transfer its black and white book printing business, destined for U.S. export, to Quad/Graphics;
- TC Media triples its digital network audience in less than a year and strikes an exclusive agreement to represent several important Web sites in Canada;
- Awarded 30 top prizes at the Magnum Opus Awards for 2011, which awards recognize excellence in custom media editorial, design and strategy;
- Ranking of Transcontinental Interactive as top Canadian email vendor by 2011 Red Pill Email Vendor Features & Functions Guide;
- Announcement that TC Media and Hearst Corporation became partners as Hearst completes an acquisition of an interest in Les Publications Transcontinental-Hachette inc. (now Les Publications Transcontinental - Hearst inc.);
- Appointment of Katya Laviolette as Corporate Vice President, Human Resources on May 30, 2011;
- Acquisition of the Dolbeau-Mistassini Paper *Journal Nouvelles Hebdo*;
- Execution of an agreement with Canadian Tire worth several million dollars starting in January 2012 for a term of four years;
- Preemptive repayment and cancellation of the \$100 million term credit facility with Caisse de dépôt et placement du Québec and of the \$50 million term credit facility with SGF Rexfor;
- Announcement that Standard & Poor's has increased the Corporation's credit rating from BBB-(stable) to BBB(stable), the Canadian Preferred Share Rating from P-3 to P-3(high), and the Preferred Share Global Rating to BB+;
- Launch of BidGO.ca, a site dedicated entirely to local online auctions; and
- Acquisition on November 1, 2010, of Vortxt Interactive Inc., doing business as Vortex Mobile, a leading provider of integrated mobile solutions in Canada.

## 2010

- Beginning of the printing of the new edition of *The Globe and Mail* in most of its major markets in Canada;
- Launch by TC Media of a digital representation house;
- Acquisition by TC Media of Groupe Média-Business Inc., publisher of the *Le Nord* weekly newspaper distributed in the Laurentians;

- Relaunch of Publisac.ca, an online flyer portal of TC Media, and launch of Dealstreet.ca;
- Launch of five weekly newspapers in Quebec: *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

- Announcement of the official beginning of printing of the *San Francisco Chronicle* daily paper at our new plant in Fremont, California;
- Sale of Transcontinental Miami Valley, a printing plant in Fairborn, Ohio, specialized in insert printing for local retailers;
- 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;
- 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;
- 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 used to buy production equipment for the new hybrid platform;
  - Execution of a five-year term loan of \$50 million arranged with SGF Rexfor (now repaid);
  - Execution of a five-year loan for \$100 million from Caisse de dépôt et placement du Québec (now repaid);
  - Renewal of our credit facilities of \$150 million for one year; and
  - Completion of a private placement offering of \$100 million in unsecured debentures underwritten by Solidarity Fund QFL.

## Item 4 - Capital Structure of the Corporation

### 4.1 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> <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>
Preferred Shares:	<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>

Class of Shares	Rights
	<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 such 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 15<sup>th</sup> day of each January, April, July and October at an annual rate of \$1.6875 per 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 TC Transcontinental on October 15, 2014 and on October 15 every five years thereafter subject to certain restrictions.</p> <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>
<i>Preferred Shares, Series E:</i>	<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>

## 4.2 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+	

### 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.

### 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.

## 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, 2011 is presented in our Management's Discussion and Analysis for the year ended October 31, 2011, which is incorporated herein by reference. To complement such management's discussion and analysis, reference is made to the Consolidated Financial Statements for the fiscal years ended October 31, 2011, and 2010 and the Notes to Consolidated Financial Statements, which Consolidated Financial Statements and Notes are incorporated herein by reference.

### 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, 2011.

#### *Class A Subordinate Voting Shares - TCL.A*

Month	High (\$)	Low (\$)	Volume
November 2010	16.09	15.06	3,530,778
December 2010	16.81	15.05	4,391,134
January 2011	17.25	15.92	2,248,728
February 2011	16.99	15.87	1,452,770
March 2011	16.65	14.84	2,931,303
April 2011	15.67	14.10	2,273,481
May 2011	14.96	13.59	2,228,262
June 2011	15.04	13.84	2,065,363
July 2011	16.40	14.50	2,371,477
August 2011	15.54	12.91	1,883,329
September 2011	14.14	10.35	3,705,703
October 2011	12.99	9.96	1,543,306
Total			30,625,634

*Class B Shares - TCL.B*

Month	High (\$)	Low (\$)	Volume
November 2010	15.79	14.76	8,060
December 2010	16.70	15.04	6,981
January 2011	17.09	15.94	19,057
February 2011	16.75	16.01	5,241
March 2011	16.10	15.00	4,150
April 2011	15.99	14.27	4,034
May 2011	15.12	13.39	23,222
June 2011	14.84	14.30	4,373
July 2011	16.29	15.57	4,845
August 2011	14.26	13.01	6,670
September 2011	12.74	10.30	16,479
October 2011	12.95	9.72	29,830
Total			132,942

*Preferred Shares, Series D - TCL.PR.D*

Month	High (\$)	Low (\$)	Volume
November 2010	26.47	25.87	137,010
December 2010	26.88	26.10	78,764
January 2011	27.00	26.70	114,459
February 2011	26.95	26.00	108,490
March 2011	26.95	26.37	83,663
April 2011	26.70	26.02	74,575
May 2011	26.89	26.18	46,967
June 2011	26.73	26.26	74,303
July 2011	26.60	25.68	132,620
August 2011	25.87	23.82	93,064
September 2011	25.76	24.56	183,980
October 2011	25.82	24.07	146,451
Total			1,274,436

**Item 5 - Our Dividend Policy**

Each holder of Class A Subordinate Voting Shares and Class B Shares of TC 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

2009	\$0.32
2010	\$0.35
2011	\$0.49

Subject to being declared by the Board of Directors, the Corporation 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 years 2010 and 2011:

Fiscal Years Ended October 31

2010	\$1.7476
2011	\$1.6875

On December 8, 2011, the Board of Directors of the Corporation declared a quarterly dividend of \$0.135 per share to all holders of the Corporation's Class A Subordinate Voting Shares and Class B Shares. This dividend was paid on January 20, 2012 to all shareholders of record as of the close of business on January 6, 2012.

On December 8, 2011, the Board of Directors declared a quarterly dividend of \$0.4242 per share to all holders of Preferred Shares, Series D. This dividend was paid on January 16, 2012 to all shareholders of record on January 16, 2012.

Item 6 - 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, 2011 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. Montreal, Quebec	<input type="checkbox"/>	Partner, Davies Ward Phillips & Vineberg LLP (law firm)	2001	1,128	-	32,341
Claude Dubois Montreal, Quebec	<input type="checkbox"/>	President, Gestion Phila Inc. (holding company)	1978	142,572 <sup>(1)</sup>	4,000 <sup>(1)</sup>	30,849

Name		Principal Occupation	Director Since	Number of Class A Subordinate Voting Shares	Number of Class B Shares	Number of Deferred Share Units
Pierre Fitzgibbon Quebec, Quebec	○	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	-	4,345
Richard Fortin Longueuil, Quebec	◇ ○	Corporate Director	2004	6,000	-	31,936
Harold "Sonny" Gordon, Q.C. Sunny Isles, Florida United States	□	Chairman of the Board, Dundee Corporation (Corporation involved in wealth management, financial services, real estate and natural resources)	1993	-	1,000	31,741
Monique Lefebvre <sup>(2)</sup> Montreal, Quebec	▽	Psychologist, Executive Coaching, and Chair of Héma-Québec Foundation	2000	1,000	-	18,378
Isabelle Marcoux <sup>(3)</sup> Montreal, Quebec		Vice Chair of the Board and Vice President, Corporate Development, Transcontinental Inc. <sup>(4)</sup>	2005	4,000	1,000	2,725 <sup>(5)</sup>
Nathalie Marcoux Montreal, Quebec		Vice President, Finance Capinabel Inc.	2011			2,472
Pierre Marcoux <sup>(2)</sup> North York, Ontario		Senior Vice President, Business and Consumer Solutions Group, TC Media	2005	5,000	1,000	429 <sup>(5)</sup>
Rémi Marcoux C.M., O.Q., F.C.A. Montreal, Quebec		Executive Chairman of the Board, Transcontinental Inc. <sup>(4)</sup>	1976	154,400	13,209,840 <sup>(3)</sup>	-
Anna Martini Town of Mount-Royal, Quebec	▽	President, Groupe Dynamite Inc.	2011	-	-	2,878
François Olivier <sup>(3)</sup> Montreal, Quebec		President and Chief Executive Officer, Transcontinental Inc.	2008	2,740	-	98,977 <sup>(5)</sup>

Name		Principal Occupation	Director Since	Number of Class A Subordinate Voting Shares	Number of Class B Shares	Number of Deferred Share Units
François R. Roy Montreal, Quebec	○	Corporate Director	2008	-	-	9,246
Lino A. Saputo, Jr. Westmount, Quebec	▽	President and Chief Executive Officer and Vice Chairman of the Board, Saputo Inc. (consumer products- food processing)	2008	-	-	17,736
André Tremblay Montreal, Quebec	▽	Managing Partner, Trio Capital inc. (private equity fund management)	2007	-	-	19,337

◇ Lead Director.

○ Member of the Audit Committee.

▽ Member of the Human Resources and Compensation Committee.

□ Member of the Corporate Governance Committee.

(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) Mrs. Lefebvre has recently decided no to seek re-election and will leave her position at the next shareholders meeting on February 16, 2012.

(3) 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 71.62% 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.

(4) Mr. Rémi Marcoux will cease to act as Executive Chairman of the Board after the next shareholders meeting on February 16, 2012 at which time Ms. Isabelle Marcoux will become Chair of the Board. Mr. Marcoux will remain a member of the Board.

(5) 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.

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 Montreal, Quebec	Director of Internal Audit
Philippe Bonin Montreal, Quebec	Corporate Treasurer
Christine Desaulniers Town of Mount-Royal, Quebec	Vice President, Chief Legal Officer, and Corporate Secretary
David Galameau Montreal, Quebec	Corporate Controller

Name and city of residence	Position held with the Corporation
Nelson Gentiletti Kirkland, Quebec	Chief Financial Officer and Corporate Development <sup>(1)</sup>
Isabelle Lamarre Town of Mount-Royal, Quebec	Assistant General Counsel and Assistant Corporate Secretary
Natalie Larivière Montreal, Quebec	President, TC Media
Katya Laviolette Beaconsfield, Quebec	Corporate Vice President, Human Resources
Donald LeCavalier Montreal, Quebec	Vice President, Finance
Brigitte Lépine Montreal, Quebec	Vice President, Strategy and Innovation
Martin Longchamps Montreal, Quebec	Corporate Vice President, Mergers and Acquisitions
Isabelle Marcoux Montreal, Quebec	Vice Chair of the Board and Vice President, Corporate Development <sup>(2)</sup>
Rémi Marcoux Montreal, Quebec	Executive Chairman of the Board <sup>(2)</sup>
Jennifer F. McCaughey Candiac, Quebec	Senior Director, Investor Relations and Financial Communications
Sylvain Morissette Mont St-Hilaire, Quebec	Vice President, Corporate Communications
François Olivier Montreal, Quebec	President and Chief Executive Officer
Brian Reid Annan, Ontario	President, TC Transcontinental Printing

(1) Mr. Gentiletti became Chief Financial and Corporate Development Officer of TC Transcontinental on December 5, 2011.

(2) Ms. Isabelle Marcoux will become Chair of the Board immediately following the next shareholders meeting on February 16, 2012 and will no longer be an officer of the Corporation.

(3) Mr. Rémi Marcoux will leave his position as Executive Chair of the Board at the next shareholders meeting on February 16, 2012. Mr. Marcoux will remain a member of the Board and will no longer be an officer of the Corporation.

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 TC 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 Galameau 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;

- Mr. Nelson Gentiletti is Chief Financial Officer and Corporate Development since December 5, 2011. Previously he was Chief Financial Officer from 2002 until 2005 and then Chief Operating Officer from 2005 until 2011 at Transat A.T. Inc. (a tourism company);
- Ms. Isabelle Lamarre is Assistant General Counsel and Assistant Corporate Secretary since November 1, 2011. Prior to joining the Corporation in May 2007 as Director, Legal Affairs and Assistant Corporation Secretary, she was a partner at the Montreal office of the law firm Lavery, de Billy LLP;
- Ms. Katya Laviolette is Corporate Vice President, Human Resources since May 30, 2011. From January 2009 until May 2011, she was Vice President, People and Culture at Canadian Broadcasting Corporation, from July 2007 until January 2009, she was Vice President, Human Resources at Alcan Inc. (an aluminium production company) and from May 2003 until July 2007, she was Vice President, Human Resources at Transcontinental Media G.P.;
- Ms. Brigitte Lépine is Vice President, Strategy and Innovation since November 1, 2011. Prior to joining the Corporation as Senior Director, Strategic Planning in September 2007, she was Investment Fund Director from 2006 to August 2007 and Assistant Vice President and Director, Strategic Planning and Project Management for New Ventures from 2004 to 2006 at Cirque du Soleil Inc. (an entertainment company)
- 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 a 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 Corporation (a private portfolio company).

As of October 31, 2011, directors and officers of the Corporation (other than Mr. Rémi Marcoux), as a group, beneficially owned, directly or indirectly, 166,240 Class A Subordinate Voting Shares and 7,000 Class B Shares of the Corporation, then representing approximately 0.25 and 0.05%, respectively, of the outstanding shares of each of such class.

To the best knowledge of the Corporation, no proposed director, as at January 9, 2012, or within 10 years before January 9, 2012; (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 9, 2012 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 7 - Proceedings

In the normal course of business, we are involved in various legal proceedings. Legal proceedings resulting from our operating activities 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 8 - Material Contracts

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

## Item 9 - Transfer Agent and Registrar

The transfer agent and registrar of our shares is Canadian Stock Transfer Companies, Inc. (CST), as administrative agent for CIBC Mellon Trust Company ("CIBC Mellon"), having a place of business at 2001 University Street, Suite 1600, Montreal, Quebec, H3A 1A6. CIBC Mellon also has offices in Toronto.

## Item 10 - Information Regarding the Audit Committee

### 10.1 Charter of the Corporation's Audit Committee

The charter of the Corporation's Audit Committee is included in Schedule B.

## 10.2 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

## 10.3 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 Montreal 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 is a corporate director. Until September 2011, he was Chairman of the Board of Alimentation Couche-Tard Inc., a publicly traded corporation and previously, he was Executive Vice President and Chief Financial Officer of Alimentation Couche-Tard Inc. since 1984. He 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, Quebec 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. François R. Roy*

Mr. François R. Roy is a 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.

## 10.4 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.

## 10.5 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.

## 10.6 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 for the fiscal years ended October 31, 2011 and 2010.

Category of Fees (in thousands of dollars)	2011 (\$)	2010 (\$)
Auditing fees	670.4	849.6
Fees for audit-related or connected	583.9	111.6
Compliance with taxation requirements and consulting services thereto	413.6	324.3
Other fees	102.0	268.2
<b>Total</b>	<b>1,769.9</b>	<b>1,553.7</b>

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 11 - 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 North American 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 and the euro; 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 and integrate 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 or a postal strike, 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. See "Risks and Uncertainties" of this report for a description of the most important risks identified by the Corporation. The forward-looking statements contained herein are based on current expectations and information available as of January 9, 2012.

## Item 12 - 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, 2011. A copy of these documents may be obtained, free of charge from our Corporate Secretary or our Senior Director, Investor Relations and Financial Communications at 1 Place Ville Marie, Suite 3315, Montreal, Quebec, H3B 3N2. These documents can also be obtained on SEDAR's website ([www.sedar.com](http://www.sedar.com)) or on our website ([www.tc.tc](http://www.tc.tc)).

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 Senior Director, Investor Relations and Financial 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 Senior Director, Investor Relations and Financial Communications.

A copy of this Annual Information Form can be obtained, free of charge, from our Corporate Secretary or our Senior Director, Investor Relations and Financial Communications at 1 Place Ville Marie, Suite 3315, Montreal, Quebec, H3B 3N2, on SEDAR's website ([www.sedar.com](http://www.sedar.com)) or on the Corporation's website ([www.tc.tc](http://www.tc.tc)).

Schedule A  
List of the newspapers of TC Transcontinental

The following table provides a list of the local and regional newspapers published by TC Transcontinental, and their circulation as of 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>		Courier Laval (Wednesday's edition)	132,015 <sup>(1)</sup>
Amherst Daily News	2,930 <sup>(4)</sup>	Courier Laval (Saturday's edition)	131,865 <sup>(3)</sup>
The Cape Breton Post	22,229 <sup>(4)</sup>	Le Trait d'Union	56,690 <sup>(1)</sup>
The News	6,283 <sup>(4)</sup>	Journal Le Courier	55,340 <sup>(1)</sup>
The Truro Daily News	5,389 <sup>(4)</sup>	Messenger de Verdun	25,109 <sup>(1)</sup>
<u><i>Prince Edward Island</i></u>		Messenger de Lasalle	32,800 <sup>(1)</sup>
The Guardian	18,339 <sup>(4)</sup>	Messenger de Lachine / Dorval	24,802 <sup>(1)</sup>
The Journal Pioneer	7,787 <sup>(4)</sup>	La Voix Pop	28,786 <sup>(1)</sup>
<u><i>Quebec &amp; Ontario</i></u>		Nouvelles St-Laurent	30,446 <sup>(1)</sup>
Metro	142,154 <sup>(4)</sup>	L'Express d'Outremont - de Mont-Royal	23,596 <sup>(3)</sup>
<u><i>Saskatchewan</i></u>		Courier Bordeaux-Cartierville	17,452 <sup>(1)</sup>
The Moose Jaw Times Herald	5,916 <sup>(4)</sup>	Magazine Iles-des-Sœurs	8,478 <sup>(1)</sup>
The Prince Albert Daily Herald	5,754 <sup>(4)</sup>	Cités Nouvelles	48,500 <sup>(1)</sup>
<u><i>Newfoundland and Labrador</i></u>		The Chronicle	48,500 <sup>(3)</sup>
The Telegram	26,587 <sup>(4)</sup>	Westmount Examiner	11,000 <sup>(3)</sup>
The Western Star	6,418 <sup>(4)</sup>	L'Action du Mercredi	57,489 <sup>(1)</sup>
<u><i>Weekly Newspapers</i></u>		L'Action du Week-end	50,914 <sup>(1)</sup>
<u><i>New Brunswick</i></u>		L'Express Montcalm	20,000 <sup>(1)</sup>
Sackville Tribune Post	2,089 <sup>(2)</sup>	L'Action d'Autray	19,126 <sup>(1)</sup>
<u><i>Nova Scotia</i></u>		L'Écho de Maskinongé	14,000 <sup>(3)</sup>
The Hants Journal	2,617 <sup>(2)</sup>	Hebdo Rive-Nord les Méandres	55,181 <sup>(1)</sup>
The Digby County Courier	1,582 <sup>(2)</sup>	Hebdo Rive-Nord les Riverains	47,479 <sup>(1)</sup>
The King County Register	4,461 <sup>(2)</sup>	La Nouvelle Union	43,155 <sup>(1)</sup>
The Annapolis County Spectator	2,382 <sup>(2)</sup>	La Nouvelle Union (weekend edition)	42,549 <sup>(1)</sup>
The Shelburne County Coast Guard	3,070 <sup>(2)</sup>	L'Avantage Gaspésien	17,091 <sup>(1)</sup>
The Queens County Advance	2,027 <sup>(2)</sup>	L'Avantage votre journal	44,186 <sup>(1)</sup>
The Weekly News Dartmouth Cole Harbour	36,628 <sup>(2)</sup>	L'Avenir de l'Érable	11,935 <sup>(1)</sup>
The Weekly News Bedford-Sackville News	30,734 <sup>(2)</sup>	Le Reflet du Lac	26,271 <sup>(1)</sup>
The Yarmouth County Vanguard	4,698 <sup>(2)</sup>	L'Express (Wednesday's edition)	49,421 <sup>(1)</sup>
The Kings County Advertiser	3,900 <sup>(2)</sup>	L'Express (Sunday's edition)	49,032 <sup>(1)</sup>
The Weekly News Halifax West	34,478 <sup>(2)</sup>	Le Progès de Coaticook	8,977 <sup>(1)</sup>
The Citizen Record	3,950 <sup>(2)</sup>	La Nouvelle	15,959 <sup>(1)</sup>
The Colchester Weekly News	22,000 <sup>(2)</sup>	La Revue	92,508 <sup>(1)</sup>
<u><i>Weekly Newspapers</i></u>		Le Bulletin	14,328 <sup>(1)</sup>
<u><i>Quebec &amp; Ontario</i></u>		La Petite Nation	10,127 <sup>(1)</sup>
Abitibi Express Amos/Rouyn Région	31,600 <sup>(3)</sup>	The Orleans Star	46,000 <sup>(3)</sup>
Abitibi Express Vallée-de l'Or/LaSarre Région	31,226 <sup>(3)</sup>	L'Express	11,600 <sup>(1)</sup>
Journal de Rosemont - La Petite Patrie	60,316 <sup>(1)</sup>	Le Lac St-Jean	23,248 <sup>(1)</sup>
Progrès de Villeray – Parc Extension	33,528 <sup>(1)</sup>	L'Étoile du Lac	14,637 <sup>(1)</sup>
Journal Le Plateau	36,589 <sup>(1)</sup>	La Voix du Sud	30,053 <sup>(1)</sup>
Courier Ahuntsic	34,050 <sup>(1)</sup>	L'Appel	59,574 <sup>(1)</sup>
Progrès de St-Léonard	32,336 <sup>(1)</sup>	Charlesbourg Express	28,869 <sup>(1)</sup>
Le Guide Montreal Nord	37,876 <sup>(1)</sup>	Beauport Express	29,931 <sup>(1)</sup>
Flambeau Anjou / Mercier Est/ Mercier Ouest	56,876 <sup>(1)</sup>	L'Actuel	46,726 <sup>(1)</sup>
Les Nouvelles Hochelaga	23,541 <sup>(3)</sup>	Québec Express	31,141 <sup>(1)</sup>
Maisonneuve	23,541 <sup>(3)</sup>	Hebdo Journal mercredi/samedi	56,500 <sup>(1)</sup>
L'Informateur de R.D.P.	21,401 <sup>(1)</sup>	Hebdo St-Maurice	31,306 <sup>(1)</sup>
Avenir PAT / Montreal-Est	28,595 <sup>(1)</sup>	Hebdo Mékinac des Chenaux	13,546 <sup>(1)</sup>
		L'Écho de La Tuque Haut-St-Maurice	6,576 <sup>(1)</sup>
		Seaway News	37,411 <sup>(3)</sup>
		Corriere Italiano	12,000 <sup>(1)</sup>
		L'Autre Voix	14,121 <sup>(1)</sup>

<i>Weekly Newspapers</i>	<i>Circulation</i>
Point de vue Laurentides – Mont Tremblant	17,945 <sup>(1)</sup>
Point de vue Ste-Agathe	16,231 <sup>(1)</sup>
Journal Le Nord – St-Jérôme	61,209 <sup>(1)</sup>
Rive-Sud Express	145,508 <sup>(3)</sup>
Chambly Express	28,000 <sup>(1)</sup>
Châteauguay Express	40,200 <sup>(1)</sup>
Constructo (bi-weekly)	3,564 <sup>(3)</sup>
Coup d'oeil	15,620 <sup>(1)</sup>
Journal Le Guide	19,088 <sup>(1)</sup>
Journal L'Express	45,932 <sup>(1)</sup>
L'Avenir et des Rivières	13,690 <sup>(1)</sup>
Le Canada Français	16,201 <sup>(1)</sup>
Le Courrier du Saguenay	74,146 <sup>(1)</sup>
Le Régional	90,332 <sup>(1)</sup>
Le Richelieu	45,120 <sup>(1)</sup>
Sorel-Tracy Express	30,519 <sup>(1)</sup>
Journal Nouvelles Hebdo	13,239 <sup>(3)</sup>
Le Courrier Sud	21,082 <sup>(1)</sup>
Valleyfield Express	39,017 <sup>(1)</sup>
Vallée du Richelieu Express	36,297 <sup>(1)</sup>
<i>Saskatchewan</i>	
Moose Jaw This Week Sunday Times	17,401 <sup>(2)</sup>
Rural Roots	29,694 <sup>(2)</sup>
The Southwest Booster	16,900 <sup>(3)</sup>
The Triangle News	910 <sup>(2)</sup>
Radville Star	961 <sup>(2)</sup>
Deep South Star	712 <sup>(2)</sup>
The Grenfell Sun	1,120 <sup>(2)</sup>
The Broadview Express	510 <sup>(2)</sup>
The Oxbow Herald	1,077 <sup>(2)</sup>
<i>Newfoundland and Labrador</i>	
The Charter	4,666 <sup>(2)</sup>
The Southern Gazette	3,374 <sup>(2)</sup>
The Labradorian	2,098 <sup>(2)</sup>
The Aurora	1,855 <sup>(2)</sup>
The Compass	3,887 <sup>(2)</sup>
The Packet	4,411 <sup>(2)</sup>
The Beacon	3,741 <sup>(2)</sup>
The Pilot	3,128 <sup>(2)</sup>
The Coaster	1,605 <sup>(2)</sup>
The Norwester	2,705 <sup>(2)</sup>
The Gulf News	2,552 <sup>(2)</sup>
The Georgian	1,502 <sup>(2)</sup>
The Northern Pen	4,428 <sup>(2)</sup>
The Advertiser (Monday's edition)	2,114 <sup>(2)</sup>
The Advertiser (Thursday's edition)	2,571 <sup>(2)</sup>
<i>Monthly Newspapers</i>	<i>Circulation</i>
<i>Nova Scotia</i>	
Farm Focus of Atlantic Canada	7,200 <sup>(3)</sup>
Nova Scotia Business Journal	40,000 <sup>(3)</sup>
The Burnside News	7,500 <sup>(3)</sup>
The Souwester	3,461 <sup>(3)</sup>
<i>Quebec &amp; Ontario</i>	
Le Courrier du Lac	7,200 <sup>(3)</sup>
Le Jacques-Cartier	10,016 <sup>(3)</sup>
Le Journal Agricole	3,200 <sup>(1)</sup>

<i>Monthly Newspapers</i>	<i>Circulation</i>
Le Journal du Bel Âge	70,000 <sup>(3)</sup>
Le Canada Français Affaires	4,815 <sup>(1)</sup>
Le Richelieu Agricole	8,350 <sup>(1)</sup>
Sortir Lanaudière	190,000 <sup>(3)</sup>
L'Express Affaires / L'Avenir et des Rivières Affaires / Le Guide Affaires	4,178 <sup>(1)</sup>
<i>Bi-Monthly Newspapers</i>	<i>Circulation</i>
<i>Quebec</i>	
Journal de l'Habitation	25,000 <sup>(1)</sup>
<i>Saskatchewan</i>	
Shop PA (it's worth the drive)	11,000 <sup>(3)</sup>
<i>Other Newspapers</i>	<i>Circulation</i>
<i>Nova Scotia</i>	
Atlantic Canada Group Tour Planner	8,000 <sup>(3)</sup>
Atlantic Construction and Transportation Journal	3,500 <sup>(3)</sup>
HRM Business Parks Directory	6,000 <sup>(3)</sup>
Maritime Provinces Water and Waste Water Report	1,200 <sup>(3)</sup>
New England Group Tour Planner	8,000 <sup>(3)</sup>
Western Canada Group Tour Planner	8,000 <sup>(3)</sup>
<i>Prince Edward Island</i>	
G! The Sassy Offshoot of the Guardian	22,500 <sup>(3)</sup>
<i>Quebec &amp; Ontario</i>	
Le Guide téléphonique Brome Missisquoi	19,088 <sup>(1)</sup>
Le Guide téléphonique Desjardins de Napierville	18,000 <sup>(1)</sup>
Le Guide téléphonique Saint-Jean-sur-Richelieu, Mont Saint-Grégoire, Saint-Alexandre and Sabrevois	43,950 <sup>(1)</sup>

(1) Latest statistics of the ODC Certified Distribution Inc. as of October 31, 2011.

(2) As certified by Canadian Media Circulation Audit (CMCA) for the six months ending as of June 30, 2011.

(3) Internal statistics as of October 31, 2011.

(4) Latest statistics of the Canadian Circulation Audit Board (C.C.A.B.) as of June 30, 2011.

## 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) Favours 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.