# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**WASHINGTON, D.C. 20549**

# FORM 20-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2013**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from_____to_____**

**OR**

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Date of event requiring this shell company report _____**

**For the transition period from _____ to _____**

**Commission file number: 333-13792**

# QUEBECOR MEDIA INC.
**(Exact name of Registrant as specified in its charter)**

**Province of Québec, Canada**
**(Jurisdiction of incorporation or organization)**

**612 St-Jacques Street**
**Montréal, Québec, Canada H3C 4M8**
**(Address of principal executive offices)**

**Securities registered or to be registered pursuant to Section 12(b) of the Act.**

| Title of each class | Name of each exchange on which registered |
|---|---|
| None | None |

**Securities registered or to be registered pursuant to Section 12(g) of the Act.**

**None**
**(Title of Class)**

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.**

**7 3/4% Senior Notes due March 2016 (issued October 5, 2007)**
**5 3/4% Senior Notes due January 2023 (issued October 11, 2012)**
**(Title of Class)**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

**103,251,500 Common Shares**
**1,630,000 Cumulative First Preferred Shares, Series G**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. ☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐ International Financial Reporting Standards as issued by the International Accounting Standards Board ☒ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. ☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

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## EXPLANATORY NOTES

In this annual report, unless otherwise specified, the terms "we," "our," "us," the "Corporation" and "Quebecor Media" refer to Quebecor Media Inc., a corporation under the *Business Corporations Act* (Québec) and its consolidated subsidiaries, collectively. All references in this annual report to "Videotron" are references to our wholly-owned subsidiary Videotron Ltd. and its subsidiaries; all references in this annual report to "Sun Media" are references to our indirect wholly-owned subsidiary Sun Media Corporation and its subsidiaries; all references in this annual report to "Le SuperClub Vidéotron" are references to our wholly-owned subsidiary Le SuperClub Vidéotron ltée; all references in this annual report to "TVA Group" are references to our public subsidiary TVA Group Inc. and its subsidiaries; all references in this annual report to "Archambault Group" are references to our wholly-owned subsidiary Archambault Group Inc. and its subsidiaries; all references in this annual report to "Nurun" are references to our wholly-owned subsidiary Nurun Inc. and its subsidiaries; all references to "Quebecor Media Printing" are references to our wholly-owned subsidiary Quebecor Media Printing Inc.; and all references to "Quebecor Media Network" are references to our wholly-owned subsidiary Quebecor Media Network Inc. All references in this annual report to "Quebecor" or "our parent corporation" are references to Quebecor Inc., all references to "Capital CDPQ" are references to CDP Capital d'Amérique Investissements inc. and all references to "CDPQ" are references to Caisse de dépôt et de placement du Québec.

In this annual report, all references to the "CRTC" are references to the Canadian Radio-television and Telecommunications Commission.

In this annual report, all references to our "Senior Notes" are references to, collectively, our 7 3/4% Senior Notes due 2016 originally issued on October 5, 2007, our 7 3/8% Senior Notes due 2021 originally issued on January 5, 2011, our 5 3/4% Senior Notes due 2023 originally issued on October 11, 2012 and our 6 5/8% Senior Notes due 2023 originally issued on October 11, 2012.

## INDUSTRY AND MARKET DATA

Industry statistics and market data used throughout this annual report were obtained from internal surveys, market research, publicly available information and industry publications, including the CRTC, BBM Canada ("**BBM**"), the National Cable & Telecommunications Association ("**NCTA**"), A.C. Nielsen Media Research, SNL Kagan, Newspapers Canada, the Audit Bureau of Circulations, NADbank® Inc. ("**NADbank®**") and ComScore Media Metrix. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of this information is not guaranteed. Cable penetration and market share data contained in this annual report is generally based on sources published in the first quarter of 2014.

Paid circulation is defined as average sales of a newspaper per issue. Readership (as opposed to paid circulation) is an estimate of the number of people who read or looked into an average issue of a newspaper and is measured by an independent survey conducted by NADbank® According to the 2012 NADbank® study (the "**NADbank® Study**"), the most recent available survey, readership estimates are based upon the number of people responding to the Newspaper Audience Databank survey circulated by NADbank®. who report having read or looked into one or more issues of a given newspaper during a given period equal to the publication interval of the newspaper.

Information contained in this document concerning the media industry, our general expectations concerning this industry and our market positions and market shares may also be based on estimates and assumptions made by us based on our knowledge of the industry and which we believe to be reliable. We believe, however, that this data is inherently imprecise, although generally indicative of relative market positions and market shares. Industry and company data is approximate and may reflect rounding in certain cases.

## PRESENTATION OF FINANCIAL INFORMATION

### IFRS and Functional Currency

Our audited consolidated financial statements for the years ended December 31, 2013, 2012 and 2011 have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board. Prior to the adoption of IFRS on January 1, 2011, for all periods up to and including the year ended December 31, 2010, our audited consolidated financial statements were prepared in accordance with accounting principles generally accepted in Canada in effect prior to January 1, 2011, which we refer to as "Canadian GAAP."

In this annual report, references to Canadian Dollars, CAN$ or $ are to the lawful currency of Canada, our functional currency, and references to US Dollars or US$ are to the currency of the United States.

**Non-IFRS/Non-Canadian GAAP/Non-U.S. GAAP Measures**

In this annual report, we use certain financial measures that are not calculated in accordance with IFRS, Canadian GAAP or accounting principles generally accepted in the United States ("**U.S. GAAP**"). We use these non-IFRS (and non-Canadian GAAP and non-U.S. GAAP) financial measures, such as average monthly revenue per user ("**ARPU**"), adjusted operating income, cash flows from segment operations and free cash flows from continuing operating activities, because we believe that they are meaningful measures of our performance. Our method of calculating these non-IFRS (and non-Canadian GAAP and non-U.S. GAAP) financial measures may differ from the methods used by other companies and, as a result, the non-IFRS (and non-Canadian GAAP and non-U.S. GAAP) financial measures presented in this annual report may not be comparable to other similarly titled measures disclosed by other companies.

We provide a definition of adjusted operating income, cash flows from segment operations, free cash flows from continuing operating activities and ARPU under "Item 5. Operating and Financial Review and Prospects – Non-IFRS Financial Measures". We also provide a definition of adjusted operating income, and a reconciliation of adjusted operating income to the most directly comparable financial measure under each of IFRS, Canadian GAAP and U.S. GAAP in footnote 4 to the tables under "Item 3. Key Information – A. Selected Financial Data". When we discuss cash flow from segment operations in this annual report, we provide the detailed calculation of the measure in the same section. When we discuss free cash flow from continuing operations in this annual report, we provide a reconciliation to the most directly comparable IFRS financial measure in "Item 5. Operating and Financial Review and Prospects".

Unless otherwise indicated, information provided in this annual report, including all operating data presented, is as of December 31, 2013.

## EXCHANGE RATE INFORMATION

The following table sets forth, for the periods indicated, the average, high, low and end of period noon rates published by the Bank of Canada. Such rates are presented as U.S. dollars per CAN$1.00. On March 19, 2014, the noon rate was CAN$1.00 equals US$0.8945. We do not make any representation that Canadian dollars could have been converted into U.S. dollars at the rates shown or at any other rate. You should note that the rates set forth below may differ from the actual rates used in our accounting processes and in the preparation of our consolidated financial statements.

| Year Ended: | Average(1) | High | Low | Period End |
|---|---|---|---|---|
| December 31, 2013 | 0.9710 | 1.0164 | 0.9348 | 0.9402 |
| December 31, 2012 | 1.0004 | 1.0299 | 0.9599 | 1.0051 |
| December 31, 2011 | 1.0111 | 1.0583 | 0.9430 | 0.9833 |
| December 31, 2010 | 0.9709 | 1.0054 | 0.9278 | 1.0054 |
| December 31, 2009 | 0.8757 | 0.9716 | 0.7692 | 0.9555 |

| Month Ended: | Average(2) | High | Low | Period End |
|---|---|---|---|---|
| March 2014 (through March 19, 2014) | 0.9022 | 0.9119 | 0.8945 | 0.8945 |
| February 28, 2014 | 0.9046 | 0.9130 | 0.8977 | 0.9029 |
| January 31, 2014 | 0.9139 | 0.9422 | 0.8952 | 0.8994 |
| December 31, 2013 | 0.9399 | 0.9454 | 0.9348 | 0.9402 |
| November 30, 2013 | 0.9531 | 0.9602 | 0.9435 | 0.9435 |
| October 31, 2013 | 0.9649 | 0.9724 | 0.9564 | 0.9589 |
| September 30, 2013 | 0.9669 | 0.9768 | 0.9494 | 0.9723 |

(1) The average of the daily noon rates for each day during the applicable year.
(2) The average of the daily noon rates for each day during the applicable month.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements with respect to our financial condition, results of operations, business and certain of our plans and objectives. These forward-looking statements are made pursuant to the "Safe Harbor" provisions of the *United States Private Securities Litigation Reform Act* of 1995. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industries in which we operate as well as beliefs and assumptions made by our management. Such statements include, in particular, statements about our plans, prospects, financial position and business strategies. Words such as "may," "will," "expect," "continue," "intend," "estimate," "anticipate," "plan," "foresee," "believe" or "seek" or the negatives of these terms or variations of them or similar terminology are intended to identify such forward-looking statements. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these statements, by their nature, involve risks and uncertainties and are not guarantees of future performance. Such statements are also subject to assumptions concerning, among other things: our anticipated business strategies; anticipated trends in our business; anticipated reorganizations of any of our segments or businesses, and any related restructuring provisions or impairment charges; and our ability to continue to control costs. We can give no assurance that these estimates and expectations will prove to have been correct. Actual outcomes and results may, and often do, differ from what is expressed, implied or projected in such forward-looking statements, and such differences may be material. Some important factors that could cause actual results to differ materially from those expressed in these forward-looking statements include, but are not limited to:

- our ability to successfully continue developing our network and facilities-based mobile offering;
- general economic, financial or market conditions and variations in the businesses of our local, regional or national newspapers and broadcasting advertisers;
- the intensity of competitive activity in the industries in which we operate;
- fragmentation of the media landscape;
- new technologies that might change consumer behaviour towards our product suite;
- unanticipated higher capital spending required to deploy our network or to address continued development of competitive alternative technologies, or the inability to obtain additional capital to continue the development of our business;
- our ability to implement successfully our business and operating strategies and manage our growth and expansion;
- our ability to successfully restructure our newspaper operations to optimize their efficiency in the context of the changing newspaper industry;
- disruptions to the network through which we provide our digital television, Internet access and telephony services, and our ability to protect such services from piracy;
- labour disputes or strikes;
- changes in our ability to obtain services and equipment critical to our operations;
- changes in laws and regulations, or in their interpretations, which could result, among other things, in the loss (or reduction in value) of our licenses or markets or in an increase in competition, compliance costs or capital expenditures;
- our substantial indebtedness, the tightening of credit markets, and the restrictions on our business imposed by the terms of our debt; and
- interest rate fluctuations that affect a portion of our interest payment requirements on long-term debt.

We caution you that the above list of cautionary statements is not exhaustive. These and other factors are discussed in further detail elsewhere in this annual report, including under "Item 3. Key Information – Risk Factors" of this annual report. Each of these forward-looking statements speaks only as of the date of this annual report. We disclaim any obligation to update these statements unless applicable securities laws require us to do so. We advise you to consult any documents we may file or furnish with the U.S. Securities and Exchange Commission ("**SEC**"), as described under "Item 10. Additional Information – Documents on Display" of this annual report.

# PART I

## ITEM 1 — IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

## ITEM 2 — OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

## ITEM 3 — KEY INFORMATION

### A - Selected Financial Data

The following tables present selected consolidated financial information for our business presented in accordance with IFRS for each of the years ended December 31, 2013, 2012, 2011 and 2010. We derived this selected consolidated financial information from our audited consolidated financial statements, which are comprised of consolidated balance sheets as at December 31, 2013, 2012, 2011 and 2010 and the related consolidated statements of income, comprehensive income, equity and cash flows for each of the years in the four-year period ended December 31, 2013. The selected consolidated financial information presented below should be read in conjunction with the information contained in "Item 5. Operating and Financial Review and Prospects" and our audited consolidated financial statements as at December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011 and notes thereto contained in "Item 18. Financial Statements" of this annual report (beginning on page F-1). Our audited consolidated financial statements as at December 31, 2011 and 2010 and for the year ended December 31, 2010 are not included in this annual report. Our consolidated financial statements as at December 31, 2013, 2012, 2011 and 2010 and for the years ended December 31, 2013, 2012, 2011 and 2010, prepared in accordance with IFRS, have been audited by Ernst & Young LLP, an independent registered public accounting firm. Ernst & Young LLP's report on consolidated financial statements as at December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011, is included in this annual report.

In separate tables below, we also present selected consolidated financial information presented in accordance with Canadian GAAP and, separately, in accordance with U.S. GAAP for each of the years ended December 31 2010 and 2009. We derived this Canadian GAAP selected consolidated financial information from our audited consolidated financial statements comprised of consolidated balance sheets as at December 31, 2010 and 2009 and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the years ended December 31, 2010 and 2009, which are not included in this annual report. We also derived this U.S. GAAP selected consolidated financial information from our consolidated financial statements as at December 31, 2010 and 2009 and for the years ended December 31, 2010 and 2009, which include a discussion of the principal differences between Canadian GAAP and U.S. GAAP. Our consolidated financial statements as at December 31, 2010 and 2009 and for the years ended December 31, 2010 and 2009 prepared in accordance with Canadian GAAP have been audited by Ernst & Young LLP, an independent registered public accounting firm. Ernst & Young LLP's report on those consolidated financial statements prepared in accordance with Canadian GAAP is not included in this annual report.

We caution you that the separate tables below include financial information based on IFRS, Canadian GAAP and U.S. GAAP, respectively. The information based on IFRS is not comparable to information prepared in accordance with Canadian GAAP or the information prepared in accordance with U.S. GAAP.

Our historical results are not necessarily indicative of our future financial condition or results of operations.

## IFRS DATA

| | Year Ended December 31, 2013 | 2012 (Restated)[1][2][3] | 2011 (Restated)[1][2][3] | 2010 (Restated)[1][2][3] |
|---|---|---|---|---|
| | | (in millions, except ratio) | | |
| **STATEMENT OF INCOME DATA:** | | | | |
| Revenues | | | | |
| Telecommunications | $ 2,711.8 | $ 2,597.8 | $ 2,389.3 | $ 2,205.6 |
| News Media | 784.2 | 875.5 | 933.9 | 932.7 |
| Broadcasting | 458.9 | 457.6 | 436.3 | 439.5 |
| Leisure and Entertainment | 298.9 | 311.6 | 334.5 | 325.7 |
| Interactive Technologies and Communications | 139.2 | 145.5 | 120.9 | 98.0 |
| Inter-segment | (115.8) | (139.1) | (120.2) | (90.9) |
| | 4,277.2 | 4,248.9 | 4,094.7 | 3,910.6 |
| Employee costs | (994.9) | (1,023.2) | (973.7) | (904.6) |
| Purchase of goods and services | (1,823.4) | (1,843.6) | (1,808.4) | (1,674.1) |
| Amortization | (662.2) | (594.9) | (507.5) | (396.1) |
| Financial expenses | (362.8) | (337.5) | (319.6) | (304.4) |
| (Loss) gain on valuation and translation of financial instruments | (244.4) | 136.9 | 52.0 | 46.1 |
| Restructuring of operations, impairment of assets and other special items | (29.9) | (28.5) | (29.3) | (37.1) |
| Impairment of goodwill and intangible assets | (281.3) | (186.0) | — | — |
| Loss on debt refinancing | (18.9) | (6.3) | (4.0) | (12.3) |
| Income taxes | (31.1) | (130.4) | (141.4) | (156.1) |
| Income (loss) from discontinued operations | 19.3 | (3.7) | 14.8 | 13.0 |
| Net (loss) income | $ (152.4) | $ 231.7 | $ 377.6 | $ 485.0 |
| (Loss) income from continuing operations attributable to: | | | | |
| Shareholders | (178.9) | 238.3 | 350.8 | 453.9 |
| Non-controlling interests | 7.2 | (2.9) | 12.0 | 18.1 |
| Net (loss) income attributable to: | | | | |
| Shareholders | (159.6) | 234.6 | 365.6 | 466.9 |
| Non-controlling interests | 7.2 | (2.9) | 12.0 | 18.1 |
| **OTHER FINANCIAL DATA AND RATIO:** | | | | |
| Adjusted operating income[4] (unaudited) | $ 1,458.9 | $ 1,382.1 | $ 1,312.6 | $ 1,331.9 |
| Additions to property, plant, equipment and intangible assets | 651.8 | 803.8 | 870.5 | 784.2 |
| Comprehensive (loss) income | (103.5) | 238.2 | 311.7 | 486.0 |
| Comprehensive (loss) income attributable to: | | | | |
| Shareholders | (123.3) | 242.3 | 306.6 | 469.7 |
| Non-controlling interests | 19.8 | (4.1) | 5.1 | 16.3 |
| Ratio of earnings to fixed charges or coverage deficiency [5][6] (unaudited) | (119.0) | 2.1x | 2.6x | 3.0x |

| | As at December 31, 2013 | 2012 (Restated)[1] | 2011 (Restated)[1] | 2010 (Restated)[1] |
|---|---|---|---|---|
| | | | (in millions) | |
| **BALANCE SHEET DATA:** | | | | |
| Cash and cash equivalents | $ 476.6 | $ 228.7 | $ 143.5 | $ 241.2 |
| Total assets | 8,970.3 | 8,960.8 | 8,998.7 | 8,556.4 |
| Total debt (current and long-term portions) | 4,976.0 | 4,428.7 | 3,697.9 | 3,513.4 |
| Capital stock | 4,116.1 | 4,116.1 | 1,752.4 | 1,752.4 |
| Equity attributable to shareholders | 1,805.7 | 2,029.0 | 2,887.1 | 2,684.1 |
| Dividends | 100.0 | 100.0 | 100.0 | 87.5 |
| Number of common shares outstanding | 103.3 | 103.3 | 123.6 | 123.6 |

## CANADIAN GAAP DATA

| | Year Ended December 31, 2010 (2)(3) | 2009 (2)(3) |
|---|---|---|
| | (in millions, except ratio) | |
| **STATEMENT OF INCOME DATA:** | | |
| Revenues | | |
| Telecommunications | $ 2,205.6 | $ 1,989.4 |
| News Media | 932.7 | 944.1 |
| Broadcasting | 448.2 | 439.0 |
| Leisure and Entertainment | 325.7 | 338.8 |
| Interactive Technologies and Communications | 98.0 | 91.0 |
| Inter-segment | (90.9) | (86.0) |
| | 3,919.3 | 3,716.3 |
| Cost of sales, selling and administrative expenses | (2,590.3) | (2,452.2) |
| Amortization | (399.1) | (340.1) |
| Financial expenses | (265.4) | (238.2) |
| Gain on valuation and translation of financial instruments | 46.1 | 61.5 |
| Restructuring of operations, impairment of assets and other special items | (50.3) | (27.8) |
| Impairment of goodwill and intangible assets | — | (13.6) |
| Loss on debt refinancing | (12.3) | — |
| Income taxes | (161.5) | (172.3) |
| Non-controlling interest | (18.8) | (23.8) |
| Income from discontinued operations | 13.0 | 15.3 |
| Net income | $ 480.7 | $ 525.1 |
| **OTHER FINANCIAL DATA AND RATIO:** | | |
| Adjusted operating income[4] (unaudited) | $ 1,329.0 | $ 1,264.1 |
| Additions to property, plant, equipment and intangible assets | 819.5 | 602.6 |
| Comprehensive income | 524.0 | 555.2 |
| Ratio of earnings to fixed charges[7] (unaudited) | 3.0x | 3.3x |

| | As at December 31, 2010 | 2009 |
|---|---|---|
| | (in millions) | |
| **BALANCE SHEET DATA:** | | |
| Cash and cash equivalents | $ 242.7 | $ 300.0 |
| Total assets | 8,731.1 | 8,293.0 |
| Total debt (current and long-term portions) | 3,513.4 | 3,761.2 |
| Capital stock | 1,752.4 | 1,752.4 |
| Shareholders' equity | 2,868.2 | 2,430.8 |
| Dividends | 87.5 | 75.0 |
| Number of common shares outstanding | 123.6 | 123.6 |

## U.S. GAAP DATA

| | Year Ended December 31, 2010 (2)(3) | 2009 (2)(3) |
|---|---|---|
| | (in millions, except ratio) | |
| **STATEMENT OF INCOME DATA:** | | |
| Revenues | | |
| Telecommunications | $ 2,212.3 | $ 1,998.8 |
| News Media | 932.7 | 944.1 |
| Broadcasting | 448.2 | 439.0 |
| Leisure and Entertainment | 325.7 | 338.8 |
| Interactive Technologies and Communications | 98.0 | 91.0 |
| Inter-segment | (90.9) | (86.0) |
| | 3,926.0 | 3,725.7 |
| Cost of sales, selling and administrative expenses | (2,603.0) | (2,481.9) |
| Amortization | (399.1) | (340.1) |
| Financial expenses | (265.4) | (238.2) |
| Gain on valuation and translation of financial instruments | 24.0 | 18.6 |
| Restructuring of operations, impairment of assets and other special items | (50.3) | (27.8) |
| Impairment of goodwill and intangible assets | — | (13.6) |
| Loss on debt refinancing | (12.3) | — |
| Income taxes | (151.6) | (157.8) |
| Income from discontinued operations | 13.0 | 15.3 |
| Net income | $ 481.3 | $ 500.2 |
| Net income attributable to: | | |
| Equity shareholders | 462.6 | 475.1 |
| Non-controlling interests | 18.7 | 25.1 |
| **OTHER FINANCIAL DATA AND RATIO:** | | |
| Adjusted operating income[4] (unaudited) | $ 1,323.0 | $ 1,243.8 |
| Additions to property, plant, equipment and intangible assets | 811.1 | 600.8 |
| Comprehensive income | 420.9 | 495.0 |
| Comprehensive income attributable to: | | |
| Equity shareholders | 410.9 | 474.0 |
| Non-controlling interests | 10.0 | 21.0 |
| Ratio of earnings to fixed charges[8] (unaudited) | 2.9x | 3.1x |

| | As at December 31, 2010 | 2009 |
|---|---|---|
| | (in millions) | |
| **BALANCE SHEET DATA:** | | |
| Cash and cash equivalents | $ 242.7 | $ 300.0 |
| Total assets | 8,623.5 | 8,231.3 |
| Total debt (current and long-term portions) | 3,579.2 | 3,782.6 |
| Capital stock | 1,752.4 | 1,752.4 |
| Shareholders' equity | 2,687.2 | 2,363.4 |
| Dividends | 87.5 | 75.0 |
| Number of common shares outstanding | 123.6 | 123.6 |

(1) On January 1, 2013, the Corporation adopted restrospectively IFRS standards IAS 19 *Employee Benefits (Amended)* and IFRS 11 *Joint Arrangements* that became effective at this date. Therefore, prior period comparative figures were restated to comply with these new IFRS standards. Refer to note 1(b) of our consolidated financial statements for more details on the impact of the restatement for the years ended December 31, 2012 and 2011.

(2) In 2013, the Corporation sold two specialized web site, *Jobboom* and *Réseau Contact*, and announced the closing of a transaction whereby it will sell its 74 Québec weeklies. The results of operations related to these businesses were reclassified as discontinued operations. Refer to note 8 of our consolidated financial statements for more details.

(3) In 2013, the Corporation changed its organizational structure, resulting in the transfer of its home entertainment store chain Le SuperClub Videotron ltée, from the Telecommunications segment to the Leisure and Entertainment segment, and in the transfer of its out-of-home advertising business from the News media segment to the Broadcasting segment. Accordingly, prior period figures in the Corporation's segmented information were reclassified to reflect this change.

(4) Adjusted operating income and ratios based on this measure are not required by or recognized under IFRS, Canadian GAAP or U.S. GAAP. We define adjusted operating income, as reconciled to net (loss) income under IFRS, as net (loss) income before amortization, financial expenses, (loss) gain on valuation and translation of financial instruments, restructuring of operations, impairment of assets and other special items, impairment of goodwill and intangible assets, loss on debt refinancing, income taxes and income (loss) from discontinued operations. We defined adjusted operating income, as reconciled to net income under Canadian GAAP, as net income before amortization, financial expenses, gain on valuation and translation of financial instruments, restructuring of operations, impairment of assets and other special items, impairment of goodwill and intangible assets, loss on debt refinancing, income taxes, non-controlling interests and income from discontinued operations. Under U.S. GAAP, we defined adjusted operating income, as reconciled to net income under U.S. GAAP, as net income before amortization, financial expenses, gain on valuation and translation of financial instruments, restructuring of operations, impairment of assets and other special items, impairment of goodwill and intangible assets, loss on debt refinancing, income taxes, and income from discontinued operations. Adjusted operating income, and ratios using this measure, are not intended to be regarded as alternatives to other financial operating performance measures or to the consolidated statement of cash flows as a measure of liquidity and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS, Canadian GAAP or U.S. GAAP. Our parent corporation, Quebecor, considers the media segment as a whole and uses adjusted operating income in order to assess the performance of its investment in Quebecor Media. Our management and Board of Directors use this measure in evaluating our consolidated results as well as results of our operating segments. As such, this measure eliminates the significant level of non-cash depreciation of tangible assets and amortization of certain intangible assets, and it is unaffected by the capital structure or investment activities of Quebecor Media and of its affiliates. Adjusted operating income is also relevant because it is a significant component of our annual incentive compensation programs. A limitation of this measure, however, is that it does not reflect the periodic costs of capitalized tangible and intangible assets used in generating revenues in our segments. We use other measures that do reflect such costs, such as cash flows from segment operations and free cash flows from continuing operating activities. In addition, measures like adjusted operating income are commonly used by the investment community to analyze and compare the performance of companies in the industries in which we are engaged. Our definition of adjusted operating income may not be the same as similarly titled measures reported by other companies therefore limiting its usefulness as a comparative measure. See "Presentation of Financial Information — Non-IFRS/Non-Canadian GAAP/Non-U.S. GAAP Measures". Our adjusted operating income is calculated from and reconciled to net (loss) income under IFRS for the years ended December 31, 2013, 2012, 2011 and 2010 in the table below:

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2013 | 2012 (Restated)[1][2][3] | 2011 (Restated)[1][2][3] | 2010 (Restated)[1][2][3] |
| | | (in millions) | | |
| **Reconciliation of adjusted operating income to net (loss) income (IFRS)** | | | | |
| Adjusted operating income | | | | |
| Telecommunications | $1,284.8 | $ 1,203.7 | $ 1,073.6 | $ 1,034.0 |
| News Media | 97.7 | 105.1 | 142.5 | 172.8 |
| Broadcasting | 45.4 | 33.4 | 47.3 | 73.1 |
| Leisure and Entertainment | 16.6 | 25.1 | 38.3 | 40.4 |
| Interactive Technologies and Communications | 14.4 | 9.8 | 7.9 | 6.0 |
| Head office | — | 5.0 | 3.0 | 5.6 |
| | 1,458.9 | 1,382.1 | 1,312.6 | 1,331.9 |
| Amortization | (662.2) | (594.9) | (507.5) | (396.1) |
| Financial expenses | (362.8) | (337.5) | (319.6) | (304.4) |
| (Loss) gain on valuation and translation of financial instruments | (244.4) | 136.9 | 52.0 | 46.1 |
| Restructuring of operations, impairment of assets and other special items | (29.9) | (28.5) | (29.3) | (37.1) |
| Impairment of goodwill and intangible assets | (281.3) | (186.0) | — | — |
| Loss on debt refinancing | (18.9) | (6.3) | (4.0) | (12.3) |
| Income taxes | (31.1) | (130.4) | (141.4) | (156.1) |
| Income (loss) from discontinued operations | 19.3 | (3.7) | 14.8 | 13.0 |
| Net (loss) income | $ (152.4) | $ 231.7 | $ 377.6 | $ 485.0 |

The following table provides a reconciliation under Canadian GAAP of adjusted operating income to net income as presented in our historical consolidated financial statements not included in this annual report:

| | Year Ended December 31, | |
|---|---|---|
| | 2010 (2)(3) | 2009 (2)(3) |
| | (in millions) | |
| **Reconciliation of adjusted operating income to net income (Canadian GAAP)** | | |
| Adjusted operating income | | |
| Telecommunications | $ 1,034.1 | $ 968.8 |
| News Media | 170.4 | 169.9 |
| Broadcasting | 76.2 | 80.0 |
| Leisure and Entertainment | 40.4 | 39.0 |
| Interactive Technologies and Communications | 6.0 | 4.1 |
| Head office | 1.9 | 2.3 |
| | 1,329.0 | 1,264.1 |
| Amortization | (399.1) | (340.1) |
| Financial expenses | (265.4) | (238.2) |
| Gain on valuation and translation of financial instruments | 46.1 | 61.5 |
| Restructuring of operations, impairment of assets and other special items | (50.3) | (27.8) |
| Impairment of goodwill and intangible assets | — | (13.6) |
| Loss on debt refinancing | (12.3) | — |
| Income taxes | (161.5) | (172.3) |
| Non-controlling interest | (18.8) | (23.8) |
| Income from discontinued operations | 13.0 | 15.3 |
| Net income | $ 480.7 | $ 525.1 |

The following table provides a reconciliation under U.S. GAAP of adjusted operating income to net income as presented in our historical consolidated financial statements not included in this annual report:

| | Year Ended December 31, | |
|---|---|---|
| | 2010 (2)(3) | 2009 (2)(3) |
| | (in millions) | |
| **Reconciliation of adjusted operating income to net income (U.S. GAAP)** | | |
| Adjusted operating income | | |
| Telecommunications | $ 1,026.5 | $ 963.0 |
| News Media | 171.6 | 158.2 |
| Broadcasting | 76.3 | 79.9 |
| Leisure and Entertainment | 40.4 | 39.0 |
| Interactive Technologies and Communications | 6.0 | 4.1 |
| Head office | 2.2 | (0.4) |
| | 1,323.0 | 1,243.8 |
| Amortization | (399.1) | (340.1) |
| Financial expenses | (265.4) | (238.2) |
| Gain on valuation and translation of financial instruments | 24.0 | 18.6 |
| Restructuring of operations, impairment of assets and other special items | (50.3) | (27.8) |
| Impairment of goodwill and intangible assets | — | (13.6) |
| Loss on debt refinancing | (12.3) | — |
| Income taxes | (151.6) | (157.8) |
| Income from discontinued operations | 13.0 | 15.3 |
| Net income | $ 481.3 | $ 500.2 |

(5) For the purpose of calculating the ratio of earnings to fixed charges under IFRS, (i) earnings consist of net (loss) income, plus income taxes, fixed charges, amortized capitalized interest, less interest capitalized and (ii) fixed charges consist of interest expensed and capitalized, plus premiums and discounts amortization, financing fees amortization and an estimate of the interest within rental expense.

(6) Coverage deficiency is expressed in millions of Canadian dollars. Our 2013 coverage deficiency was significant due to non-cash charges related to an impairment of goodwill and intangible assets and a loss on valuation and translation of financial instruments. We believe that cash flow from continuing operating activities and available sources of financing will be sufficient to cover our operating, investing and financing needs for the twelve months following December 31, 2013.

(7) For the purpose of calculating the ratio of earnings to fixed charges under Canadian GAAP, (i) earnings consist of net income, plus non-controlling interest, income taxes, fixed charges, amortized capitalized interest, less interest capitalized and (ii) fixed charges consist of interest expensed and capitalized, plus premiums and discounts amortization, financing fees amortization and an estimate of the interest within rental expense.

(8) For the purpose of calculating the ratio of earnings to fixed charges under U.S. GAAP, (i) earnings consist of net income, plus income taxes, fixed charges, amortized capitalized interest, less interest capitalized and (ii) fixed charges consist of interest expensed and capitalized, plus premiums and discounts amortization, financing fees amortization and an estimate of the interest within rental expense.

**B - Risk Factors**

*This section describes some of the risks that could materially affect our business, revenues, results of operations and financial condition, as well as the market value of our Senior Notes. The factors below should be considered in connection with any forward-looking statements in this document and with the cautionary statements contained in the section "Cautionary Statement Regarding Forward-Looking Statements" at the forepart of this annual report. The risks below are not the only ones that we face. Some risks may not yet be known to us and some that we do not currently believe to be material could later turn out to be material.*

**Risks Relating to Our Business**

***We operate in highly competitive industries that are experiencing rapid technological developments, and our inability to compete successfully could have a material adverse effect on our business, prospects, revenues, financial condition and results of operations.***

Our cable business competes against providers of direct broadcast satellite (or "**DBS**", which in Canada are also referred to as "**DTH**," for "direct-to-home" satellite providers), multichannel multipoint distribution systems (or "**MDS**"), and satellite master antenna television systems. In addition, we compete against incumbent local exchange carriers (or "**ILECs**"), which have secured licenses to launch video distribution services using video digital subscriber line (or "**VDSL**") technology (also known as Internet protocol television or "**IPTV**"). The main ILEC in our market holds a regional license to provide terrestrial broadcasting distribution in Montréal and several other communities in the Province of Québec. The same ILEC launched its own IPTV service in Montréal (including a portion of the greater Montreal area), in Québec City and in other locations in the Province. A full rollout throughout the Province of Québec is expected in the years to come. The direct access to some broadcasters' websites that provide streaming in high-definition of video-on-demand content is also available for some of the channels we offer in our television programming. In addition, third-party Internet access providers could launch IP video services in our footprint.

We also face competition from illegal providers of cable television services and illegal access to non-Canadian DBS (also called grey market piracy), as well as from signal theft of DBS that enables customers to access programming services from U.S. and Canadian DBS without paying any fees (also called black market piracy). Competitors in the video business also include emerging content delivery platforms. Furthermore, over-the-top ("**OTT**") content providers, such as Netflix and Apple TV, compete for viewership.

Due to ongoing technological developments, the distinction between traditional platforms (broadcasting, Internet and telephony) is fading rapidly. For instance, the Internet, through wired and mobile devices, is becoming an important broadcasting and distribution platform. In addition, mobile operators, with the development of their respective 4G and Long Term Evolution (also known as "**LTE**") networks, are now offering wireless and fixed wireless Internet services. In addition, our VoIP telephony service also competes with Internet-based solutions.

In our Internet access business, we compete against other Internet service providers (or "**ISPs**") offering residential and commercial Internet access services as well as WiMAX and open Wi-Fi networks in some cities. The main competitors are the ILECs that offer Internet access through digital subscriber line ("**DSL**"), fibre to the node and fibre to the home technologies, often offering comparable download speeds to ours. In addition, satellite operators such as Xplornet are increasing their existing high-speed Internet access ("**HSIA**") capabilities with the launch of high-throughput satellites, targeting households in rural and remote locations and claiming future download speeds comparable to our low and medium download speeds. The CRTC also requires cable and ILEC

network providers, including ourselves, to offer wholesale access to our high-speed Internet systems to third party ISP competitors for the purpose of providing retail Internet access services. These third party ISP competitors may also provide telephony and networking applications.

Our cable telephony business has numerous competitors, including ILECs, competitive local exchange carriers (or "**CLECs**"), mobile telephony service operators and other providers of telephony, VoIP and Internet communications, including competitors that are not facility-based and therefore have a much lower infrastructure cost. In addition, Internet protocol-based ("**IP-based**") products and services are generally subject to downward pricing pressure, lower margins and technological evolution, all of which could have an adverse effect on our business, prospects and results of operation.

In our mobile telephony business, we compete against a mix of market participants, some of them active in some or all of the products we offer, with others offering only mobile telephony services. In addition, users of mobile voice and data systems may find their communication needs satisfied by other current or developing adjunct technologies, such as Wi-Fi, WiMax, "hotspots" or trunk radio systems, which have the technical capability to handle mobile data communication and mobile telephone calls. There can be no assurance that current or future competitors will not provide network capacity and/or services comparable or superior to those we provide or may in the future provide, or at lower prices, or adapt more quickly to evolving industry trends or changing market requirements, or introduce competing services. For instance, some providers of mobile telephony services (including most of the incumbent carriers as well as at least one other new entrant) have launched lower-cost mobile telephony services in order to acquire additional market share. Also, we may not be able to compete successfully in the future against existing or potential competitors, and increased competition could have a material adverse effect on our business, prospects, revenues, financial condition and results of operations.

Finally, a few of our competitors are offering special discounts to customers who subscribe to two or more of their services (cable television or IPTV, Internet, residential phone and mobile telephony services). As a result, should we fail to keep our existing customers and lose them to such competitors, we may end up losing up to one subscriber for each of our services. This could have an adverse effect on our business, prospects, revenues, financial condition and results of operation.

***We have entered into roaming agreements with other mobile operators in order to provide worldwide coverage to our mobile telephony customers. Our inability to extend our worldwide coverage or to renew, or substitute for, these roaming agreements at their respective terms and on acceptable terms may place us at a competitive disadvantage, which could adversely affect our ability to operate our mobile business successfully and profitably.***

We have entered into roaming agreements with multiple carriers around the world (including Canada, the United States and Europe), and have established worldwide coverage. Our inability to extend our worldwide coverage or to renew, or substitute for, these roaming agreements at their respective or better terms or on acceptable terms, may place us at a competitive disadvantage, which could adversely affect our ability to operate our mobile business successfully and profitably.

In addition, various aspects of mobile communication operations, including the ability of mobile providers to enter into interconnection agreements with traditional landline telephone companies and the ability of mobile providers to manage data traffic on their networks, are subject to regulation by the CRTC. Regulations adopted or actions taken by the government agencies having jurisdiction over any mobile business that we may develop could adversely affect our mobile business and operations, including actions that could increase competition or our costs.

***Our reputation may be negatively impacted, which could have a material adverse effect on our business, financial condition and results of operations.***

We have generally enjoyed a good reputation among the public. Our ability to maintain our existing customer relationships and to attract new customers depends to a large extent on our reputation. While we have put in place certain mechanisms to mitigate the risk that our reputation may be tarnished, including good governance practices and a code of ethics, we cannot be assured that we will continue to enjoy a good reputation nor can we be assured that events that are beyond our control will not cause our reputation to be negatively impacted. The loss or tarnishing of our reputation could have a material adverse effect on our business, prospects, financial condition and results of operations.

***Videotron is using a technology for which only a limited offer of handsets is available, which could increase our customer acquisition costs and reduce our competitiveness.***

Advanced wireless services ("**AWS**") in the 2GHz range is a spectrum that has not been broadly used until recently for mobile telephony. With the emerging use of AWS for LTE, devices available in AWS solely for an HSPA network are limited. Although numerous LTE devices have an AWS HSPA capability, these devices are in the high-end category. This could put pressure on our acquisition costs as well as impair our ability to compete with lower-end devices. In addition, the handsets available to us are sometimes subject to an exclusivity period which varies in length when they are released to market. If manufacturers continue to offer exclusivity on future products in Canada, this could potentially reduce the number of handsets available to us.

***We are regularly required to make capital expenditures to remain technologically and economically competitive. We may not be able to obtain additional capital to implement our business strategies and make capital expenditures.***

Our strategy of maintaining a leadership position in the suite of products and services we offer and launching new products and services requires capital investments in our network and infrastructure to support growth in our customer base and demands for increased bandwidth capacity and other services. In this regard, we have in the past required substantial capital for the upgrade, expansion and maintenance of our network and the launch and deployment of new or additional services. We expect that additional capital expenditures will continue to be required in the short and medium term in order to expand and maintain our systems and services, including expenditures relating to advancements in Internet access and high definition television ("**HDTV**"), as well as the cost of our mobile services infrastructure deployment.

The demand for wireless data services has been growing at unprecedented rates and it is projected that this demand will further accelerate, driven by the following increases: levels of broadband penetration; need for personal connectivity and networking; affordability of smartphones and Internet-only devices (e.g., high-usage data devices such as mobile Internet keys, tablets and electronic book readers); multimedia-rich services and applications; wireless competition; and unlimited data plans. The anticipated levels of data traffic will represent a growing challenge to the current mobile network's ability to serve this traffic. We may have to acquire additional spectrum, if available and if economically reasonable, in order to address this increased demand. The ability to acquire additional spectrum (if needed) is dependent on the timing and the rules established by Industry Canada. If we are not successful in acquiring additional spectrum we may need on reasonable terms, it could have a material adverse effect on our business, prospects and financial condition. See also "Business Overview — Regulation — Canadian Telecommunications Services — Regulatory Framework for Mobile Wireless Services."

Developing our LTE network requires capital expenditures to remain competitive and to comply with our obligations under the agreement with our partner governing the joint built-out of our LTE network. In addition, we may be required to make further capital expenditures in the future on our LTE network to remain competitive in order to comply with our obligations. See also "Business Overview — History and Development of Quebecor Media." A geographical expansion of our LTE network may require us to incur significant costs and to make significant capital expenditures.

There can be no assurance that we will be able to generate or otherwise obtain the funds to finance any portion of these capital improvement programs, new strategies and services or other capital expenditure requirements, whether through cash from operations, additional borrowings or other sources. If we are unable to generate sufficient funds or obtain additional financing on acceptable terms, we may be unable to implement our business strategies or proceed with the capital expenditures and investments required to maintain our leadership position, and our business, financial condition, results of operations, reputation and prospects could be materially adversely affected. Even if we are able to obtain adequate funding, the period of time required to upgrade our network could have a material adverse effect on our ability to successfully compete in the future. Moreover, additional investments in our business may not translate into incremental revenues, cash flows or profitability.

See also the risk factors "— We operate in highly competitive industries that are experiencing rapid technological developments, and our inability to compete successfully could have a material adverse effect on our business, prospects, revenues, financial condition and results of operations", "— We compete, and will continue to compete, with alternative technologies and we may be required to invest a significant amount of capital to address continuing technological evolution and development" and "— Risks Relating to our Senior Notes and our Capital Structure — We may be required from time to time to refinance certain of our indebtedness. Our inability to do so on favorable terms, or at all, could have a material adverse effect on us."

***We may need to support increasing costs in securing access to support structures needed for our cable network.***

We require access to the support structures of hydroelectric and telephone utilities and need municipal rights of way to deploy our cable network. Where access to the structures of telephone utilities cannot be secured, we may apply to the CRTC to obtain a right of access under the *Telecommunications Act* (Canada) (the "**Telecommunications Act**"). We have entered into comprehensive support structure access agreements with all of the major hydroelectric companies and all of the major telecommunications companies in our service territory. Our agreement with Hydro-Québec, the most significant of them, expired in December 2012. Negotiations are under way toward renewing this agreement. An increase in rates charged by Hydro-Québec could have a significant impact on Videotron's cost structure.

***We may not successfully implement our business and operating strategies.***

Our business strategies are based on leveraging an integrated platform of media assets. Our strategies include offering multi-platform advertising solutions, generating and distributing content across a spectrum of media properties and assets, launching and deploying additional value-added products and services, pursuing cross-promotional opportunities, maintaining our advanced broadband network, pursuing enhanced content development to reduce costs, further integrating the operations of our subsidiaries, leveraging geographic clustering and maximizing customer satisfaction. We may not be able to fully implement these strategies or realize their anticipated results without incurring significant costs or not implement them at all. In addition, our ability to successfully implement these strategies could be adversely affected by a number of factors beyond our control, including operating difficulties, increased ongoing operating costs, regulatory developments, general or local economic conditions, increased competition, technological changes and other factors described in this "Risk Factors" section. While the centralization of certain business operations and processes has the advantage of standardizing our practices, thereby reducing costs and increasing effectiveness, it also represents a risk in itself should a business solution implemented by a centralized office throughout the organization fail to produce the intended results. We may also be required to make capital expenditures or other investments, that may affect our ability to implement our business strategies if we are unable to secure additional financing on acceptable terms or to generate sufficient funds internally to cover those requirements. Any material failure to implement our strategies could have a material adverse effect on our reputation, business, financial condition, prospects and results of operations, as well as on our ability to meet our obligations, including our ability to service our indebtedness.

As part of our strategy, in recent years, we have entered into certain agreements with third-parties under which we are committed to making significant operating expenditures in the future. We can provide no assurance that we will be successful in developing new activities in relation to these new engagements, including the development of new revenue sources.

***We could be adversely impacted by consumers' switch from landline telephony to mobile telephony.***

The recent trend toward mobile substitution or "cord-cutting" (when users cancel their landline telephony services and opt for mobile telephony services only) is largely the result of the increasing mobile penetration rate in Canada and the various unlimited offers launched by mobile operators. We may not be successful in converting our existing cable telephony subscriber base to our mobile telephony services, which could have a material adverse effect on our business, financial condition, prospects and results of operations.

***We could be adversely affected by the rapid growth of traffic volumes on the Internet.***

Internet users are downloading an increasing amount of data each year and households are now connected to the Internet through a combination of several computers, tablets and other mobile devices, leading to simultaneous flows per home, which constitutes a departure from the past, when a majority of households were connected to the Internet through a single computer. In addition, some content on the Internet, such as videos, is now available at a higher bandwidth for which high definition, as opposed to standard definition, is gradually becoming the norm. There has therefore been an increase in data consumption and an intensification of Internet traffic during peak periods, which calls for increased bandwidth capacity to address the needs of our customers.

Equipment costs are under pressure in an effort to counterbalance customers' demand for bandwidth. While we can relay some of this pressure on costs to our manufacturers, adopt new technologies that allow cost reduction and implement other cost reduction initiatives, our inability to fully meet our increasing need for bandwidth may result in price hikes or in reduced profitability.

***We compete, and will continue to compete, with alternative technologies and we may be required to invest a significant amount of capital to address continuing technological evolution and development.***

The media industry is experiencing rapid and significant technological changes, which have resulted in alternative means of program and content transmission. The continued growth of the Internet has presented alternative content distribution options that compete with traditional media. Furthermore, in each of our broadcasting markets, industry regulators have authorized DTH, microwave services and VDSL services and may authorize other alternative methods of transmitting television and other content with improved speed and quality. We may not be able to successfully compete with existing or newly developed alternative technologies, such as IPTV, or we may be required to acquire, develop or integrate new technologies. The cost of the acquisition, development or implementation of new technologies could be significant and our ability to fund such implementation may be limited, which could have a material adverse effect on our ability to successfully compete in the future. Any such difficulty or inability to compete could have a material adverse effect on our business, reputation, prospects, financial condition or results of operations.

The continuous technological improvements to the Internet, combined with higher download speeds and cost reductions for customers, may divert a portion of our existing television subscriber base from our video-on-demand services to new video-over-the-Internet model. While having a positive impact on the demand for our Internet services, video-over-the-Internet could adversely impact the demand for our video-on-demand services.

***We have grown rapidly and are seeking to continue our growth. If we do not effectively manage our growth, our business, results of operations and financial condition could be adversely affected.***

We have experienced substantial growth in our business and have significantly expanded our operations in recent years. We have sought in the past, and may, in the future, seek to make opportunistic or strategic acquisitions and further expand the types of businesses in which we participate, under appropriate conditions. We can provide no assurance that we will be successful in either developing or fulfilling the objectives of any such acquisition or business expansion.

In addition, our expansion and acquisitions may require us to incur significant costs or divert significant resources, and may limit our ability to pursue other strategic and business initiatives, which could have an adverse effect on our business, financial condition, prospects or results of operations. Furthermore, if we are not successful in managing and integrating any acquired businesses, or if we are required to incur significant or unforeseen costs, our business, results of operations and financial condition could be adversely affected.

***We depend on key personnel.***

Our success depends to a large extent on the continued services of our senior management and our ability to retain skilled employees. There is intense competition for qualified management and skilled employees, and our failure to recruit, train and retain such employees could have a material adverse effect on our business, financial condition or results of operations. In addition, in order to implement and manage our businesses and operating strategies effectively, we must sustain a high level of efficiency and performance and maintain content quality, we must continually enhance our operational and management systems, and continue to effectively attract, train, motivate and manage our employees. If we are not successful in these efforts, it may have a material adverse effect on our business, prospects, results of operations and financial condition.

***Our News Media and Broadcasting businesses face substantial competition for advertising and circulation revenues/audience.***

Advertising revenue is the primary source of revenue for our News Media business and our Broadcasting business. Our revenues and operating results in these businesses depend on the relative strength of the economy in our principal newspaper and television markets, as well as the strength or weakness of local, regional and national economic factors. These economic factors affect the levels of retail, national and classified newspaper advertising revenue, as well

as television advertising revenue. Since a significant portion of our advertising revenue is derived from retail and automotive sector advertisers, weakness in these sectors and in the real estate industry has had, and may continue to have, an adverse impact on the revenues and results of operations of our News Media and Broadcasting businesses. Continuing or deepening softness in the Canadian or U.S. economy could further adversely affect key national advertising revenues.

Advertising revenues for our News Media business are also driven by readership and circulation levels, as well as by market demographics, price, service and advertiser results. Readership and circulation levels tend to be based on the content of the newspaper, service, availability and price. A prolonged decline in readership and circulation levels in our newspaper business and lack of audience acceptance of our content would have a material effect on the rate and volume of our newspaper advertising revenues (as rates reflect circulation and readership, among other factors), and could also affect our ability to institute circulation price increases for our print products, all of which could have a material adverse effect on our results of operations, financial condition, business and prospects.

The newspaper industry is experiencing structural changes, including the growing availability of free access to media, shifting readership habits, digital transferability, the advent of real-time information and secular changes in the advertising industry as well as the declining frequency of regular newspaper buying, particularly among young people, who increasingly rely on non-traditional media as a source for news. As a result, competition for advertising spend and circulation revenues comes not only from other newspapers and traditional media, but also from digital media technologies, which have introduced a wide variety of media distribution platforms (including, most significantly, the Internet and distribution over wireless devices and e-readers) to readers and advertisers.

While we continue to pursue initiatives to offer value-added advertising solutions to our advertisers and to maintain our circulation base, such as investments in the re-design and overhaul of our newspaper websites and the publication of e-editions of a number of our newspapers, we may not be successful in retaining our historical share of advertising revenues or in transferring our audience to our new digital products. The ability of our News Media business to grow and succeed over the long-term depends on various factors, including our ability to attract advertisers and readers (including subscribers) to our online sites. Our new initiatives developed to generate additional revenues from our websites (such as digital platform advertising and/or our paywall revenue model) may not be accepted by users and consequently, may negatively affect online traffic. In addition, we can provide no assurance that we will be able to recover the costs associated with the implementation of these initiatives through increased circulation, advertising and digital revenues.

In broadcasting, the proliferation of cable and satellite channels, progress in mobile and wireless technology, the migration of television audiences to the Internet and the viewing public's increased control over the manner, content and timing of their media consumption through personal video recording devices, have all contributed to the fragmentation of the television viewing audience and in a more challenging advertising sales environment. For example, the increased availability of personal video recording devices and video programming on the Internet, as well as the increased access to various media through mobile devices, may all have the potential to reduce the viewing of our content through traditional distribution outlets. Some of these new technologies also give consumers greater flexibility to watch programming on a time-delayed or on-demand basis, or to fast-forward or skip advertisements within our programming, which may adversely impact the advertising revenues we receive. Delayed viewing and advertisement skipping have the potential to become more common as the penetration of personal video recording devices increases and content becomes increasingly available via Internet sources. If the broadcasting market continues to fragment, our audience share levels and our advertising revenues, results of operations, financial condition, business and prospects could be materially adversely affected.

***Our financial performance could be materially adversely affected if we cannot continue to distribute a wide range of television programming on commercially reasonable terms.***

The financial performance of our cable and mobile services depends in large part on our ability to distribute a wide range of appealing, conveniently-scheduled television programming at reasonable rates. We obtain television programming rights from suppliers pursuant to programming contracts. In recent years, these suppliers have become vertically integrated and are now more limited in number. The quality and amount of television programming we offer affect the attractiveness of our services to customers and, accordingly, the rates we can charge for these services. We may be unable to maintain key programming contracts at commercially reasonable rates for television programming. Loss of programming contracts, our inability to obtain programming at reasonable rates or our inability to pass-through rate increases to our customers could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, our ability to attract and retain cable customers depends, to a certain extent, on our capacity to offer quality content, high-definition programming, an appealing variety of programming choices and packages, as well as multiplatform distribution and on-demand content, at competitive prices. If the number of specialty channels being offered does not increase at the level and pace comparable to our competitors, if the content offered on such channels does not receive audience acceptance, or if we are unable to offer multiplatform availability, high definition programming and on-demand content, for capacity reasons among others, this may have a negative impact on revenues from our cable operations.

The multiplication of foreign and deregulated content providers (often global players on the Internet) puts pressure on the viability of our current business model for television distribution. Substantial capital expenditures on our infrastructure and in our research and development may be required to remain competitive in the current market.

***We may be adversely affected by variations in our costs, quality and variety of our television programming.***

The most significant costs in television broadcasting are programming and production costs. Increased competition in the television broadcasting industry, developments affecting producers and distributors of programming content, the vertical integration of distributors and broadcasters, changes in viewer preferences and other developments could impact both the availability and the costs of programming content, as well as the costs of production. Future increases or volatility in programming and production costs could adversely affect the operating results of the Corporation. Developments in cable, satellite or other forms of distribution could also affect both the availability and the cost of programming and production and increase competition for advertising expenditures.

***We may be adversely affected by variations in the cost of newsprint. In addition, our newspaper operations are labour-intensive, resulting in a relatively high fixed-cost structure.***

Newsprint, which is the basic raw material used to publish newspapers, has historically been and may continue to be subject to significant price volatility. During 2013, the total newsprint consumption of our newspaper operations was approximately 123,900 metric tonnes. Newsprint represents our single largest raw material expense and one of our News Media segment's most significant operating costs. Newsprint expense represented approximately 8.7% ($59.8 million) of our News Media segment's operating expenses for the year ended December 31, 2013. Changes in the price of newsprint could significantly affect our income, and volatile or increased newsprint costs have had, and may in the future have, a material adverse effect on our results of operations.

In order to obtain more favourable pricing, we source substantially all of our newsprint from a single newsprint producer (our "**Newsprint Supplier**"). Pursuant to the terms of our agreement with our Newsprint Supplier, we obtain newsprint at a discount to market prices, receive additional volume rebates if certain thresholds are met and benefit from a ceiling on the unit cost of newsprint. On the expiry of our agreement with our Newsprint Supplier, there can be no assurance that we will be able to renew this agreement or that our Newsprint Supplier will continue to supply newsprint to us on favourable terms, or at all, after the expiry of our agreement. If we are unable to continue to source newsprint from our Newsprint Supplier on favourable terms, or if we are unable to otherwise source sufficient newsprint on terms acceptable to us, our costs could increase significantly, which could materially adversely affect the profitability of our newspaper business and our results of operations. We also rely on our Newsprint Supplier for deliveries of newsprint. The availability of our newsprint supply, and therefore our operations, may be adversely affected by various factors, including labour disruptions affecting our Newsprint Supplier or the cessation of operations of our Newsprint Supplier.

In addition, since our newspaper operations are labour intensive and located across Canada, our newspaper business has a relatively high fixed-cost structure. During periods of economic contraction, our revenues may decrease while certain costs remain fixed, resulting in reduced earnings.

***We provide our digital television, Internet access and cable telephony services through a single clustered network, which may be more vulnerable to widespread disruption.***

We provide our digital television, Internet access and cable telephony services through a primary headend and our analog television services through twelve additional regional headends in our single clustered network. Despite available emergency backup or replacement sites, a failure in our primary headend, including exogenous threats, such as natural disasters, sabotage or terrorism, or dependence on certain external infrastructure providers (such as electric utilities), could prevent us from delivering some of our products and services throughout our network until the failure has been resolved, which may result in significant customer dissatisfaction, loss of revenues and potential civil litigation.

***We are dependent upon our information technology systems and those of certain third-parties. The inability to enhance our systems, or to protect them from a security breach or disaster, could have an adverse impact on our financial results and operations.***

The day-to-day operation of our business is highly dependent on information technology systems, including those of certain third-party suppliers. An inability to maintain and enhance our existing information technology systems or obtain new systems to accommodate additional customer growth or to support new products and services could have an adverse impact on our ability to acquire new subscribers, retain existing customers, produce accurate and timely billing, generate revenue growth and manage operating expenses, all of which could adversely impact our financial results and position. In addition, although we use industry standard networks and established information technology security and survivability/disaster recovery practices, a security breach or disaster or a violation of our Internet security could have a material adverse effect on our reputation, business, prospects, financial condition and results of operations.

***We may not be able to protect our services from piracy, which may have an adverse effect on our customer base and lead to a possible decline in revenues.***

In our cable, Internet access and telephony business, we may not be able to protect our services and data from piracy. We may be unable to prevent electronic attacks to gain unauthorized access to our network, analog and digital programming, and our Internet access services. We use encryption technology to protect our cable signals from unauthorized access and to control programming access based on subscription packages. We may not be able to develop or acquire adequate technology to prevent unauthorized access to our network, programming and data, which may have an adverse effect on our customer base and lead to a possible decline in our revenues as well as significant remediation costs and legal claims.

***Malicious and abusive Internet practices could impair our cable data services.***

Our cable data customers utilize our network to access the Internet and, as a consequence, we or they may become a victim of common malicious and abusive Internet activities, such as unsolicited mass advertising (or spam) and dissemination of viruses, worms and other destructive or disruptive software. These activities could have adverse consequences on our network and our customers, including deterioration of service, excessive call volume to call centers and damage to our customers' equipment and data or ours. Significant incidents could lead to customer dissatisfaction and, ultimately, to loss of customers or revenues, in addition to increased costs to service our customers and protect our network. Any significant loss of cable data, customers or revenue, or a significant increase in the costs of serving those customers could adversely affect our reputation, growth, business, prospects, financial condition and results of operations.

***We depend on third-party suppliers and providers for services, information and other items critical to our operations.***

We depend on third-party suppliers and providers for certain services, hardware and equipment that are critical to our operations and network evolution. These materials and services include set-top boxes, mobile telephony handsets and network equipment, cable and telephony modems, servers and routers, fibre-optic cable, telephony switches, inter-city links, support structures, software, the "backbone" telecommunications network for our Internet access and telephony services, and construction services for expansion and upgrades of our cable and mobile networks. These services and equipment are available from a limited number of suppliers and therefore we face the risks of supplier disruption, including business difficulties, restructuring or supply-chain issues. If no supplier can provide us with the equipment or services that we require or that comply with evolving Internet and telecommunications standards or that are compatible with our other equipment and software, our business, financial condition and results of operations could be materially

adversely affected. In addition, if we are unable to obtain critical equipment, software, services or other items on a timely basis and at an acceptable cost, our ability to offer our products and services and roll out our advanced services may be delayed, and our business, financial condition and results of operations could be materially adversely affected. See also the risk factor "— Videotron is using a technology for which only a limited offer of handsets is available, which could increase our customer acquisition costs and reduce our competitiveness".

In addition, we obtain significant information through licensing arrangements with content providers. Some providers may seek to increase fees for providing their proprietary content. If we are unable to renegotiate commercially acceptable arrangements with these content providers or find alternative sources of equivalent content, our News Media operations may be adversely affected.

***We may be adversely affected by litigation and other claims.***

In the normal course, we are involved in various legal proceedings and other claims relating to the conduct of our business. Although, in the opinion of our management, the outcome of current pending claims and other litigation is not expected to have a material adverse effect on our reputation, results of operations, liquidity or financial position, a negative outcome in respect of any such claim or litigation could have such an adverse effect. Moreover, the cost of defending against lawsuits and diversion of management's attention could be significant. See also "Item 8. Financial Information – Legal Proceedings" in this annual report.

***We may be adversely affected by strikes and other labour protests.***

At December 31, 2013, approximately 45% of our employees were represented by collective bargaining agreements. Through our subsidiaries, we are currently party to 96 collective bargaining agreements

While we are not currently subject to a labour dispute, one major collective agreement for the Montreal area is being negotiated for Videotron.

We can neither predict the outcome of current or future negotiations relating to labour disputes, union representation or renewal of collective bargaining agreements, nor provide any assurance that we will not experience future work stoppages, strikes or other forms of labour protests pending the outcome of any current or future negotiations. If our unionized workers engage in a strike or any other form of work stoppage, we could experience a significant disruption to our operations, damage to our property and/or interruption to our services, which could adversely affect our business, assets, financial position, results of operations and reputation. Even if we do not experience strikes or other forms of labour protests, the outcome of labour negotiations could adversely affect our business and results of operations. Such could be the case if current or future labour negotiations or contracts were to further restrict our ability to maximize the efficiency of our operations. In addition, our ability to make short-term adjustments to control compensation and benefits costs is limited by the terms of our collective bargaining agreements.

***We could be impacted by increased pension plan liabilities.***

The economic cycle and employee demographics could have a negative impact on the funding of our defined benefit pension plans and related expenditures. There is no guarantee that the expenditures and contributions required to fund these pension plans will not increase in the future and therefore negatively impact our operating results and financial position. Risks related to the funding of defined benefit plans may materialize if total obligations with respect to a pension plan exceed the total value of its trust fund. Shortfalls may arise due to lower-than-expected returns on investments, changes in the discount rate used to assess the pension plan's obligations, and actuarial losses. This risk is mitigated by policies and procedures instituted by us and our pension committees to monitor investment risk and pension plan funding. It is also mitigated by the fact that some of the Corporation's defined benefit pension plans are no longer offered to new employees.

***We may be adversely affected by exchange rate fluctuations.***

Most of our revenues and expenses are denominated in Canadian dollars. However, certain expenditures, such as the purchase of set-top boxes and cable modems, mobile devices (handsets) and certain capital expenditures, including certain costs related to the development and maintenance of our mobile network, are paid in U.S. dollars. Also, a substantial portion of our debt is denominated

in U.S. dollars, and interest, principal and premium, if any, is payable in U.S. dollars. For the purposes of financial reporting, any change in the value of the Canadian dollar against the U.S. dollar during a given financial reporting period would result in a foreign exchange gain or loss on the translation of any unhedged U.S. dollar-denominated debt into Canadian dollars. Consequently, our reported earnings and debt could fluctuate materially as a result of foreign-exchange gains or losses. Although we have entered into transactions to hedge the exchange rate risk with respect to our U.S. dollar-denominated debt outstanding at December 31, 2013, and we intend in the future to enter into such transactions for new U.S. dollar-denominated debt, these hedging transactions could, in certain circumstances, prove economically ineffective and may not be successful in protecting us against exchange rate fluctuations, or we may in the future be required to provide cash and other collateral to secure our obligations with respect to such hedging transactions, or we may in the future be unable to enter into such transactions on favorable terms, or at all.

In addition, certain cross-currency interest rate swaps entered into by the Corporation and its subsidiaries include an option that allows each party to unwind the transaction on a specific date at the then fair value.

The fair value of the derivative financial instruments we are party to is estimated using period-end market rates and reflects the amount we would receive or pay if the instruments were terminated and settled at those dates, as adjusted for counterparties' non-performance risk. At December 31, 2013, the net aggregate fair value of our cross-currency interest rate swaps and foreign-exchange forward contracts was in a net liability position of $51.4 million on a consolidated basis. See also "Item 11. Quantitative and Qualitative Disclosures About Market Risk" of this annual report.

Certain of the commodities we consume in our daily operations are traded on commodities exchanges or are negotiated on their respective markets in U.S. dollars and, therefore, although we pay our suppliers in Canadian dollars, the prices we pay for such commodities may be affected by fluctuations in the exchange rate. We may in the future enter into transactions to hedge the exchange rate risk related to the prices of some of those commodities. However, fluctuations of the exchange rate for our commodities purchases that are not hedged could affect the prices we pay for such commodities and could have an adverse effect on our results of operations.

***The volatility and disruptions in the capital and credit markets could adversely affect our business, including the cost of new capital, our ability to refinance our scheduled debt maturities and meet our other obligations as they become due.***

The capital and credit markets have experienced significant volatility and disruption over the last several years, resulting in periods of upward pressure on the cost of new debt capital and severe restrictions in credit availability for many companies. In such periods, the disruptions in the capital and credit markets have also resulted in higher interest rates or greater credit spreads on issuance of debt securities and increased costs under credit facilities. Disruptions in the capital and credit markets could increase our interest expense, thereby adversely affecting our results of operations and financial position.

Our access to funds under our existing credit facilities is dependent on the ability of the financial institutions that are parties to those facilities to meet their funding commitments. Those financial institutions may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests within a short period of time. Moreover, the obligations of the financial institutions under our credit facilities are several and not joint and, as a result, a funding default by one or more institutions does not need to be made up by the others.

Longer-term volatility and disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation of financial institutions, reduced alternatives or failures of significant financial institutions could adversely affect our access to the liquidity and the affordability of funding needed for our businesses in the longer term. Such disruptions could require us to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding for our business needs can be arranged. Market disruptions and broader economic challenges may lead to lower demand for certain of our products and increased incidences of customer inability to pay or timely pay for the services or products that we provide. Events such as these could adversely impact our results of operations, cash flows, financial position and prospects.

***Subject to the realization of various conditions and factors, we may have to record, in the future, asset impairment charges, which could be material and could adversely affect our future reported results of operations and equity.***

In the 2013 financial year and in the past, we have recorded asset impairment charges which, in some cases, have been material. Subject to the realization of various factors, including, but not limited to, weak economic or market conditions, we may be required to record in the future, in accordance with International Financial Reporting Standard (IFRS) accounting valuation principles, additional non-cash impairment charges if the carrying value of an asset in our financial statements is in excess of its recoverable value. Any such asset impairment charge could be material and may adversely affect our future reported results of operations and equity, although such charges would not affect our cash flow.

**Risks Relating to Regulation**

***We are subject to extensive government regulation and policy-making. Changes in government regulation or policies could adversely affect our business, financial condition, prospects and results of operations.***

Our operations are subject to extensive government regulation and policy-making in Canada. Laws and regulations govern the issuance, amendment, renewal, transfer, suspension, revocation and ownership of broadcast programming and distribution licenses. With respect to distribution, regulations govern, among other things, the distribution of Canadian and non-Canadian programming services and the maximum fees to be charged to the public in certain circumstances. There are significant restrictions on the ability of non-Canadian entities to own or control broadcasting licenses and telecommunications carriers in Canada, although the federal government recently eliminated the foreign ownership restrictions on telecommunications companies with less than 10 percent of total Canadian telecommunications market revenues. Our broadcasting distribution and telecommunications operations (including Internet access service) are regulated respectively by the *Broadcasting Act* (Canada) (the "**Broadcasting Act**") and the Telecommunications Act and regulations thereunder. The CRTC, which administers the Broadcasting Act and the Telecommunications Act, has the power to grant, amend, suspend, revoke and renew broadcasting licenses, approve certain changes in corporate ownership and control, and make regulations and policies in accordance with the Broadcasting Act and the Telecommunications Act, subject to certain directions from the federal cabinet. For instance, the CRTC recently adopted a new Wireless Code which regulates numerous aspects of the provision of retail wireless services. Our wireless and cable operations are also subject to technical requirements, license conditions and performance standards under the *Radiocommunication Act* (Canada) (the "**Radiocommunication Act**"), which is administered by Industry Canada.

In addition, laws relating to communications, data protection, e-commerce, direct marketing and digital advertising and the use of public records have become more prevalent in recent years. Existing and proposed legislation and regulations, including changes in the manner in which such legislation and regulations are interpreted by courts in Canada, the United States and other jurisdictions may impose limits on our collection and use of certain kinds of information. For a more extensive description of the regulatory environment affecting our business, see "Item 4. Information on the Corporation – Regulation".

Changes to the laws, regulations and policies governing our operations, the introduction of new laws, regulations, policies or terms of license, the issuance of new licenses, including additional spectrum licenses to our competitors or changes in the treatment of the tax deductibility of advertising expenditures could have a material adverse effect on our business (including how we provide products and services), financial condition, prospects and results of operations. In addition, we may incur increased costs in order to comply with existing and newly adopted laws and regulations or penalties for any failure to comply. On December 18, 2013 the Minister of Industry (Canada) announced the government's intention to adopt legislation that would, among other things, amend the Telecommunications Act and the Radiocommunication Act to give the CRTC and Industry Canada the power to impose monetary sanctions for failure to comply with current regulations. It is difficult to predict in what form laws and regulations will be adopted or how they will be construed by the relevant courts, or the extent to which any changes might adversely affect us.

***Industry Canada may not renew Videotron's AWS licenses on acceptable terms, or at all.***

Videotron's AWS licenses were issued in December 2008 for a 10-year term. At least two years before the end of this term, and any subsequent term, Videotron may apply for a renewed license for a term of up to 10 years. AWS license renewal, including whether license fees should apply for a subsequent license term, will be subject to a public consultation process initiated in the eighth year of the license.

***We are required to provide third-party ISPs with access to our cable systems, which may result in increased competition.***

The largest cable operators in Canada, including Videotron, have been required by the CRTC to provide third-party ISPs with access to their cable systems at mandated cost-based rates. Several third-party ISPs are interconnected to our cable network and are thereby providing retail Internet access services.

The CRTC also requires large cable carriers, such as us, to allow third party ISPs to provide telephony and networking (LAN/VPN) applications in addition to retail Internet access services. As a result of these requirements, we may experience increased competition for retail cable Internet and residential telephony customers. In addition, because our third-party Internet access rates are regulated by the CRTC, we could be limited in our ability to recover our costs associated with providing this access.

***We are subject to a variety of environmental laws and regulations.***

We are subject to a variety of environmental laws and regulations. Some of our facilities are subject to federal, provincial, state and municipal laws and regulations concerning, for example, emissions to the air, water and sewer discharge, the handling and disposal of hazardous materials and waste, recycling, soil remediation of contaminated sites, or otherwise relating to the protection of the environment. In addition, laws and regulations relating to workplace safety and worker health, which, among other things, regulate employee exposure to hazardous substances in the workplace, also govern our operations. Failure to comply with present or future laws or regulations could result in substantial liability for us.

Environmental laws and regulations and their interpretation have changed rapidly in recent years and may continue to do so in the future. For instance, most Canadian provinces have recently implemented Extended Producer Responsibility (EPR) regulations in order to encourage sustainability practices such as the “Ecological recovery and reclamation of electronic products”, which sets certain recovery targets and which may require us to monitor and adjust our practices in the future.

Our properties, as well as areas surrounding those properties, particularly those in areas of long-term industrial use, may have had historic uses, or may have current uses, in the case of surrounding properties, which may affect our properties and require further study or remedial measures. We cannot provide assurance that all environmental liabilities have been determined, that any prior owner of our properties did not create a material environmental condition not known to us, that a material environmental condition does not otherwise exist on any of our properties, or that expenditure will not be required to deal with known or unknown contamination.

***Concerns about alleged health risks relating to radiofrequency emissions may adversely affect our business.***

Some studies have alleged links between radiofrequency emissions from certain wireless devices and cell sites and various health problems or possible interference with electronic medical devices, including hearing aids and pacemakers. All our cell sites comply with applicable laws and we rely on our suppliers to ensure that the network equipment and customer equipment supplied to us meets all applicable safety requirements. While there is no definitive evidence of harmful effects from exposure to radiofrequency emissions when the limits imposed by applicable laws and regulations are complied with, additional studies of radiofrequency emissions are ongoing and we cannot be sure that the results of any such future studies will not demonstrate a link between radiofrequency emissions and health problems.

The current concerns over radiofrequency emissions or perceived health risks of exposure to radiofrequency emissions could lead to additional governmental regulation, diminished use of wireless services, including Videotron’s, or expose us to potential litigation. Any of these could have a material adverse effect on our business, prospects, revenues, financial condition and results of operations.

**Risks Relating to our Senior Notes and our Capital Structure**

***Our indebtedness and significant interest payment requirements could adversely affect our financial condition and therefore make it more difficult for us to fulfill our obligations, including our obligations under our Senior Notes.***

We currently have a substantial amount of debt and significant interest payment requirements. As at December 31, 2013, we had $4.98 billion of consolidated long-term debt. Our indebtedness could have significant consequences, including the following:

- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to making interest and principal payments on our indebtedness, reducing the availability of our cash flow to fund capital expenditures, working capital and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our businesses and the industries in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt or greater financial resources; and
- limit, along with the financial and other restrictive covenants in our indebtedness, our ability to, among other things, borrow additional funds on commercially reasonable terms, if at all.

Although we have significant indebtedness, as at December 31, 2013, we had approximately $1.00 billion available for additional borrowings under our existing credit facilities on a consolidated basis (not taking into account a letter of credit issued in 2013 as a pre-auction financial deposit made to Industry Canada), and the indentures governing our outstanding Senior Notes permit us to incur substantial additional indebtedness in the future. If we or our subsidiaries incur additional debt, the risks we now face as a result of our leverage could intensify. For more information regarding our long-term debt and its maturities and regarding the issuance of a letter of credit to Industry Canada, refer to Notes 20 and 31 to our audited consolidated financial statements for the year ended December 31, 2013 included under “Item 18. Financial Statements” of this annual report. See also the risk factor “— Restrictive covenants in our outstanding debt instruments may reduce our operating and financial flexibility, which may prevent us from capitalizing on certain business opportunities.”

***Restrictive covenants in our outstanding debt instruments may reduce our operating and financial flexibility, which may prevent us from capitalizing on certain business opportunities.***

Our senior secured credit facilities and the respective indentures governing our Senior Notes contain a number of operating and financial covenants restricting our ability to, among other things:

- incur indebtedness;
- create liens;
- pay dividends on or redeem or repurchase our stock;
- make certain types of investments;
- restrict dividends or other payments from restricted subsidiaries;
- enter into transactions with affiliates;
- issue guarantees of debt; and
- sell assets or merge with other companies.

If we are unable to comply with these covenants and are unable to obtain waivers from our creditors, we would be unable to make additional borrowings under our credit facilities, our indebtedness under these agreements would be in default and that could, if not cured or waived, result in an acceleration of such indebtedness and cause cross-defaults under our other debt, including our Senior Notes. If our indebtedness is accelerated, we may not be able to repay our indebtedness or borrow sufficient funds to refinance it, and any such prepayment or refinancing could adversely affect our financial condition. In addition, if we incur additional debt in the future or refinance existing debt, we may be subject to additional covenants, which may be more restrictive than those to which we are currently subject. Even if we are able to comply with all applicable covenants, the restrictions on our ability to manage our business in our sole discretion could adversely affect our business by, among other things, limiting our ability to take advantage of financings, mergers, acquisitions and other corporate opportunities that we believe would be beneficial to us.

***We are a holding company and depend on our subsidiaries to generate sufficient cash flow to meet our debt service obligations, including payments on our Senior Notes.***

We are a holding company and a substantial portion of our assets are the capital stock of our subsidiaries. As a holding company, we conduct substantially all of our business through our subsidiaries, which generate substantially all of our revenues. Consequently, our cash flow and ability to service our debt obligations, including our outstanding Senior Notes, are dependent on the cash flow of our existing and future subsidiaries and the distribution of this cash flow to us, or on loans, advances or other payments made by these entities to us. The ability of these entities to pay dividends or make loans, advances or payments to us will depend on their operating results and will be subject to applicable laws and contractual restrictions contained in the instruments governing their debt. Videotron has several series of debt securities outstanding and both Videotron and TVA Group have credit facilities that limit their ability to distribute cash to us. In addition, if our existing or future subsidiaries incur additional debt in the future or refinance existing debt, we may be subject to additional contractual restrictions contained in the instruments governing that debt, which may be more restrictive than those to which we are currently subject to.

The ability of our subsidiaries to generate sufficient cash flow from operations to allow us to make scheduled payments on our debt obligations will depend on their future financial performance, which will be affected by a range of economic, competitive and business factors as well as structural changes, many of which are outside of our or their control. If the cash flow and earnings of our operating subsidiaries and the amount that they are able to distribute to us, as dividends or otherwise, are not sufficient for us, we may not be able to satisfy our debt obligations. If we are unable to satisfy our debt obligations, we may have to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital investments, or seeking to raise additional capital. We can provide no assurance that any such alternative refinancing would be possible, that any assets could be sold, or, if sold, of the timing of the sales and the amount of proceeds realized from those sales, that additional financing could be obtained on acceptable terms, if at all, or that additional financing would be permitted under the terms of our various debt instruments then in effect. Our inability to generate sufficient cash flow to satisfy our debt obligations, or to refinance these obligations on commercially reasonable terms, could have a material adverse effect on our business, financial condition, results of operations and prospects.

***We may be required from time to time to refinance certain of our indebtedness. Our inability to do so on favorable terms, or at all, could have a material adverse effect on us.***

We may be required from time to time to refinance certain of our existing debt at or prior to maturity. Our ability and our subsidiaries' ability to obtain additional financing to repay such existing debt at maturity will depend upon a number of factors, including prevailing market conditions, credit availability and our operating performance. There can be no assurance that any such financing will be available to us on favorable terms, or at all. See also the risk factor "— The volatility and disruptions in the capital and credit markets could adversely affect our business, including the cost of new capital, our ability to refinance our scheduled debt maturities and meet our other obligations as they become due."

***There is no public market for our Senior Notes.***

There is currently no established trading market for our issued and outstanding Senior Notes and we do not intend to apply for listing of any of our Senior Notes on any securities exchange or to arrange for any quotation on any automated dealer quotation systems. No assurance can be given as to the prices or liquidity of, or trading markets for, any series of our Senior Notes. The liquidity of any market for our Senior Notes will depend upon the number of holders of our Senior Notes, the interest of securities dealers in

making a market in our Senior Notes, prevailing interest rates, the market for similar securities and other factors, including general economic conditions, our financial condition and performance and our prospects. The absence of an active market for our Senior Notes could adversely affect their market price and liquidity.

In addition, the market for non-investment grade debt has historically been subject to disruptions that have caused volatility in prices of securities. It is possible that the market for our Senior Notes will be subject to such disruptions. Any such disruptions may have a negative effect on a holder's ability to sell our Senior Notes, regardless of our prospects and financial performance.

***We may not be able to finance an offer to purchase our Senior Notes in the event of a change of control as required by the respective indentures governing our Senior Notes because we may not have sufficient funds at the time of the change of control or our senior secured credit facilities may not allow the repurchases.***

If we experience certain change of control events, as specified in the respective indentures governing our Senior Notes, we may be required to make an offer to repurchase all of our Senior Notes prior to maturity. We can provide no assurance that we will have sufficient funds or be able to arrange for additional financing to repurchase our Senior Notes following such change of control. There is no sinking fund with respect to our outstanding Senior Notes.

In addition, a change of control would be an event of default under our senior secured credit facilities. Any future credit agreement or other agreements relating to our senior indebtedness to which we become a party may contain similar provisions. Our failure to repurchase our Senior Notes if required upon a change of control would, pursuant to the terms of the respective indentures governing our outstanding Senior Notes, constitute an event of default under such indentures. Any such default could, in turn, constitute an event of default under future senior indebtedness, any of which may cause the related debt to be accelerated after the expiry of any applicable notice or grace periods. If debt were to be accelerated, we may not have sufficient funds to repurchase our Senior Notes and repay the debt.

***Canadian bankruptcy and insolvency laws may impair the trustees' ability to enforce remedies under the indentures governing our Senior Notes or the Senior Notes themselves.***

The rights of the trustees, who represent the holders of our Senior Notes, to enforce remedies could be delayed by the restructuring provisions of applicable Canadian federal bankruptcy, insolvency and other restructuring legislation if the benefit of such legislation is sought with respect to us. For example, both the *Bankruptcy and Insolvency Act* (Canada) and the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") contain provisions enabling an insolvent person to obtain a stay of proceedings against its creditors and to file a proposal to be voted on by the various classes of its affected creditors. A restructuring proposal, if accepted by the requisite majorities of each affected class of creditors, and if approved by the relevant Canadian court, would be binding on all creditors within each affected class, including those creditors that did not vote to accept the proposal. Moreover, this legislation, in certain instances, permits the insolvent debtor to retain possession and administration of its property, subject to court oversight, even though it may be in default under the applicable debt instrument, during the period that the stay against proceedings remains in place. In addition, it may be possible in certain circumstances to restructure certain debt obligations under the corporate governing statute applicable to the debtor.

The powers of the court under the *Bankruptcy and Insolvency Act* (Canada) and particularly under the CCAA have been interpreted and exercised broadly so as to protect a restructuring entity from actions taken by creditors and other parties. Accordingly, we cannot predict whether payments under our outstanding Senior Notes would be made during any proceedings in bankruptcy, insolvency or other restructuring, whether or when the trustees could exercise their respective rights under the respective indentures governing each series of our Senior Notes or whether and to what extent holders of our Senior Notes would be compensated for any delays in payment, if any, of principal, interest and costs, including the fees and disbursements of the respective trustees.

***Non-U.S. holders of our Senior Notes are subject to restrictions on the transfer or resale of our notes.***

Although we have registered certain series of our Senior Notes under the Securities Act, we did not, and we do not intend to, qualify our notes by prospectus in Canada, and, accordingly, the notes remain subject to restrictions on resale and transfer in Canada. In addition, non-U.S. holders remain subject to restrictions imposed by the jurisdiction in which the holder is resident.

***U.S. investors in our Senior Notes may have difficulties enforcing civil liabilities.***

We are incorporated under the laws of the Province of Québec. Substantially all of our directors, controlling persons and officers are residents of Canada or other jurisdictions outside the United States, and all or a substantial portion of their assets and substantially all of our assets are located outside the United States. We have agreed, in accordance with the terms of the respective indentures governing each series of our Senior Notes (other than our Canadian-dollar denominated notes), to accept service of process in any suit, action or proceeding with respect to the indentures or such notes brought in any federal or state court located in New York City by an agent designated for such purpose, and to submit to the jurisdiction of such courts in connection with such suits, actions or proceedings. However, it may be difficult for holders of our Senior Notes to effect service of process within the United States upon directors, controlling persons, officers and experts who are not residents of the United States or to enforce against us or them in the United States upon judgments of courts of the United States predicated upon civil liability under United States federal or state securities laws or other laws of the United States. In addition, there is doubt as to the enforceability in Canada of liabilities predicated solely upon United States federal or state securities laws against us or against our directors, controlling persons, officers and experts who are not residents of the United States, in original actions or in actions for enforcement of judgments of courts of the United States.

***Although our Senior Notes are referred to as "senior notes," they are effectively subordinated to our secured indebtedness and structurally subordinated to the liabilities of our subsidiaries.***

Our Senior Notes are unsecured and, therefore, are effectively subordinated to any secured indebtedness that we may incur to the extent of the assets securing such indebtedness. In the event of a bankruptcy or similar proceeding involving us, the assets that serve as collateral for any secured indebtedness will be available to satisfy the obligations under the secured indebtedness before any payments are made on the notes. The notes are effectively subordinated to any borrowings under our senior secured credit facilities. In addition, our senior secured credit facilities and the respective indentures governing our Senior Notes and the notes permit us to incur additional secured indebtedness in the future, which could be significant.

Our subsidiaries do not guarantee the Senior Notes and have no obligation, contingent or otherwise, to pay amounts due under the notes or to make any funds available to pay those amounts, whether by dividend, distribution, loan or other payment. Holders of Senior Notes do not have a claim as a creditor against our subsidiaries. The Senior Notes are, therefore, structurally subordinated to all indebtedness and other obligations of our subsidiaries. In the event of insolvency, liquidation, reorganization, dissolution or other winding up of any such subsidiary, all of such subsidiary's creditors (including trade creditors) would be entitled to payment in full out of such subsidiary's assets before the holders of our Senior Notes would be entitled to any payment.

## ITEM 4 — INFORMATION ON THE CORPORATION

### A - History and Development of Quebecor Media

Our legal and commercial name is Quebecor Media Inc. Our registered office is located at 612 St-Jacques Street, Montréal, Québec, Canada H3C 4M8, and our telephone number is (514) 380-1999. Our corporate website may be accessed through the URL http://www.quebecor.com. The information found on our corporate website or on any other website to which we refer in this annual report does not, however, form part of this annual report and is not incorporated by reference herein. Our agent for service of process in the United States is CT Corporation System, 111 Eighth Avenue, New York, New York 10011.

Quebecor Media was incorporated in Canada on August 8, 2000 under Part 1A of the *Companies Act* (Québec) (since February 14, 2011, the *Business Corporations Act* (Québec)).

Since December 31, 2010, we have undertaken and/or completed several business acquisitions, combinations, divestitures and business development projects and financing transactions through our direct and indirect subsidiaries, including, among others, the following:

- On February 19, 2014, Industry Canada announced that Videotron was the winner of seven spectrum licenses in the recently concluded auction of mobile frequencies in the 700 MHz band (the "**2014 Auction**"). These licenses consist of a single paired 5+5 MHz frequency block in the upper 700 MHz band over a geographic territory which encompasses the provinces of Quebec, Ontario (excluding the region of Northern Ontario), Alberta and British Columbia, for a total covered population of more than 28 million persons or 80% of Canada's population. The aggregate purchase price for the seven licenses acquired by Videotron under the 2014 Auction is $233.3 million.
- We have continued to actively pursue the roll-out of Videotron's 4G network. As of December 31, 2013, Videotron's mobile telephony services were available to more than 7.3 million people across the Province of Québec and in Eastern Ontario. During 2013, we activated 100,695 net new lines on our advanced mobile network at a pace of approximately 8,391 net new lines per month, bringing our total mobile customer base to 503,331 activated lines.
- On December 19, 2013, Quebecor Media announced that it was abandoning door-to-door distribution of community newspapers and flyers in Québec and was discontinuing distribution of the Le Sac Plus doorknob bag as of January 2014.
- On December 5, 2013, Quebecor Media announced a transaction whereby it sold to Transcontinental Interactive Inc., a subsidiary of Transcontinental Inc., its 74 Québec weeklies for cash consideration of $75.0 million (the "**TC Transaction**"). The TC Transaction is subject to approval by regulatory authorities, specifically the Competition Bureau.
- On November 26, 2013, Quebecor announced an agreement with Rogers Communications Inc. and the National Hockey League ("**NHL**") whereby TVA Sports will become the NHL's official French-language broadcaster in Canada. The 12-year agreement will begin with the 2014-15 season. Among other things, TVA Sports obtains broadcast rights to 22 Montréal Canadiens regular season games, exclusive French-language broadcast rights to all playoff games (including those involving the Montréal Canadiens) and the Stanley Cup final, broadcast rights to all national games involving Canadian teams and up to 160 games between American NHL teams, and a number of NHL special events.
- On August 30, 2013, Quebecor Media redeemed US$265.0 million in aggregate principal amount of its outstanding 7 3/4% Senior Notes issued on January 17, 2006 and due in March 2016, and settled the related hedging contracts.
- On August 29, 2013, Quebecor Media issued a US$350.0 million senior secured term loan "B" at a price of 99.50% for net proceeds of $358.4 million (net of financing expenses). This term loan bears interest at the U.S. London Interbank Offered Rate ("**LIBOR**"), subject to a LIBOR floor of 0.75%, plus a premium of 2.50%. It provides for quarterly amortization payments totalling 1.00% per annum of the original principal amount, with the balance payable on August 17, 2020.
- On July 18, 2013, TVA Group announced the acquisition of Les Publications Charron & Cie inc., publisher of *La Semaine* magazine, and of Charron Éditeur inc., which was subsequently sold to Sogides Group Inc., a subsidiary in the Leisure and Entertainment segment.
- On June 17, 2013, Videotron announced the closing of the offering and sale of 5 5/8% Senior Notes, maturing on June 15, 2025, in the aggregate principal amount of $400.0 million for net proceeds of $394.8 million (net of financing expenses). The proceeds of this offering were used on July 2, 2013 to finance the early redemption and withdrawal of US$380.0 million aggregate principal amount of Videotron's outstanding 9 1/8% Senior Notes, issued on April 15, 2008 and maturing in April 2018 and to settle the related hedging contracts.
- In June 2013, Videotron amended its $575.0 million secured revolving credit facility to extend the maturity date to July 2018 and to amend some of the terms and conditions of the facility.

- In June 2013, Quebecor Media amended its bank credit facilities to extend the maturity of its $300.0 million revolving credit facility to January 2017 and to amend its terms and conditions.
- On May 31, 2013, Quebecor Media sold its specialized web sites Jobboom and Réseau Contact to Mediagrif Interactive Technologies ("**Mediagrif**") for a total consideration of $65.0 million. The acquisitions of Jobboom and Réseau Contact were completed on June 1 and November 29, 2013, respectively.
- On May 29, 2013, Videotron announced an agreement with Rogers Communications Partnership ("**Rogers**") for the cooperation and collaboration in the build-out and operation of a shared LTE wireless network in the Province of Québec and the Ottawa region (the "**Rogers LTE Agreement**"). Both Videotron and Rogers will maintain their business independence, including product and service portfolios, billing systems and customer data. As part of the Rogers LTE Agreement, Rogers and Videotron will provide each other with services for which Videotron will receive $93.0 million and Rogers will receive $200.0 million, payable over a period of 10 years. In addition to the LTE network build-out and sharing agreement, Videotron and Rogers have also come to an agreement regarding Videotron's unused AWS spectrum in the Greater Toronto Area. Videotron has the option to transfer its Toronto spectrum license to Rogers, subject to regulatory approvals, beginning January 1, 2014, for an aggregate consideration of $180.0 million.
- On May 24, 2013, Quebecor announced the acquisition of Event Management Gestev Inc. ("**Gestev**"), a Québec City sports and cultural events manager. Gestev was founded in 1992 and has produced numerous high-profile events such as the Red Bull Crashed Ice extreme race, the Vélirium (International Mountain Bike Festival and World Cup), the Transat Québec Saint-Malo sailing race, Sprint Québec (FIS Cross-Country World Cup), and the Snowboard Jamboree (including the FIS Snowboard World Championships).
- On December 17, 2012, Quebecor Media prepaid the outstanding balance of its term loan "B" for a cash consideration of $153.9 million.
- On October 11, 2012, we repurchased 20,351,307 of our common shares held by CDP Capital for an aggregate purchase price of $1.0 billion, paid in cash, and, concurrently, with that transaction, Quebecor purchased 10,175,653 of our common shares held by CDP Capital. Following completion of these transactions, Quebecor's interest in Quebecor Media increased from 54.7% to 75.4% and CDP Capital's interest decreased from 45.3% to 24.6%.
- On October 11, 2012, Quebecor Media issued US$850.0 million aggregate principal amount of its 5 3/4% Senior Notes due 2023 for net proceeds of $820.7 million (net of financing expenses) and $500.0 million aggregate principal amount of its 6 5/8% Senior Notes due 2023 for net proceeds of $493.8 million (net of financing expenses). Quebecor Media used the proceeds of these offerings to finance: (i) the repurchase for cancellation from CDP Capital of 20,351,307 of its common shares for an aggregate purchase price of $1.0 billion, (ii) the redemption and retirement of US$320.0 million aggregate principal amount of its issued and outstanding 7 3/4% Senior Notes due 2016 issued in 2007 and (iii) for the payment of related transaction fees and expenses.
- On June 21, 2012, following an invitation to tender, Quebecor Media was selected to install, maintain and manage the advertising on Société de transport de Montréal (STM) bus shelters for the next 20 years.
- In March and April 2012, Quebecor Media repurchased and retired US$260.0 million aggregate principal amount of its 7 3/4% Senior Notes due 2016 issued in 2006 and settled the related hedging contracts.
- On March 14, 2012, Videotron issued US$800.0 million aggregate principal amount of its 5% Senior Notes due 2022 for net proceeds of $787.6 million (net of financing expenses). Videotron used the proceeds to repurchase and retire all US$395.0 million aggregate principal amount of its outstanding 6 7/8% Senior Notes due 2014, to fully repay the borrowings under its revolving credit facility, to pay related fees and expenses and the remainder for general corporate purposes.

- On February 24, 2012, TVA Group amended its bank credit facilities to extend the maturity of its $100.0 million revolving credit facility from December 2012 to February 2017.
- Effective February 3, 2012, Sun Media Corporation repaid and terminated its syndicated credit agreement, and its term loan credit facility. Sun Media Corporation's liabilities no longer include any long-term debt.
- In the third quarter of 2011, Nurun completed the acquisition of Odopod, a digital agency in San Francisco, California, that has expertise in brand promotion and interactive product development.
- On September 12, 2011, TVA Group launched the *TVA Sports* channel that broadcasts Ottawa Senators, Toronto Blue Jays, Montréal Impact, Interbox, Ultimate Fighting Championship, Québec Major Junior Hockey League ("**QMJHL**") and Canadian Hockey League events, among others.
- On July 5, 2011, Videotron issued $300.0 million aggregate principal amount of its 6 7/8% Senior Notes due 2021 for net proceeds of $294.8 million (net of financing expenses). Videotron used the net proceeds to redeem and retire US$255.0 million in aggregate principal amount of Videotron's issued and outstanding 6 7/8% senior notes due 2014 and to settle related hedging contracts.
- In June 2011, we acquired a QMJHL franchise, which is now known as *L'Armada de Blainville-Boisbriand*.
- On April 18, 2011, we launched *Sun News* an English-language news and opinion specialty channel.
- In March 2011, Quebecor Media reached an agreement with Québec City granting Quebecor Media management and naming rights for a 25-year period to the new multipurpose arena/amphitheatre to be built in Québec City. These rights represent a major asset to Quebecor Media that will allow the Corporation to pursue initiatives to leverage growth and convergence opportunities and to cross-promote its brands, programs and other content. Pursuant to agreements entered into with Québec City in early September 2011, we will implement our business plan for the management of this multipurpose arena.
- On January 5, 2011, Quebecor Media issued $325.0 million aggregate principal amount of its 7 3/8% Senior Notes due 2021 for net proceeds of $319.9 million (net of financing expenses). Quebecor Media used the net proceeds to effect a contribution (the "**QMI Contribution**") to Sun Media and for general corporate purposes. On February 15, 2011, Sun Media used the proceeds of the QMI Contribution to redeem and retire all of its outstanding 7 5/8% Senior Notes due 2013 and to settle the related hedging contracts.

**B - Business Overview**

**Overview**

We are one of Canada's leading media companies, with activities in cable distribution, telecommunications, newspaper publishing, production and distribution of printing products, television broadcasting, book, magazine and video retailing, publishing and distribution, music recording, production, distribution and streaming, production of shows and events, news media services, video game development, out of home advertising, a QMJHL team and sporting and cultural events management. Through our subsidiary Videotron, we are a premier cable and mobile communications service provider. Through our activities, we hold leading positions in the creation, promotion and distribution of news, entertainment and Internet-related services that are designed to appeal to audiences in every demographic category. We continue to pursue a convergence strategy to capture synergies within our portfolio of media properties.

We operate in the following industry segments: Telecommunications, News Media, Broadcasting, Leisure and Entertainment, and Interactive Technologies and Communications.

**Competitive Strengths**

***Leading Market Positions***

In our Telecommunications segment, we are the largest cable operator in the Province of Québec and the third largest in Canada, in each case based on the number of cable customers. We believe that our strong market position has enabled us to launch and deploy new products and services more effectively. For example, since the introduction of our cable Internet access service, we estimate that we have become the largest provider of such service in the areas we serve. Our extensive proprietary and third-party retail distribution network of stores and points of sale, including both the Le SuperClub Vidéotron stores and our Videotron branded stores and kiosks, assist us in marketing and distributing our advanced telecommunications services, such as cable Internet access, digital television and cable and mobile telephony, on a large scale basis. Sun Media is Canada's largest newspaper publisher in terms of weekly average circulation for Canadian daily paid newspapers, according to statistics published in Newspapers Canada's "Daily Circulation Report 2012" (the "**Newspapers Canada Circulation Data**"), and is the second largest newspaper publisher in Canada based on total paid and unpaid circulation (according to management estimates). In our Broadcasting segment, we are the largest private-sector broadcaster of French-language entertainment, information and public affairs programs in North America in terms of market share.

***Diverse Media Platform***

Our diverse media platform allows us to extend our market reach and cross-promote our brands, programs and other content. In addition, it allows us to provide advertisers with an integrated solution for local, regional and national multi-platform advertising. We can leverage our content, management, sales and marketing and production resources to provide superior information and entertainment services to our customers.

***Differentiated Bundled Services***

Through our technologically advanced fixed and mobile network, we offer a differentiated, bundled suite of entertainment, information and communication services and products, including digital television, cable Internet access, video-on-demand and other interactive television services, as well as residential and commercial cable telephony services using VoIP technology, and mobile telephony services. In addition, we deliver high-quality services and products, including, for example, our standard cable Internet access service that enables our customers to download data at a higher speed than currently offered by standard digital subscriber line or DSL technology. We also offer the widest range of French-language programming in Canada including content from our illico-on-Demand service available on our illico Digital TV, illico.tv and illico mobile platforms. Customers can interrupt and resume programming at will on any of these three illico platforms.

***Advanced Broadband Network***

We are able to leverage our advanced broadband network, substantially all of which is bi-directional, to offer a wide range of advanced services on the same media, such as digital television, video-on-demand, cable Internet access and cable telephony services. We are committed to maintaining and upgrading our network capacity and, to that end, we currently anticipate that ongoing capital expenditures will be required to accommodate the evolution of our products and services and to meet the demand for increased capacity.

***Focused and Highly Reliable Network Cluster***

Our single hybrid fibre coaxial clustered network covers approximately 79% of the Province of Québec's total addressable market and nine of the province's top ten urban areas. We believe that our single cluster and network architecture provides many benefits, including a higher quality and more reliable network, the ability to launch and deploy new products and services such as illico TV new generation, and a lower cost structure through reduced maintenance and technical support costs.

***Strong, Market-Focused Management Team***

We have a strong, market-focused management team that has extensive experience and expertise in a range of areas, including marketing, finance, telecommunications, publishing and technology. Under the leadership of our senior management team, we have, among other things, improved penetration of our HSIA offering, our VoIP telephony services, our cable products and our mobile telephony services, including through the successful build-out and launch of our mobile telephony network.

**Our Strategy**

Our objective is to increase our revenues and profitability by leveraging the convergence and growth opportunities presented by our portfolio of leading media assets. We attribute our strong historical results and positive outlook for growth and profitability to an ability to develop and execute forward-looking business strategies. The key elements of our strategy include:

- *Leverage growth opportunities and convergence of content, platforms and operations*. We are the largest private sector French language programming broadcaster in North America, a leading producer of French language programming, the second largest newspaper publisher in Canada based on total paid and unpaid circulation (according to management estimates), and a leading English and French language Internet news and information portal in Canada. As a result, we are able to generate and distribute content across a spectrum of media properties and platforms. In addition, these multi-platform media assets enable us to provide advertisers with integrated advertising solutions. We are able to provide flexible, bundled advertising packages that allow advertisers to reach local, regional and national markets, as well as special interest and specific demographic groups. We continue to explore and implement initiatives to leverage growth and convergence opportunities, including efforts to accelerate the migration of content generated by our various publications and broadcasters to our other media platforms, the transfer of the printing of several of our publications to two state-of-the-art facilities owned by Quebecor Media Printing, the sharing of editorial content between our News Media business and QMI Agency, the acquisition and subsequent sharing of content between our various businesses through QMI Content, the development of a strong live event-oriented segment through the new Québec City Amphitheater, the acquisition of our QMJHL hockey franchise, the NHL Broadcasting Agreement and the related broadcast of hockey games on our *TVA Sports* channel as well as our efforts to obtain a National Hockey League franchise for Québec City, and the integration of advertising assets with the creation of our national sales services ("**QMI National Sales**") aimed at developing global, integrated and multi-platform advertising and marketing solutions.
- *Build on our position as a telecommunications leader with our 4G mobile services*. We provide an offering of advanced mobile telecommunications services to consumers and small and medium businesses that are based on effective, reliable technology, diverse and convergent content and unambiguous business policies. Our mobile service and the further development of our LTE Network is the cornerstone of a corporate business strategy geared toward harnessing all of our creative resources and providing consumers with access to technology, services and information.
- *Introduce new and enhanced products and services*. We expect a significant portion of the revenue growth in our Telecommunications segment to be driven by the introduction of new products and services (such as Wideband Internet technology and products and services leveraging our new mobile network) and by the continuing penetration of our existing suite of products and services such as digital cable services, cable Internet access, cable and mobile telephony services, as well as high-definition television, video-on-demand and interactive television content of our digital television, Internet and mobile platforms. We believe that the continued penetration rate of our digital television, cable Internet access, telephony and mobile voice and data services will result in increased ARPU, and we are focusing sales and marketing efforts on the bundling of these value-added products and services.
- *Cross-promote brands, programs and other content*. The geographic overlap of our cable, television, newspaper and magazine publishing, music and video store chains, and Internet platforms enables us to cost effectively promote and co-brand media properties. We will continue to promote initiatives to advance these cross-promotional activities, including the cross-promotion of various businesses, cross-divisional advertising and shared infrastructures.

- *Leverage geographic clustering*. Our Videotron subsidiary holds cable licenses that cover approximately 79% of the Province of Québec's estimated 3.5 million residential and commercial premises. Geographic clusters facilitate bundled service offerings and, in addition, allow us to tailor our offerings to certain demographic markets. We aim to leverage the highly clustered nature of our systems to enable us to use marketing dollars more efficiently and to enhance customer awareness, increase use of products and services and build brand loyalty.
- *Maximize customer satisfaction and build customer loyalty*. Across our media platform, we believe that maintaining a high level of customer satisfaction is critical to future growth and profitability. An important factor in our historical growth and profitability has been our ability to attract and satisfy customers with high quality products and services. We will continue our efforts to maximize customer satisfaction and build customer loyalty.
- *Manage expenses through success driven capital spending and technology improvements*. In our Telecommunications segment, we support the growth in our customer base and bandwidth requirements through strategic success driven modernizations of our network and increases in network capacity. In our News Media segment, we have undertaken restructurings of certain printing facilities and news production operations, and invested in certain technology improvements with a view to modernizing our operations and improving our cost structure. In addition, we continuously seek to manage our salaries and benefits expenses, which comprise a significant portion of our costs.

**Telecommunications**

Through Videotron we are the largest cable operator in the Province of Québec and the third largest in Canada, in each case based on the number of cable customers, as well as an Internet service provider and a provider of cable and mobile telephony services in the Province of Québec. Our cable network covers approximately 79% of the Province of Québec's approximately 3.5 million residential and commercial premises. The deployment of our 4G network and our enhanced offering of mobile communication services for residential and business customers allow us to consolidate our position as a provider of integrated telecommunication services.

Videotron Business Solutions is a premier full-service telecommunications provider serving small-, medium- and large-size businesses, as well as telecommunications carriers. In recent years, we have significantly grown our customer base and have become an important player in the business telecommunication segment in the Province of Québec. Products and services include Internet, television, telephony, mobile services, and business solutions products such as hosting, private network connectivity, WIFI, audio and video transmission.

We own a 100% voting and 100% equity interest in Videotron.

For the twelve-month period ended December 31, 2013, our Telecommunications operations generated revenues of $2.7 billion and adjusted operating income of $1.3 billion. For the year ended December 31, 2012, our Telecommunications operations generated revenues of $2.6 billion and adjusted operating income of $1.2 billion.

***Products and Services***

Videotron currently offers its customers cable services, mobile telephony services and business telecommunications services.

***Cable Services***

i. *Advanced Cable-Based Products and Services*

Cable's large bandwidth is a key factor in the successful delivery of advanced products and services. Several emerging technologies and increasing Internet usage by our customers have presented us with significant opportunities to

expand our sources of revenue. We currently offer a variety of advanced products and services, including cable Internet access, digital television, cable telephony and selected interactive services. In 2012, we launched illico TV new generation, offering a new interface with entirely redesigned ergonomics for fluid, intuitive navigation, as well as additional value-added features. We intend to continue to develop and deploy additional value-added services to further broaden our service offering.

- *Cable Internet Access*. Leveraging our advanced cable infrastructure, we offer cable Internet access to our customers primarily via cable modems. We provide this service at download speeds of up to 60 Mbps and in some portions of the network up to 200 Mbps. As of December 31, 2013, we had 1,418,388 cable Internet access customers, representing 77.7% of our basic customers and 51.7% of our total homes passed. Based on internal estimates, we are the largest provider of Internet access services in the areas we serve with an estimated market share of 55.5% as of December 31, 2013.
- *Digital Television*. We have installed headend equipment through an optical fibre network capable of delivering digitally encoded transmissions to a two-way digital set-top box in the customer's home and premises. This digital connection provides significant advantages. In particular, it increases channel capacity, which allows us to increase both programming and service offerings while providing increased flexibility in packaging our services and a high definition quality. All of our television packages include 52 basic television channels, audio services providing CD-quality music, 21 AM/FM radio channels and an interactive programming guide. Our extended digital television offering allows customers to customize their choices with the ability to choose between custom or pre-assembled packages with a selection of more than 300 additional channels, including U.S. super-stations and other special entertainment programs. This also offers customers significant programming flexibility including the option of French-language only, English-language only or a combination of French- and English-language programming, as well as many foreign-language channels. As of December 31, 2013, we had 1,531,361 customers for our digital television service, representing 83.9% of our total basic customers and 55.8% of our total homes passed.
- *Cable Telephony*. We offer cable telephony service using VoIP technology. We offer discounts to our customers who subscribe to more than one of our services. As of December 31, 2013, we had 1,286,070 subscribers to our cable telephony service, representing a penetration rate of 70.5% of our basic cable subscribers and 46.9% of our homes passed.
- *Video-On-Demand.* Video-on-demand service enables digital cable customers to rent content from a library of movies, documentaries and other programming through their digital set-top box, Internet access or mobile phone respectively through illico web and illico mobile. Our digital cable customers are able to rent their video-on-demand selections for a period of up to 24 hours, which they are then able to watch at their convenience with full stop, rewind, fast forward, pause and replay functionality during their rental period. In addition, customers can now resume viewing on-demand programming that was paused on either the television, illico web or illico mobile. We sometimes group movies, events or TV programs available on video-on-demand and offer them, when available, for a period of seven days. We also offer a substantial amount of video-on-demand content free of charge to our digital cable customers, comprised predominantly of previously aired television programs and youth-oriented programming. In March of 2013, we introduced Club Unlimited, a flat-fee plan offering a rich and varied selection of unlimited, on-demand content (movies, television shows, children's shows, documentaries, comedy performances and concerts). In addition, we offer pay television channels on a subscription basis that permits our customers to access and watch most of the movies available on the linear pay TV channels these customers subscribe to.
- *Pay-Per-View (Indigo).* Indigo is a group of pay-per-view channels that allows our digital customers to order live events and movies based on a pre-determined schedule.

ii. *Traditional Cable Television Services*

Customers subscribing to our traditional analog "basic" and analog "extended basic" services generally receive a line-up of 42 channels of television programming, depending on the bandwidth capacity of their local cable system. We are no longer offering this service to new customers.

As of December 31, 2013, we had 293,720 customers for our analog television service, representing 16.1% of our total basic customers.

***Mobile Services***

On September 9, 2010, we launched our High Speed Packet Access ("**HSPA+**") mobile communication network (4G). As of December 31, 2013, most households and businesses on our cable footprint had access to our advanced mobile services. Prior to launching our HSPA+ network, we had been offering mobile wireless telephony services as a Mobile Virtual Network Operator ("**MVNO**") since 2006. As of December 31, 2013, there were 503,331 lines activated on our mobile telephony services, representing a year-over-year increase of 100,695 lines (25.0%).

Under an arrangement with Industry Canada, Videotron launched fixed wireless Internet access in selected rural areas of the Province of Québec in December 2011. Powered by our HSPA+ network, this service allows thousands of households and businesses that had no access to high speed cable Internet to benefit from a reliable and professionally installed high speed Internet. As a result, we extended our residential and business Internet footprint to dozens of underserved municipalities across the Province of Québec.

Also, as per the outcome of the Rogers LTE Agreement, Videotron signed a 20-year agreement with Rogers to bring LTE to even more customers in the Province of Québec and the Ottawa region. Under this agreement, Videotron will be in a position to build out and operate a shared LTE wireless network. This shared network will deliver an optimal user experience for consumers and businesses. It will also deliver capital and operating savings, allowing Videotron to reinvest in its customers and networks. Videotron will maintain its business independence throughout this agreement, including Videotron's product and service portfolios, billing systems and customer data.

In the 2014 Auction, Videotron acquired a package of seven spectrum licenses consisting of a single paired 5+5 MHz spectrum block in the upper 700 MHz band over a geographic territory which encompasses the provinces of Québec, Ontario (excluding the region of Northern Ontario), Alberta and British Columbia, for a total covered population of more than 28 million persons. The 700 MHz band presents certain superior propagation characteristics and benefits from well-developed LTE equipment and device ecosystems in North America. Ownership of the licenses acquired during the 2014 Auction enhances Videotron's ability to maintain a leading edge, high capacity wireless network in Québec and in the Ottawa region, and provides Videotron with a number of options to maximize the value of its investment in the rest of Ontario, Alberta and British Columbia.

***Business Telecommunications Services***

Videotron Business Solutions is a premier full-service telecommunications provider, including mobile services. We serve small, medium and large-size businesses as well as telecommunications carriers. In recent years, we have significantly grown our customer base and have become an important player in the business telecommunications segment in the Province of Québec. Videotron serves customers with dedicated sales and customer service teams with solid expertise in business services. Products and services for small and medium-sized businesses are supported by our coaxial technology, 4G network, and solid expertise in business services and customized solutions designed to meet larger businesses and carriers' needs are offered. There is a wide range of products available, including high speed Internet access, WIFI connectivity, television, telephony, mobile services and solutions, private network connectivity and audio and video transmission.

***Customer Statistics Summary***

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

| | As of December 31, | | | | |
|---|---|---|---|---|---|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| Homes passed[1] | 2,742,476 | 2,701,242 | 2,657,315 | 2,612,406 | 2,575,315 |
| ***Cable*** | | | | | |
| Basic customers[2] | 1,825,081 | 1,854,981 | 1,861,477 | 1,811,570 | 1,777,025 |
| Penetration[3] | 66.5% | 68.7% | 70.1% | 69.3% | 69.0% |
| Digital customers | 1,531,361 | 1,484,589 | 1,400,814 | 1,219,599 | 1,084,100 |
| Penetration[4] | 83.9% | 80.0% | 75.3% | 67.3% | 61.0% |
| ***Internet Over Wireless*** | | | | | |
| Internet over wireless customers | 7,192 | 7,129 | 5,644 | 2,319 | — |
| ***Cable Internet Access*** | | | | | |
| Cable modem customers | 1,418,338 | 1,387,657 | 1,332,551 | 1,252,104 | 1,170,570 |
| Penetration[3] | 51.7% | 51.4% | 50.1% | 47.9% | 45.5% |
| ***Telephony Services*** | | | | | |
| Cable telephony customers | 1,286,070 | 1,264,862 | 1,205,272 | 1,114,294 | 1,014,038 |
| Penetration[3] | 46.9% | 46.8% | 45.4% | 42.7% | 39.4% |
| Mobile telephony lines | 503,331 | 402,636 | 290,578 | 136,111 | 82,813 |

(1) Homes passed means the number of residential premises, such as single dwelling units or multiple dwelling units, and commercial premises passed by the cable television distribution network in a given cable system service area in which the programming services are offered.
(2) Basic customers are customers who receive basic cable service in either the analog or digital mode.
(3) Represents customers as a percentage of total homes passed.
(4) Represents customers for the digital service as a percentage of basic cable customers.

***Industry Overview***

***Cable Television Industry***

*Industry Data*

Cable television has been available in Canada for more than 50 years and is a well-developed market. As of August 31, 2012, the most recent date for which data is available, there were approximately 8.7 million cable television customers in Canada. For the twelve months ended August 31, 2012 (the most recent data available), total industry revenue was estimated to be over $11.5 billion and is expected to grow in the future based on the fact that Canadian cable operators have aggressively upgraded their networks and broadened their offerings of products and services. The following table summarizes the most recent available annual key statistics for the Canadian and U.S. cable television industries.

| | Twelve Months Ended August 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2010 | 2009 | 2008 | CAGR[1] |
| | (Dollars in billions and basic cable customers in millions) | | | | | |
| **Canada** | | | | | | |
| Industry Revenue[2] | $11.5 | $10.9 | $10.1 | $9.2 | $8.2 | 7.0% |
| Basic Cable Customers[2] | 8.7 | 8.5 | 8.3 | 8.1 | 7.9 | 1.95% |

| | 2012 | 2011 | 2010 | 2009 | 2008 | CAGR[3] |
|---|---|---|---|---|---|---|
| | (U.S. dollars in billions, and homes passed and basic cable customers in millions) | | | | | |
| **U.S.** | | | | | | |
| Industry Revenue | n/a | US$ 97.6 | US$ 93.7 | US$ 90.2 | US$ 86.3 | n/a |
| Homes Passed[4] | 131.2 | 130.3 | 129.3 | 125.7 | 124.2 | 1.10% |
| Basic Cable Customers | 56.8 | 58.0 | 59.8 | 62.6 | 63.7 | -2.27% |
| Basic Penetration | 43.7% | 44.4% | 45.5% | 49.8% | 51.3% | — |

Source of Canadian data: CRTC.

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

(5) Compounded Canadian annual growth rate from 2008 through 2012.
(6) Including IPTV.
(7) Compounded U.S. annual growth rate from 2008 through 2012.
(8) "Homes passed" means the number of residential premises, such as single dwelling units or multiple dwelling units, and commercial premises passed by the cable distribution network in a given cable system service area in which the programming services are offered.

***Mobile Telephony Industry***

In terms of wireless penetration rate (i.e., the number of active SIM cards and/or connected lines versus total population, expressed as a percentage), the Canadian mobile telephony market is relatively under-developed. As of December 31, 2012 (the most recent data available), the Province of Québec had a penetration rate under the Canadian average (66.8% vs. 78.4% according to the CRTC). As of September 30, 2013, incumbents were still dominant in the industry in Canada, with market share of approximately 90% in the Province of Québec, according to the CRTC.

With an increasing number of regional operators competing on price, coverage, handset offers and technological reliability, the Canadian wireless industry is highly competitive. With the deployment of Advanced Wireless Networks throughout the country and the increasing penetration rate among younger customers, the demand for technologically advanced bandwidth-hungry devices (smartphones, tablets, etc.) is increasing rapidly. As of September 30, 2013, there were more than 27 million subscribers in Canada.

***Pricing of our Products and Services***

Our revenues are derived from the monthly fees our customers pay for cable television, Internet and telephony and mobile services. The rates we charge vary based on the market served and the level of service selected. Rates are usually adjusted annually. We also offer discounts to our customers who subscribe to more than one of our services, when compared to the sum of the prices of the individual services provided to these customers. As of December 31, 2013, the average monthly invoice on recurring subscription fees per customer was $102.95 and approximately 80% of our customers were bundling two services or more. A one-time installation fee, which may be waived in part during certain promotional periods, is charged to new customers. Monthly fees for rented equipment, such as set-top boxes, are also charged to customers.

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

***Our Network Technology***

***Cable***

As of December 31, 2013, our cable systems consisted of 31,088 km of fibre optic cable and 45,956 km of coaxial cable, passing approximately 2.7 million homes and serving approximately 2.2 million customers. Our network is the largest broadband network in the Province of Québec covering approximately 79% of households and, according to our estimates, more than 77% of the businesses located in the major metropolitan areas of the Province of Québec. Our extensive network supports direct connectivity with networks in Ontario, the Maritimes and the United States.

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

We have adopted the hybrid fibre coaxial ("**HFC**") network architecture as the standard for our ongoing system upgrades. HFC network architecture combines the use of both fibre optic and coaxial cables. Fibre optic cable has excellent broadband frequency characteristics, noise immunity and physical durability and can carry hundreds of video and data channels over extended distances. Coaxial cable is less expensive and requires greater signal amplification in order to obtain the desired transmission levels for delivering channels. In most systems, we deliver our signals via fibre optic cable from the headend to a group of optical nodes and then via coax to the homes passed served by the nodes. Traditionally, our system design provided for cells of approximately 500 homes each to be served by fibre-optic cable. To allow for this configuration, secondary headends were put into operation in the Greater Montréal Area, in the Greater Québec City Area and in the Greater Gatineau City Area. Remote secondary headends must also be connected with fibre optic links. From the secondary headends to the homes, the customer services are provided through the transmission of a radiofrequency ("**RF**") signal which contains both downstream and upstream information (two-way). The loop structure of the two-way HFC networks brings reliability through redundancy, the cell size improves flexibility and capacity, while the reduced number of amplifiers separating the home from the headend improves signal quality and reliability. The HFC network design provided us with significant flexibility to offer customized programming to individual cells of approximately 500 homes, which is critical to our advanced services, such as video-on-demand, Switched Digital Video Broadcast and the continued expansion of our interactive services. Starting in 2008, we began an extensive network modernization effort in the Greater Montréal Area in order to meet the ever expanding service needs of the customer in terms of video, telephony and Internet services. This ongoing modernization implies an extension of the upper limit of the RF spectrum available for service offerings and a deep fibre deployment, which significantly extends the fibre portion in the HFC network (thereby reducing the coax portion). Additional optical nodes were systematically deployed to increase the segmentation of customer cells, both for upstream and downstream traffic. This modernization initiative results in (i) a network architecture where the segmentation for the upstream traffic is for 125 homes while that for the downstream traffic is set to 250 (which can evolve to 125 homes), and (ii) the availability of a 1 GHz spectrum for service offerings. The robustness of the network is greatly enhanced (much less active equipment in the network such as RF amplifiers for the coax portion), the service offering potential and customization to the customer base is significantly improved (through the extension of the spectrum to 1 GHz and the increased segmentation) and allows much greater speeds of transmission for Internet services which are presently unrivalled. The overall architecture employs Division Wavelength Multiplexing ("**DWM**"), which allows us to limit the amount of fibre required, while providing an effective customization potential. As such, in addition to the broadcast information, up to 24 wavelengths can be combined on a transport fibre from the secondary headend to a 3,000 home aggregation point. Each of these wavelengths is dedicated to the specific requirements of 125 homes. The RF spectrum is set with analog content (to be phased out eventually) and digital information using quadrature amplitude modulation. MPEG video compression techniques and the Data over Cable Service Interface Specification ("**DOCSIS**") protocol allow us to provide a great service offering of standard definition and high definition video, as well as complete voice and Internet services. This modernization project gives us flexibility to meet customer needs and future network evolution requirements. The modernization of the Greater-Montréal network is scheduled to be completed by 2017.

Our strategy of maintaining a leadership position in respect of the suite of products and services that we offer and launching new products and services requires investments in our network to support growth in our customer base and increases in bandwidth requirements. Approximately 99.7% of our network in the Province of Québec has been upgraded to a bandwidth of 750 MHz or greater. Also, in light of the greater availability of HDTV programming, the ever increasing speed of Internet access and increasing demand for our cable telephony service, further investment in the network will be required.

***Mobile Telephony***

During 2013, we continued our HSPA + network expansion and densification plan throughout the Province of Québec and over the Greater Ottawa Area. As of December 31, 2013, our network reached approximately 89% of the population of the Province of Québec, allowing the vast majority of our potential clients to have access to advanced mobile services from Videotron. The majority of our towers and antennas are linked through our fibre-optic network using a multiple label switching – or MPLS – protocol, and our network was built and designed to support important customer growth in coming years.

With the introduction of a new technology called Dual-Carrier technology in August 2011, our HSPA+ mobile communication network (4G) allows data transmission speeds up to 42 Mbps.

Our strategy in the coming years is to build on our position as a telecommunication leader with our 4G mobile services and to keep the technology at the cutting edge as it continues to evolve rapidly and new market standards such as Long Term Evolution-Advanced ("**LTE A**") are appearing. The Rogers LTE Agreement provides and allows Rogers and Videotron to deploy radio network equipment independently while benefiting from a common network. Spectrum contribution by each of Rogers and Videotron will allow them to exploit the LTE technology and to provide their subscribers with high throughput data connections.We also expect to continue to expand our offer of handset devices in 2014.

***Marketing and Customer Care***

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

- develop attractive bundle offers to encourage our customers to subscribe to two or more products, which increases average revenue per user – or ARPU – customer retention and operating margins;
- continue to rapidly deploy advanced products on all our services – cable, Internet, telephony, content and mobile – to maintain and increase our leadership and offer competitive, mobile rate plans and products to gain additional market share;
- design product offers that provide greater opportunities for customer entertainment and information ;
- develop targeted marketing programs to attract former customers and households that have never subscribed to certain of our services and customers of alternative or competitive services;
- enhance the relationship between customer service representatives and our customers by training and motivating customer service representatives to promote advanced products and services;
- leverage the retail presence of Le SuperClub Vidéotron, our Videotron-branded stores and kiosks, Archambault stores and third-party commercial retailers;
- maintain and promote our leadership in content and entertainment by leveraging the wide variety of services offered within the Quebecor Media group to our existing and future customers;
- introduce new value added packages of products and services, which we believe will increase ARPU and improve customer retention; and
- leverage our business market, using our network and expertise with our commercial customer base, to offer additional bundled services to our customers.

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

Maximizing customer satisfaction is a key element of our business strategy. In support of our commitment to customer satisfaction, we are now offering the service of dedicated, knowledgeable and well-trained technical experts which we call our "PROS", the primary mission of which is to support our customers by helping them get the most out of what Videotron has to offer. Through personalized demonstration sessions, the PROS provide customers with continued customer service after subscription has been made. We continue to provide a 24-hour customer service hotline seven days a week across most of our systems, in addition to our web-based customer service capabilities. All of our customer service representatives and technical support staff are trained to assist customers with all of our products and services, which in turn allows our customers to be served more efficiently and seamlessly. Our customer care representatives continue to receive extensive training to perfect their product knowledge and skills, which contributes to retention of customers and higher levels of customer service. We utilize surveys, focus groups and other research tools to assist us in our marketing efforts and anticipate customer needs.

***Programming***

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

Our programming contracts generally provide for a fixed term of up to five years, and are subject to negotiated renewal. Programming tends to be made available to us for a flat fee per customer. Our overall programming costs have increased in recent years and may continue to increase due to factors including, but not limited to, additional programming being provided to customers as a result of system rebuilds that increase channel capacity, increased costs to produce or purchase specialty programming, inflationary or negotiated annual increases, and the concentration of broadcasters following recent acquisitions in the market.

***Competition***

We operate in a competitive business environment in the areas of price, product and service offerings and service reliability. We compete with other providers of television signals and other sources of home entertainment. Due to ongoing technological developments, the distinctions among traditional platforms (broadcasting, Internet, and telecommunications) are fading rapidly. The Internet as well as mobile devices are becoming important broadcasting and distribution platforms. In addition, mobile operators, with the development of their respective 4G networks, are now offering wireless and fixed wireless Internet services and our VoIP telephony service is also competing with Internet-based solutions.

- *Providers of Other Entertainment*. Cable systems face competition from alternative methods of distributing and receiving television signals and from other sources of entertainment such as live sporting events, movie theatres and home video products, including digital recorders, OTT content providers, such as Netflix, Apple TV, DVD players and video games. The extent to which a cable television service is competitive depends in significant part upon the cable system's ability to provide a greater variety of programming, superior technical performance and superior customer service than are available through competitive alternative delivery sources. Our introduction of Club Unlimited, a flat-fee plan offering a rich and varied selection of unlimited, on-demand content, aims to reduce the effect of competition from alternative delivery sources.
- *DSL.* The deployment of digital subscriber line technology ("**DSL**") provides customers with Internet access at data transmission speeds greater than that available over conventional telephone lines. DSL service provides access speeds that are comparable to low-to-medium speeds of cable-modem Internet access but that decreases with the distance between the DSL modem and the line card.
- *FTTN and FTTH.* Fibre to the neighborhood ("**FTTN**") technology addresses the distance limitation by bringing the fibre closer to the end user. The last mile is provided by the DSL technology. Fibre to the home ("**FTTH**") brings the fibre up to the end user location. The speed is then limited by the end equipment rather than the medium (fibre) itself. It provides speeds comparable to high speeds of cable-modem Internet access. Because of the cost involved with FTTH and FTTN, deployment of these technologies is progressive. The main competition for fixed-line Internet access comes from a provider of DSL and Fibre to the x (FTTx) services.

- *Internet Video Streaming*. The continuous technology improvement of the Internet, combined with higher download speeds, contributes to the emergence of alternative technologies such as IPTV digital content (movies, television shows and other video programming) offered on various Internet streaming platforms. While having a positive impact on the demand for our Internet services, this model could adversely impact the demand for our video-on-demand services.
- *VDSL*. VDSL technology increases the available capacity of DSL lines, thereby allowing the distribution of digital video. Multi-system operators are now facing competition from ILECs, which have been granted licenses to launch video distribution services using this technology, which operates over copper phone lines. The transmission capabilities of VDSL will be significantly boosted with the deployment of technologies such as vectoring (the reduction or elimination of the effects of far-end crosstalk) and twisted pair bonding (use of additional twisted pairs to increase data carriage capacity). Certain ILECs have already started replacing many of their main feeds with fibre optic cable and positioning VDSL transceivers, a VDSL gateway, in larger multiple-dwelling units, in order to overcome the initial distance limitations of VDSL. With this added capacity, along with the evolution of compression technology, VDSL-2 will offer significant opportunities for services and increase its competitive threat against other multi-system operators.
- *Direct Broadcast Satellite*. DBS is also a competitor to cable systems. DBS delivers programming via signals sent directly to receiving dishes from medium and high-powered satellites, as opposed to cable delivery transmissions. This form of distribution generally provides more channels than some of our television systems and is fully digital. DBS service can be received virtually anywhere in Canada through the installation of a small rooftop or side-mounted antenna. Like digital cable distribution, DBS systems use video compression technology to increase channel capacity and digital technology to improve the quality of the signals transmitted to their customers.
- *Mobile Telephony Services*. With our mobile network, we compete against a mix of participants, some of them being active in some or all the products we offer, while others only offer mobile telephony services in our market. The Canadian incumbents have started the deployment of LTE networks and this technology is deemed to become an industry standard. As per the Rogers LTE Agreement, we are currently deploying our LTE network and we plan to launch our LTE network in 2014.
- *Private Cable*. Additional competition is posed by satellite master antenna television systems known as “SMATV systems” serving multi dwelling units, such as condominiums, apartment complexes, and private residential communities.
- *Wireless Distribution*. Cable television systems also compete with wireless program distribution services such as multi-channel multipoint distribution systems, or MDS. This technology uses microwave links to transmit signals from multiple transmission sites to line-of-sight antennas located within the customer’s premises.
- *Grey and Black Market DBS Providers*. Cable and other distributors of television signals continue to face competition from the use of access codes and equipment that enable the unauthorized decoding of encrypted satellite signals, from unauthorized access to our analog and digital cable signals (black market) and from the reception of foreign signals through subscriptions to foreign satellite television providers that are not lawful distributors in Canada (grey market).
- *Telephony Service*. Our cable telephony service competes against other telephone companies, including both the incumbent telephone service provider in the Province of Québec, which used to control a significant portion of the telephony market in the Province of Québec, and the other VoIP telephony service providers and mobile wireless telephone service providers.
- *Other Internet Service Providers*. In the Internet access business, cable operators compete against other Internet service providers offering residential and commercial Internet access services. The CRTC requires the large Canadian incumbent cable operators to offer access to their high-speed Internet network to competitive Internet service providers at mandated rates.

**News Media**

Our newspaper publishing operation, which we conduct through our Sun Media operating subsidiary, is the second largest newspaper publisher in Canada based on total paid and unpaid circulation, according to management estimates. In addition, with a 28.8% average market share, our newspaper publishing operations are the largest newspaper publisher in Canada in terms of weekly average circulation for Canadian daily paid newspapers, according to the Newspapers Canada Circulation Data. As of December 31, 2013, our News Media segment published 36 paid-circulation dailies, three free commuter dailies and 141 community weekly newspapers, magazines, buyers guides, farm publications and other specialty publications. Our publications have an established presence on the Internet and offer classified and local advertising, as well as other services for local advertisers and readers. As of December 31, 2013, the combined weekly circulation of our News Media segment's paid and unpaid newspapers was approximately 10.5 million copies, according to internal statistics.

On December 5, 2013, we announced that Sun Media had entered into the TC Transaction. The TC Transaction is subject to approval by regulatory authorities, specifically the Competition Bureau. While the TC Transaction is under review and pending the approval from the regulatory authorities, Sun Media will continue publishing the weeklies. The numbers and percentages presented in this annual report in connection with Sun Media's operations as of December 31, 2013 and comparative years reflect the sale of the 74 Québec weeklies pursuant to the TC Transaction, notwithstanding the pending approval from the Competition Bureau for the TC Transaction. The newspapers sold pursuant to the TC Transaction are considered as discontinued operations in our audited consolidated financial statements for the year ended December 31, 2013 and comparative years. For more information regarding the treatment of the 74 Québec weeklies as discontinued operations, refer to Note 8 to our audited consolidated financial statements for the year ended December 31, 2013 included under "Item 18. Financial Statements" of this annual report.

In the second quarter of 2011, all of the internet portals that were formally owned by Canoe Inc. were transferred to Sun Media (other than Réseau Contact and Jobboom which were transferred to Videotron and subsequently sold to a third party), including the *Canoe Network*, which logs over 9.6 million unique visitors per month in Canada, including more than 5.1 million in the Province of Québec, and ranks as the number one general news destination in Canada (according to ComScore Media Metrix figures for December 2013).

Our News Media segment is also engaged in the distribution of newspapers, magazines, inserts and flyers; commercial printing and related services to third-parties through our national network of printing and production facilities.

Quebecor Media continues the development of its News Media segment in order to broaden its revenue streams. In this regard, the QMI Agency established two newsrooms in Montréal and Toronto, creating multiplatform teams for event coverage, and centralizing photo coverage across Canada. Since July 1, 2010, the QMI Agency has been the main supplier of general Canadian news content to our media properties.

Quebecor Media owns 100% of the voting and equity interests of Sun Media.

For the year ended December 31, 2013, our News Media operations generated revenues of $784.2 million and adjusted operating income of $97.7 million, with 61.1% of these revenues derived from advertising, 20.0% from circulation, 4.8% from digital revenues and 14.1% from commercial printing and other revenues. For the year ended December 31, 2012, our News Media operations generated revenues of $875.5 million and adjusted operating income of $105.1 million, with 64.4% of these revenues derived from advertising, 18.7% from circulation, 4.8% from digital revenues and 12.1% from commercial printing and other revenues.

***Canadian Newspaper Publishing Industry Overview***

Newspaper publishing is the oldest segment of the advertising based media industry in Canada. The industry is mature and is dominated by a small number of major newspaper publishers largely segmented in different markets and geographic areas. As of December 31, 2013, our News Media Segment's combined average weekly circulation (paid and unpaid) was approximately 10.5 million copies, according to internal statistics. In addition, according to the Newspapers Canada Circulation Data, Sun Media's 28.8% market share of weekly average circulation for Canadian daily paid newspapers makes our newspaper publishing operations the largest newspaper publisher in Canada in terms of weekly average circulation.

According to the Newspapers Canada Circulation Data, there are approximately 95 paid circulation daily newspapers, numerous paid non-daily publications and free-distribution daily and non-daily publications. Of the 95 paid circulation daily newspapers, 23 have average daily circulation in excess of 50,000 copies. These include 17 English-language metropolitan newspapers, four French language daily newspapers and two national daily newspapers. In addition to daily newspapers, both paid and unpaid non-daily newspapers are distributed nationally and locally across Canada. Newspaper publishers may also produce and distribute niche publications that target specific readers with customized editorial content and advertising. The newspaper market consists primarily of two segments, broadsheet and tabloid newspapers, which vary in format. With the exception of the broadsheet the *London Free Press*, all of Sun Media's urban paid daily newspapers are tabloids.

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

***Advertising and Circulation***

Advertising revenue is the largest source of revenue for our News Media operations, representing 61.1% of our newspaper operations' total revenues in 2013. Advertising rates are based upon the size of the market in which each newspaper operates, circulation, readership, demographic composition of the market and the availability of alternative advertising media. Our strategy is to maximize advertising revenue by providing advertisers with a range of pricing and marketing alternatives to better enable them to reach their target audience. Our newspapers offer a variety of advertising alternatives, including full-run advertisements in regular sections of the newspaper targeted to different readers (including automotive, real estate and travel), geographically targeted inserts, special interest pullout sections and advertising supplements.

The principal categories of advertising revenues in our newspaper operations are classified, retail and national advertising. Classified advertising is made up of four principal sectors: automotive, private party, recruitment and real estate, which appear in the classified section of our newspapers. Retail advertising is display advertising principally placed by local businesses and organizations. Most of our retail advertisers are department stores, electronics stores and furniture stores. National advertising is display advertising primarily from advertisers promoting products or services on a national basis, and sold through our national sales force.

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

We believe our advertising revenues are diversified not only by category (classified, retail and national), but also by customer and geography. For the year ended December 31, 2013, our top ten national advertisers accounted for approximately 13.4% of the total advertising revenue and approximately 8.2% of the total revenue of our News Media segment. In addition, because we sell advertising in numerous regional markets in Canada, the impact of a decline in any one market can be offset by strength in other markets.

Circulation sales are our newspaper operations' second-largest source of revenue and represented 20.0% of total revenues of our News Media segment in 2013. In the large urban markets, our paid daily newspapers are available through newspaper boxes and retail outlets Monday through Sunday, except the *London Free Press*, which does not publish a Sunday edition. We offer daily home delivery in each of our newspaper markets. We derive our circulation revenues from single copy sales and subscription sales. Our strategy is to increase circulation revenue by adding newspaper boxes and point-of-sale locations, as well as expanding home delivery. In order to increase readership, we target editorial content to identified groups through the introduction of niche products, and in recent years we have launched e-editions of a number of our newspapers.

Digital revenues represented 4.8% of total revenues for our News Media segment in 2013. Digital revenues are generated from advertising on our websites, digital subscriptions to the e-editions of our newspapers and more recently through paywalls launched in our urban daily newspaper websites. Our News Media segment operates over 150 websites, which include publication websites to complement each of its urban and community paid daily newspaper publications. Revenues from digital products represent a potential growth opportunity for our News Media operations. To this end, in 2012, the News Media segment completed an overhaul and re-launch of its paid urban daily and community websites to improve the look and feel of our publication websites while at the same time standardizing their format and design. Our strategy is to increase our digital revenues by improving the user's overall experience by offering rich and visually-appealing content, including photo galleries and video clips, as well as improved navigation and functionalities, which in turn should increase traffic to our websites and provide advertisers with compelling media platforms on which to reach their target audience.

Throughout 2013, Sun Media announced and implemented restructuring initiatives, including head count reductions to further streamline and optimize the segment's operations to focus on its core competencies.

***Newspaper Operations***

We operate our newspaper business through our Sun Media subsidiary in urban and community markets principally through two groups of products:

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

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

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

***The Urban Daily Group***

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

*Paid daily newspapers*

Sun Media's paid daily newspapers are published seven days a week and are all tabloids with the exception of the broadsheet the *London Free Press* which is also not published on Sundays. These are mass circulation newspapers that provide succinct and complete news coverage with an emphasis on local news, sports and entertainment. The tabloid format makes extensive use of color, photographs and graphics. Each newspaper contains inserts that feature subjects of interest such as fashion, lifestyle and special sections.

For the year 2013, on a combined weekly basis, the eight paid daily newspapers in Sun Media's Urban Daily Group had a circulation of approximately 5.0 million copies, according to internal statistics. These newspapers hold either the number one or number two position among non-national paid dailies in each of their respective markets in terms of weekly readership.

Paid circulation is defined as average sales of a newspaper per issue. Readership (as opposed to paid circulation) is an estimate of the number of people who read or looked into an average issue of a newspaper and is measured by an independent survey conducted by NADbank® Inc. According to the 2012 NADbank® study (the "**NADbank® Study**"), the most recent available survey, readership estimates are based upon the number of people responding to the Newspaper Audience Databank survey circulated by NADbank® Inc. who report having read or looked into one or more issues of a given newspaper during a given period equal to the publication interval of the newspaper.

The following table lists Sun Media's paid daily newspapers and their respective readership in 2012 as well as their market position versus other paid daily newspapers by weekly readership during that period, based on information provided in the NADbank® Study:

| | 2012 AVERAGE READERSHIP | | | MARKET POSITION |
|---|---|---|---|---|
| NEWSPAPER | SATURDAY | SUNDAY | MON-FRI | BY READERSHIP (1) |
| *Journal de Montréal* | 513,000 | 373,000 | 532,000 | 1st |
| *Journal de Québec* | 174,000 | 119,000 | 162,000 | 1st |
| *Toronto Sun* | 511,000 | 608,000 | 574,000 | 2nd |
| *London Free Press* | 142,000 | n/a | 153,000 | 1st |
| *Ottawa Sun* | 107,000 | 89,000 | 123,000 | 2nd |
| *Winnipeg Sun* | 83,000 | 70,000 | 108,000 | 2nd |
| *Edmonton Sun* | 108,000 | 124,000 | 137,000 | 2nd |
| *Calgary Sun* | 116,000 | 120,000 | 141,000 | 2nd |
| Total Average Readership | 1,754,000 | 1,503,000 | 1,930,000 | |

(1) Based on paid weekly readership of non-national newspapers data published by the NADbank® Study.

***Journal de Montréal.*** The *Journal de Montréal* is published seven days a week and is distributed by Quebecor Media Network Inc. ("**Quebecor Media Network**"). According to the Newspapers Canada Circulation Data, the *Journal de Montréal* ranks second in paid circulation among non-national dailies in Canada and first among French-language dailies in North America. The *Journal de Montréal* is the number one newspaper in its market in terms of weekly readership according to the NADbank® Study. The main competitors of the *Journal de Montréal* are *La Presse* and *The Montréal Gazette*. Its website is accessible at *www.journaldemontreal.com*.

The following table presents the average daily paid circulation of the *Journal de Montréal* for the periods indicated:

| | YEAR ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 2013 | 2012 | 2011 |
| ***Journal de Montréal*** | | | |
| Saturday | 232,800 | 248,800 | 256,400 |
| Sunday | 215,500 | 227,700 | 232,500 |
| Monday to Friday | 219,800 | 233,700 | 234,000 |

Source: Internal Statistics

***Journal de Québec.*** *The Journal de Québec* is published seven days a week and is distributed by Quebecor Media Network. The *Journal de Québec* is the number one newspaper in its market in terms of weekly readership according to the NADbank® Study. The main competitor of the *Journal de Québec* is *Le Soleil*. Its website is accessible at *www.lejournaldequebec.com*.

The following table presents the average daily paid circulation of the *Journal de Québec* for the periods indicated:

| | YEAR ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 2013 | 2012 | 2011 |
| ***Journal de Québec*** | | | |
| Saturday | 108,000 | 114,100 | 116,800 |
| Sunday | 99,400 | 98,900 | 103,400 |
| Monday to Friday | 98,400 | 100,500 | 100,800 |

Source: Internal Statistics

***Toronto Sun***. The *Toronto Sun* is published seven days a week throughout the greater metropolitan Toronto area. The *Toronto Sun* is the number two non-national daily paid newspaper in its market in terms of weekly readership according to the NADbank® Study.

The Toronto newspaper market is very competitive. The *Toronto Sun* competes with Canada's largest newspaper, the *Toronto Star* and to a lesser extent with the *Globe & Mail* and the *National Post*, which are national newspapers. As a tabloid newspaper, the Toronto Sun has a unique format compared to these broadsheet competitors. The competitiveness of the Toronto newspaper market is further increased by several free publications and niche publications relating to, for example, entertainment and television. Its website is accessible at *www.torontosun.com*.

The following table presents the average daily paid circulation of the *Toronto Sun* for the periods indicated:

| | YEAR ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 2013 | 2012 | 2011 |
| ***Toronto Sun*** | | | |
| Saturday | 126,900 | 138,300 | 141,400 |
| Sunday | 164,700 | 177,500 | 193,800 |
| Monday to Friday | 139,700 | 161,600 | 166,300 |

Source: Internal Statistics

***London Free Press.*** The *London Free Press*, one of Canada's oldest daily newspapers, emphasizes national and local news, sports and entertainment and is distributed throughout the London area. It is the only local daily paid newspaper in its market and is published six days a week, Monday through Saturday. Its website is accessible at *www.lfpress.com*.

The following table reflects the average daily paid circulation of the London Free Press for the periods indicated:

| | YEAR ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 2013 | 2012 | 2011 |
| ***London Free Press*** | | | |
| Saturday | 83,300 | 75,300 | 77,600 |
| Monday to Friday | 78,300 | 69,500 | 70,600 |

Source: Internal Statistics

***Ottawa Sun.*** The *Ottawa Sun* is published seven days a week and is distributed throughout the Ottawa region. The *Ottawa Sun* is the number two newspaper in its market in terms of weekly readership according to the NADbank®Study. It competes daily with the English-language broadsheet, the *Ottawa Citizen*, and also with the French language paper, *Le Droit*. Its website is accessible at *www.ottawasun.com*.

The following table reflects the average daily paid circulation of the *Ottawa Sun* for the periods indicated:

| | YEAR ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 2013 | 2012 | 2011 |
| ***Ottawa Sun*** | | | |
| Saturday | 32,200 | 33,000 | 34,800 |
| Sunday | 34,700 | 36,700 | 37,200 |
| Monday to Friday | 37,700 | 41,500 | 43,700 |

Source: Internal Statistics

***Winnipeg Sun.*** The *Winnipeg Sun* is published seven days a week and serves the metropolitan Winnipeg area. The *Winnipeg Sun* is the number two newspaper in its market in terms of weekly readership according to the NADbank® Study, and it competes with the *Winnipeg Free Press*. Its website is accessible at *www.winnipegsun.com*.

The following table reflects the average daily paid circulation of the *Winnipeg Sun* for the periods indicated:

| | YEAR ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 2013 | 2012 | 2011 |
| ***Winnipeg Sun*** | | | |
| Saturday | 20,000 | 23,300 | 28,400 |
| Sunday | 21,200 | 24,600 | 30,100 |
| Monday to Friday | 19,200 | 23,000 | 28,200 |

Source: Internal Statistics

***Edmonton Sun.*** The *Edmonton Sun* is published seven days a week and is distributed throughout Edmonton. The *Edmonton Sun* is the number two newspaper in its market in terms of weekly readership according to the NADbank® Study, and it competes with Edmonton's broadsheet daily, the *Edmonton Journal*. Its website is accessible at *www.edmontonsun.com*.

The following table presents the average daily paid circulation of the *Edmonton Sun* for the periods indicated:

| | YEAR ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 2013 | 2012 | 2011 |
| ***Edmonton Sun*** | | | |
| Saturday | 36,100 | 40,600 | 43,100 |
| Sunday | 52,400 | 57,200 | 53,500 |
| Monday to Friday | 37,500 | 41,900 | 45,800 |

Source: Internal Statistics

***Calgary Sun.*** The *Calgary Sun* is published seven days a week and is distributed throughout Calgary. The *Calgary Sun* is the number two newspaper in its market in terms of weekly readership according to the NADbank® Study, and it competes with Calgary's broadsheet daily, the *Calgary Herald*. Its website is accessible at *www.calgarysun.com*.

The following table presents the average daily circulation of the *Calgary Sun* for the periods indicated:

| | YEAR ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 2013 | 2012 | 2011 |
| ***Calgary Sun*** | | | |
| Saturday | 39,800 | 44,900 | 47,100 |
| Sunday | 50,100 | 54,600 | 56,600 |
| Monday to Friday | 38,100 | 42,700 | 45,700 |

Source: Internal Statistics

*Free daily newspapers*

Sun Media publishes free daily commuter publications in three urban markets: Toronto, Montréal and Vancouver. The editorial content of these free daily commuter publications concentrates on the greater metropolitan area of each of these cities, respectively.

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

| | Year ended December 31, | | |
|---|---|---|---|
| FREE DAILY COMMUTER PUBLICATIONS | 2013 | 2012 | 2011 |
| *24 Hours — Toronto* | 237,100 | 247,100 | 238,600 |
| *24 Heures — Montréal* | 160,500 | 159,100 | 153,200 |
| *24 Hours — Vancouver* | 115,000 | 118,100 | 123,100 |

Source: Internal Statistics

*Competition*

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

The rate of development of opportunities in, and competition from, these digital media services, including those related to the Internet, is increasing. Through internal development programs, joint initiatives among Quebecor Media and its subsidiaries, and acquisitions, our efforts to explore new opportunities in news, information and communications businesses have expanded and will continue to do so. For instance, in order to leverage synergies and convergence among our subsidiaries, we have launched e-editions of a number of Sun Media's newspapers, we have transferred the printing of several of our publications to two state-of-the-art facilities owned by Quebecor Media Printing (our wholly-owned subsidiary) and our News Media business is sharing editorial content with QMI Agency. In addition, with the creation of QMI National Sales, we have integrated our advertising assets to offer our clients global, integrated and multiplatform advertising and marketing solutions. In 2012, we completed an overhaul and re-launch of our Urban Daily and Community publication websites to improve the look and feel of our publication websites while at the same time standardizing their format and design.

We believe that the high cost associated with starting a major daily newspaper operation represents a barrier to entry to potential new competitors of Sun Media's Urban Daily Group.

***The Community Newspaper Group***

Sun Media's Community Newspaper Group consists of 28 paid daily community newspapers, 107 community weekly newspapers and shopping guides, and 33 agricultural and other specialty publications. The total average weekly circulation of the publications in Sun Media's Community Newspaper Group for the year ended December 31, 2013 was approximately 1.5 million free copies and approximately 1.4 million paid copies, according to internal statistics. On December 5, 2013, Quebecor Media announced the closing of the TC Transaction. The TC Transaction is subject to approval by the Competition Bureau, the applicable Canadian regulatory authority. While the TC Transaction is under review and pending the approval from the regulatory authorities, Sun Media will continue publishing the weekly publications.

The table below sets forth the average daily paid circulation and geographic location of the daily newspapers published by Sun Media's Community Newspaper Group for the year ended December 31, 2013:

| NEWSPAPER (1) | LOCATION | AVERAGE DAILY PAID CIRCULATION |
|---|---|---|
| *The Standard* | St. Catharines, Ontario | 24,300 |
| *The Kingston Whig-Standard* | Kingston,Ontario | 18,300 |
| *Niagara Falls Review* | Niagara Falls, Ontario | 14,300 |
| *The Expositor* | Brantford, Ontario | 14,200 |
| *The Tribune* | Welland, Ontario | 12,000 |
| *The Sault Star* | Sault Ste Marie, Ontario | 11,500 |
| *The Sudbury Star* | Sudbury, Ontario | 11,200 |
| *The Peterborough Examiner* | Peterborough, Ontario | 11,200 |
| *The Sun Times* | Owen Sound, Ontario | 10,900 |
| *The Observer* | Sarnia, Ontario | 10,800 |
| *North Bay Nugget* | North Bay, Ontario | 9,700 |
| *Cornwall Standard Freeholder* | Cornwall, Ontario | 8,700 |
| *The Intelligencer* | Belleville, Ontario | 7,900 |
| *The Recorder & Times* | Brockville, Ontario | 6,900 |
| *Beacon Herald* | Stratford, Ontario | 6,600 |
| *The Chatham Daily News* | Chatham, Ontario | 6,300 |
| *The Daily Press* | Timmins, Ontario | 5,800 |
| *Packet & Times* | Orillia, Ontario | 4,200 |
| *Simcoe Reformer* | Simcoe, Ontario | 4,100 |
| *The Barrie Examiner* | Barrie, Ontario | 4,000 |
| *Sentinel-Review* | Woodstock,Ontario | 3,700 |
| *The Daily Observer* | Pembroke, Ontario | 3,600 |
| *Daily Herald Tribune* | Grande Prairie, Alberta | 3,600 |
| *St. Thomas Time-Journal* | St.Thomas,Ontario | 3,400 |
| *Northumberland Today* | Northumberland, Ontario | 3,300 |
| *Kenora Daily Miner & News* | Kenora, Ontario | 1,800 |
| *Fort McMurray Today* | Fort McMurray, Alberta | 1,600 |
| *Portage Daily Graphic* | Portage La Prairie, Manitoba | 800 |
| **Total Average Daily Paid Circulation** | | **224,700** |

Source: Internal Statistics

(1) The listed newspapers are published at least five days per week, except for the Kenora Daily Miner & News, Portage Daily Graphic and North Bay Nugget, which are published four days per week.

The number of community publications presented on a regional basis is as follows:

| Province(1) | Number of Publications |
|---|---|
| Ontario | 118 |
| Alberta | 37 |
| Manitoba | 10 |
| Saskatchewan | 3 |
| **Total Publications** | **168** |

Source: Internal Statistics

(1) The number of community publications presented in this table do not present any community publication in Québec, reflecting the sale of the 74 Québec weeklies pursuant to the TC Transaction notwithstanding the pending approval from the Competition Bureau for the TC Transaction.

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

*Competition*

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

***Other Operations***

***Commercial Printing***

Our national network of production and printing facilities enables us to provide printing services for web press (coldset and heatset) and sheetfed products, and graphic design for print and electronic media. Web presses utilize rolls of newsprint, whereas sheetfed presses use individual sheets of paper. Heatset web presses, which involve a more complex process than coldset web presses, are generally associated with printing on glossy paper. These operations provide commercial printing services for both Sun Media's internal printing needs and for third parties. Sun Media's printing facilities include nine printing facilities for its urban and community daily publications and six other printing facilities operated by the Sun Media's Community Newspaper Group in four provinces. Through our wholly-owned subsidiary Quebecor Media Printing, we operate two state-of-the-art printing facilities located in Islington, Ontario, and Mirabel, Québec.

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

***Distribution Network***

Quebecor Media Network distributes dailies, weeklies, magazines and print media and reaches approximately 200,000 households and 13,000 retail outlets through its operations in the Province of Québec.

***Television***

*Sun News* was launched in April 2011 and offers comprehensive coverage of the events that impact Canadian society and the country's political and economic life. Sun News General Partnership is a partnership owned by Sun Media (51%) and TVA Group (49%). For additional information see "— Broadcasting" below.

***Internet/Portals***

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

*Media Properties*

The News Media segment operates the following portals and destination sites:

- *Canoe Network* (*canoe.ca*), a bilingual portal with more than 260 million page views in December 2013, according to internal statistics;
- Sun Media dedicated websites for its corresponding weekly and daily newspapers (such as *www.torontosun.com*, *www.edmontonsun.com*, *www.journaldequebec.com* and *www.journalde montreal.com*), which provide local and national news; and

- *Canoe.tv*, the first Canadian web broadcaster with unique content commissioned by *Canoe.tv* in addition to video content from traditional sources including Quebecor Media, the Sun Media network of newspapers and various external partners.

*E-commerce Properties*

The following e-commerce properties are included under the *Canoe Network* umbrella:

- *Autonet.ca*, one of Canada's leading Internet sites devoted entirely to automobiles;
- Our local classified sites attached to our large urban newspaper brands, through which visitors can view more than 125,000 classified ads, reaching potential purchasers across the country by integrating more than 170 dailies and community newspapers;
- *YourLifeMoments.ca*, Sun Media's premier site for announcing, celebrating, sharing all of life's special moments. *YourLifeMoments.ca* publishes an average of 2,000 announcements every week from over 170 dailies and community newspapers and is the leader in Canada in this niche market; and
- *Micasa.ca*, one of the leading real-estate listing sites in the Province of Québec, providing comprehensive property listing services available to all real estate brokers as well as individual homeowners.

In the second quarter of 2011, all of the internet portals that were formerly owned by Canoe Inc. (other than Réseau Contact and Jobboom which were transferred to Videotron and subsequently sold to a third party) were transferred to Sun Media, including the *Canoe Network*, which logs over 9.6 million unique visitors per month in Canada, including more than 5.1 million in the Province of Québec, and ranks as the number one general news destination in Canada (according to ComScore Media Metrix figures for December 2013).

***Seasonality and Cyclicality***

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

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

***Raw Materials***

Newsprint, which is the basic raw material used to publish newspapers, has historically been and may continue to be subject to significant price volatility. During 2013, the total newsprint consumption of our newspaper operations was approximately 123,900 metric tonnes. Newsprint represents our single largest raw material expense and one of our most significant operating costs. Newsprint expense represented approximately 8.7% ($59.8 million) of our News Media segment's operating expenses for the year ended December 31, 2013. Changes in the price of newsprint could significantly affect our earnings, and volatile or increased newsprint costs have had, and may in the future have, a material adverse effect on our results of operations and our financial condition. We manage the effects of newsprint price increases through a combination of, among other things, waste management, technology improvements, web width reduction, inventory management, and by controlling the mix of editorial versus advertising content.

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

**Broadcasting**

Through TVA Group, we operate the largest private French-language television network in North America as well as eight specialty services. Through TVA Group, we hold a minority interest in the specialty channel *Evasion*. As well, TVA Group holds a 49% interest in the English-langage news and opinion specialty channel Sun News General Partnership, in partnership with Sun Media which holds 51%. Sun News is part of the Broadcasting segment. According to data published by the BBM People Meters (which is based on a measurement methodology using audiometry), we had a 31.6% market share of French-speaking viewers in the Province of Québec for the period from January 1, 2013 through December 31, 2013 and, according to the Canadian TVB Report for the period from January 1, 2013 through December 31, 2013, our share of the Province of Québec's French-language broadcast television advertising market was 40.1%.

For the period from January 1, 2013 through December 31, 2013, we aired 17 of the 30 most popular TV programs in the Province of Québec, including *La Voix* and *Le Banquier-Spécial Céline Dion*. In addition, for the same period in 2012, the Réseau TVA ("**TVA Network**") had 23 of the top 30 French-language prime time television shows in the Province of Québec, according to BBM People Meter data. Since May 1999, the TVA Network, which consists of ten stations, has been included in the basic channel line-up of most cable and satellite providers across Canada, enabling us to reach a significant portion of the French-speaking population of Canada outside the Province of Québec.

TVA Group also publishes more than 50 magazines, making it Quebec's largest publisher of French-language magazines. TVA Group also offers custom publishing, commercial printed production services and premedia services that promote customers' trademarks through print media.

As at December 31, 2013, we own 51.45% of the equity and control 99.97% of the voting power in TVA Group.

For the twelve months ended December 31, 2013, our Broadcasting operations generated revenues of $458.9 million and adjusted operating income of $45.4 million. For the year ended December 31, 2012, our Broadcasting operations generated revenues of $457.6 million and adjusted operating income of $33.4 million.

***Canadian Television Industry Overview***

Canada has a well-developed television market that provides viewers with a range of viewing alternatives.

There are three main French language broadcast networks in the Province of Québec: Société Radio-Canada, "V" and TVA Network. In addition to French language programming, there are three English-language national broadcast networks in the Province of Québec: the Global Television Network, CTV and the Canadian Broadcasting Corporation, known as CBC. Global Television Network, V and CTV are privately held and are commercial networks. CBC and Société Radio-Canada are government owned and financed by a combination of federal government grants and advertising revenue. French language viewers in the Province of Québec also have access to certain U.S. networks.

Drama and comedy programming are the most popular genres with French speaking viewers, followed by news and other information programming. Viewing trends by French speaking viewers are predominantly to French Canadian programs in all genres, with the exception of drama and comedy programs where the viewing has remained evenly split between Canadian and foreign programs.

The following table sets forth the market share of French speaking viewers in the Province of Québec as of December 31, 2013:

| Network | Share of Province of Québec Television |
|---|---|
| **TVA Network** | 23.5% |
| Société Radio-Canada | 13.2% |
| V | 8.1% |
| TVA Group's French language specialty TV | 8.1% |
| Various French language specialty and pay cable TV | 36.7% |
| Others | 10.4% |

Source: BBM People Meters 2013 for the period between January 1, 2013 and December 31, 2013.

***Television Broadcasting***

***Broadcast Network***

Our French language network of ten stations, which consists of six owned and four affiliated stations, is available to a significant portion of the French speaking population in Canada.

Our owned and operated stations include: CFTM-TV in Montréal, CFCM-TV in Québec City, CHLT-TV in Sherbrooke, CHEM-TV in Trois-Rivières, CFER-TV in Rimouski Matane-Sept-Iles and CJPM-TV in Saguenay/Lac-St-Jean. Our four affiliated stations are CFEM-TV in Rouyn, CHOT-TV in Gatineau, CHAU-TV in Carleton and CIMT-TV in Rivière-du-Loup. We own a 45% interest of the latter two. A substantial portion of our network's broadcast schedule is originated from our main station in Montréal. Our signal is transmitted from transmission and retransmission sites authorized by Industry Canada and licensed by the CRTC and is also retransmitted by satellite elsewhere in Canada as a distant signal by various modes of authorized distribution: cable, direct-to-home satellite distribution and multi channel MDS.

TVA Group's website is accessible at *groupetva.ca*.

***Specialty Broadcasting***

Through various subsidiaries, we control or participate in the following 10 specialty services: *LCN*, a French-language all news service, *Évasion*, a French-language travel and tourism service, *Argent*, a French-language economic, business and personal finance news service, *addikTV*, a national French-language specialty television service dedicated to the presentation of popular Canadian and American movies and television series, *Prise 2*, a French-language specialty television service devoted to the Province of Québec and American television classics, *MOI&cie* (formerly "Mlle"), a French-language specialty television service dedicated to style, beauty and the well-being of Québec women, *CASA*, a French-language specialty television service devoted to real estate, renovation, decoration and cooking, *YOOPA*, a French-language specialty television service aimed exclusively at preschoolers, *TVA Sports*, a French-language specialty television service devoted to sports, and *Sun News*, a national English-language specialty television service focused on news and opinion. Each of TVA Group's specialty channels has its own dedicated website.

| *Type of Service* | Language | Voting Interest |
|---|---|---|
| ***Category A Digital Specialty Services:*** | | |
| • *addikTV* | French | 100.0% |
| • *Argent (LCN—Affaires)* | French | 100.0% |
| • *Évasion* | French | 8.3% |
| ***Category B Digital Specialty Services:*** | | |
| • *Prise 2* | French | 100.0% |
| • *CASA* | French | 100.0% |
| • *YOOPA* | French | 100.0% |
| • *MOI&cie (formerly "Mlle")* | French | 100.0% |
| ***Category C Digital Specialty Services:*** | | |
| • *LCN — Le Canal Nouvelles* | French | 100.0% |
| • *TVA Sports* | French | 100.0% |
| • *Sun News (through TVA Group and Sun Media)* | English | 100.0% |

***Advertising Sales and Revenue***

We derive a majority of our revenues from the sale of air-time to national, regional and local advertisers. For the twelve-month period ended December 31, 2013, we derived approximately 72% of our advertising revenues from national advertisers and 28% from regional and local advertisers.

***Programming***

We produce a variety of French language programming, including a broad selection of entertainment, news and public affairs programming. We actively promote our programming and seek to develop viewer loyalty by offering a consistent programming schedule.

A part of our programming is produced by our wholly-owned subsidiary, TVA Productions Inc. Through TVA Productions Inc. (and its affiliate TVA Productions II inc.), we produced approximately 1,560 hours of original programming from January 1, 2013 through December 31, 2013, consisting primarily of morning and general interest shows, reality shows, variety shows and quiz shows.

The remainder of our programming is comprised of foreign and Canadian independently produced programming.

***Publishing Activities***

TVA Publications Inc. ("**TVA Publications**") and Les Publications Charron & Cie Inc. ("**Publications Charron**") publish French-language magazines in various fields such as arts, entertainment, television, fashion and decoration. They also market digital products associated with the different magazine brands. Together, TVA Publications and Publications Charron magazines hold 58% of cumulative monthly Québec French-language readership, according to data compiled by the PMB (Print Measurement Bureau – Fall 2013). TVA Publications is the leading magazine publisher in the Province of Québec and we expect to leverage its focus on entertainment across our television and Internet programming.

**Leisure and Entertainment**

Our activities in the Leisure and Entertainment segment consist primarily of retailing CDs, books, DVDs, Blu-ray discs, musical instruments, games and toys, video games, gifts and magazines through the Archambault chain of stores and the *archambault.ca* e-commerce site, online sales of downloadable music and ebooks through the *archambault.ca* e-commerce site, distribution of CDs, DVDs and Blu-ray discs (through Select, a division of Archambault Group), online music distribution by way of file transfer and streaming music service (through Select Digital, a division of Archambault Group), music recording and video production (through Musicor, a division of Archambault Group), the recording of live concerts, the production of live-event video shows and television advertising (through Les Productions Select TV Inc., a subsidiary of Archambault Group) and the production of music shows and concerts (through Musicor Spectacles, a division of Archambault Group). Through its production capacity made possible with Musicor Spectacles and Les Productions Select TV, Archambault Group is now fully integrated in Canada's music industry, as a producer of a wider offering of media solutions, and a growing participant in the live-event production industry.

We are also involved in book publishing and distribution through academic publisher CEC Publishing Inc. ("**CEC Publishing**"), 18 general literature publishers under the Groupe Sogides Inc. ("**Sogides Group**") umbrella, and Messageries A.D.P. Inc. ("**Messageries ADP**"), the exclusive distributor for approximately 200 Québec and European French-language publishers.

We are also engaged in retail and rental of DVDs, Blu-ray discs and console games through our Le SuperClub Vidéotron subsidiary and its franchise network. The segment also includes the QMHJL hockey team Armada de Blainville-Boisbriand, Québec video game developer BlooBuzz Studios Inc., established in February 2012, and e-book solutions provider Readbooks SAS. Finally, since May 2013, our Leisure and Entertainment segment includes the activities of Gestev, a Québec City sports and cultural events manager.

For the year ended December 31, 2013, the Leisure and Entertainment segment generated revenues of $298.9 million and had an adjusted operating income of $16.6 million. For the year ended December 31, 2012, the revenues of our Leisure and Entertainment segment totalled $311.6 million and adjusted operating income totalled $25.1 million.

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

Archambault Group is one of the largest chains of music and book stores in the Province of Québec with 16 retail locations, consisting of 15 Archambault megastores and one Paragraph bookstore. Archambault Group also offers a variety of games, toys and other gift ideas. Archambault Group's products are also distributed through its website archambault.ca. Archambault Group also operates music and books downloading services with per-item fees and offers streaming music service through www.zik.ca.

Archambault Group, through Select, is also one of the largest independent music distributors in Canada with 21% of the Province of Québec market and 61% of the Province of Québec French market. Select has a catalogue of over 7,400 different CDs, LPs or other audio formats and 1,627 DVDs, VHS or other video formats, a large number of which are from French speaking artists. In addition, Archambault Group, through Select Digital, is a digital aggregator of downloadable products with a selection of approximately 135,000 songs available through 196 retailers worldwide.

Through Le SuperClub Vidéotron, we are the franchisor of the largest chain of video and video game rental stores in the Province of Québec and among the largest of such chains in Canada. We had a total of 180 retail locations as of December 31, 2013. With the majority of these retail locations offering our suite of telecommunication services and products, Le SuperClub Vidéotron is both a showcase and a valuable and cost-effective distribution network for Videotron's growing array of advanced products and services, such as cable Internet access, digital television and cable and mobile telephony.

***Book Publishing and Distribution***

Through Sogides Group (which is comprised of 18 publishing houses: six in Librex Group Inc., namely *Éditions Libre Expression*, *Éditions Internationales Alain Stanké*, *Éditions Logiques*, *Éditions du Trécarré, Éditions Publistar* and *Les Éditions Québec-Livres*, six in Groupe l'Homme, namely Les Éditions de l'Homme, *Le Jour Éditeur*, *Utilis*, *Les Presses Libres*, *Petit Homme* and *La Griffe*, four in Le Groupe Ville-Marie Littérature inc., namely Les Éditions de l'Hexagone, VLB Éditeur, Typo and Les Éditions La Bagnole, two in Charron Éditeur, namely *Éditions La Semaine* and *Recto/Verso, éditeur*) and the academic publisher CEC Publishing, we are involved in French-language book publishing and we form one of the Province of Québec's largest book publishing groups. In 2013, we published or reissued a total of 728 titles in paper format and 419 titles in digital format.

Through Messageries ADP, our book distribution company, we are the exclusive distributor for 200 Québec and European French-language publishers. We distribute French-language books to approximately 3,000 retail outlets in Canada. In addition, Messageries ADP distributes approximately 9,000 digital books.

***Ownership***

We own 100% of the issued and outstanding capital stock of Archambault Group, CEC Publishing and Sogides Group.

**Interactive Technologies and Communications**

Through Nurun, we provide interactive communication and technology services in North America, Europe and China. Nurun helps companies and other organizations develop innovative interactive products, including interface design, technical platform implementation, which includes e-commerce, online marketing programs, client relationships and social media strategy. Nurun's clients include organizations and multinational corporations such as L'Oréal, Groupe Danone, Jean Coutu Group, Tag Heuer, Videotron, Home Depot, Google, Sony, McDonald's, Walmart Canada, Pirelli, Sky Italy BBVA and the Government of Québec.

For the year ended December 31, 2013, our Interactive Technologies and Communications segment (including Odopod) generated revenues of $139.2 million and adjusted operating income of $14.4 million. For the year ended December 31, 2012, our Interactive Technologies and Communications segment generated revenues of $145.5 million and adjusted operating income of $9.8 million.

***Ownership***

We own 100% of the equity and voting interest in Nurun.

**Intellectual Property**

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

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

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

**Insurance**

Quebecor Media is exposed to a variety of operational risks in the normal course of business, the most significant of which are transferred to third parties by way of insurance agreements. Quebecor Media maintains insurance coverage through third parties for property and casualty losses. Quebecor Media believes that it has a combination of third-party insurance and self-insurance sufficient to provide adequate protection against unexpected losses, while minimizing costs.

**Environment**

Some of our operations are subject to Canadian, provincial and municipal laws and regulations concerning, among other things, emissions to the air, water and sewer discharge, handling and disposal of hazardous materials, the recycling of waste, the soil remediation of contaminated sites, or otherwise relating to the protection of the environment. Laws and regulations relating to workplace safety and worker health, which among other things, regulate employee exposure to hazardous substances in the workplace, also govern our operations.

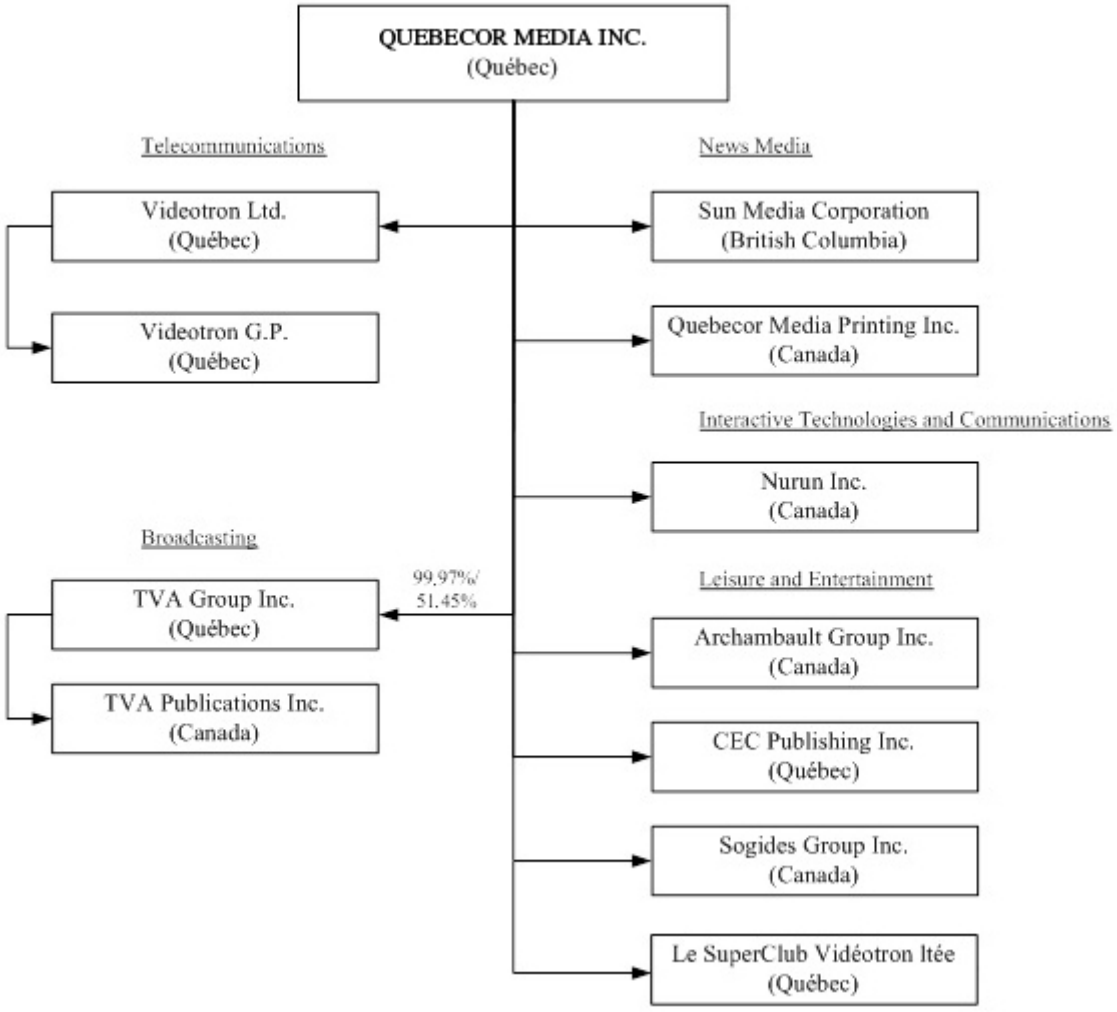
Compliance with these laws has not had, and management does not expect it to have, a material effect upon our capital expenditures, net income or competitive position. Environmental laws and regulations and the interpretation of such laws and regulations, however, have changed rapidly in recent years and may continue to do so in the future. We have monitored the changes closely and have modified our practices where necessary or appropriate. For example, Québec's regulation on the recovery and reclamation of products by enterprises officially came into force on July 13, 2011. This regulation requires certain subsidiaries of Quebecor Media, specifically Videotron, to implement a recycling program or to become member of a program from an organization accredited by Recyc-Québec. Recovery rates are stipulated for different categories of products commercialized by companies to which this regulation applies. Starting in 2015, penalties will be imposed upon those companies which fail to achieve the recovery targets set forth in the regulation and will vary as a function of the amount of products commercialized and the actual recovery rates of the company, with potential penalties reaching up to $600,000 annually and with fines for non compliance ranging between $5,000 and $250,000.

Our properties, as well as areas surrounding those properties, particularly those in areas of long-term industrial use, may have had historic uses, or may have current uses, in the case of surrounding properties, which may affect our properties and require further study or remedial measures.

We are not currently conducting or planning any material study or remedial measure. Furthermore, we cannot provide assurance that all environmental liabilities have been determined, that any prior owner of our properties did not create a material environmental condition not known to us, that a material environmental condition does not otherwise exist as to any such property, or that expenditure will not be required to deal with known or unknown contamination.

**C - Organizational Structure**

The following chart illustrates the relationship among Quebecor Media and its significant operating subsidiaries and holdings as of December 31, 2013 and indicates the jurisdiction of incorporation of each entity. In each case, unless otherwise indicated, Quebecor Media owns a 100% equity and voting interest in its subsidiaries (where applicable, the number on the top indicates the percentage of equity owned directly and indirectly by Quebecor Media and the number on the bottom indicates the percentage of voting rights held).




Quebecor, a communications holding company, owns 75.4% of Quebecor Media and CDP Capital, a wholly-owned subsidiary of CDPQ, owns the other 24.6% of Quebecor Media. Quebecor's primary asset is its interest in Quebecor Media. The CDPQ is one of Canada's largest pension fund managers.

**D - Property, Plants and Equipment**

Our corporate offices are located in leased space at 612 St-Jacques Street, Montréal, Québec, Canada H3C 4M8.

**Telecommunications**

Videotron's corporate offices are located in leased space at 612 St-Jacques Street, Montréal, Québec, Canada H3C 4M8, (187,592 square feet) in the same building as Quebecor Media's head office. Videotron also owns several buildings in Montréal, the largest building of which is located at 2155 Pie IX Street in Montréal (approximately 128,000 square feet). Videotron also owns a building located at 150 Beaubien Street in Montréal (approximately 72,000 square feet). Videotron leases approximately 52,000 square feet of office space in a building located at 800 de la Gauchetière Street in Montréal to accommodate staffing growth. Videotron also leases approximately 54,000 square feet in a building located at 4545 Frontenac Street in Montréal and 47,000 square feet in a building located at 888 De Maisonneuve Street in Montréal. In Québec City, Videotron owns a building of approximately 40,000 square feet located at 2200 Jean-Perrin Street where its regional headend for the Québec City region is situated. Videotron also owns or leases a significant number of smaller locations for signal reception sites and customer service and business offices.

**News Media**

Sun Media's corporate offices are located at 612 St-Jacques Street, Montreal, Québec, Canada, H3C 4M8, in the same building as Quebecor Media's head office.

The following table presents the addresses, the square footage and primary use of the main facilities and other buildings of our newspaper operations. No other single property currently used in our News Media segment exceeds 50,000 square feet. Unless stated otherwise, we own all of the properties listed below.

| Address | Use of Property | Floor Space Occupied (sq. ft.) |
|---|---|---|
| Islington, Ontario<br>2250 Islington Avenue | Operations building, including printing plant — Toronto Sun<br>*24 Hours* (Toronto) | 546,900 |
| Mirabel, Québec<br>12800 Brault Street | Operations building, including printing plant — Journal de Montréal<br>*24 Heures* (Montréal) | 235,000 |
| London, Ontario<br>369 York Street | Operations building, including printing plant — *London Free Press* | 146,900 |
| Calgary, Alberta<br>2615-12 Street NE | Operations building, including printing plant — *Calgary Sun* | 90,000 |
| Vanier, Québec<br>450 Bechard Avenue | Operations building, including printing plant — *Journal de Québec* | 56,900 |
| Toronto, Ontario<br>333 King Street East | Operations building — Toronto Sun<br>*(leased until 2020)* | 71,700 |

| Address | Use of Property | Floor Space Occupied (sq. ft.) |
|---|---|---|
| Montréal, Québec<br>4545 Frontenac Street [(2)] | Operations building —<br>*Journal de Montréal* | 138,200 |
| Winnipeg, Manitoba<br>1700 Church Avenue | Operations building, including printing plant —<br>*Winnipeg Sun* | 63,000 |
| Edmonton, Alberta<br>9300-47 Street | Printing plant —<br>*Edmonton Sun* | 50,700 |

**Television Broadcasting**

Our television broadcasting operations are mainly carried out in Montréal at 1600 De Maisonneuve Boulevard East in a complex of four buildings owned by us which represent a total of approximately 650,000 square feet. We also own buildings in Québec City, Chicoutimi, Trois-Rivières, Rimouski, and Sherbrooke for local broadcasting and lease space in Longueuil for TVA Publications.

**Leisure and Entertainment segment and Interactive Technologies and Communications segment**

We generally lease space for the business offices, retail outlets and warehousing activities for the operation of our Leisure and Entertainment segment. Business offices for our Interactive Technologies and Communications operations are also primarily leased.

**Liens and charges**

Borrowings under our senior secured credit facilities and under eligible derivative instruments are secured by a first-ranking hypothec and security agreement (subject to certain permitted encumbrances) on all of our movable property (chattels). Our subsidiaries' credit facilities are generally secured by first-ranking charges over all of their respective assets, except for TVA Group credit facilities which are unsecured.

**E - Regulation**

**Foreign Ownership Restrictions Applicable under the Telecommunications Act**

On June 29, 2012, the Government of Canada's omnibus budget implementation bill (C-38) received Royal Assent. Included in the bill were provisions to exempt telecommunications companies with less than 10% of total Canadian telecommunications market revenues from foreign investment restrictions under the Telecommunications Act. Companies that are successful in growing their market shares in excess of 10% of total Canadian telecommunications market revenues other than by way of merger or acquisition will continue to be exempt from the restrictions.

**Ownership and Control of Canadian Broadcast Undertakings**

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

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

***"Diversity of Voices"***

The CRTC's Broadcasting Public Notice CRTC 2008-4, entitled "Diversity of Voices," sets forth the CRTC's policies with respect to cross-media ownership; the common ownership of television services, including pay and specialty services; and the common ownership of broadcasting distribution undertakings ("BDUs"). This Notice operates in tandem with the CRTC's other policies with respect to the common ownership of over-the-air ("OTA") television and radio undertakings. Pursuant to these policies, the CRTC will generally permit ownership by one person of no more than one conventional television station in one language in a given market. The CRTC, as a general rule, will not approve applications for a change in the effective control of broadcasting undertakings that would result in the ownership or control, by one person, of a local radio station, a local television station and a local newspaper serving the same market. Where a person that controls a local radio station and a local television station acquires a local newspaper serving the same market, the CRTC will, at the earliest opportunity, require the licensee to explain why, in light of this policy, its radio or television license(s) should be renewed. The CRTC, as a general rule, will not approve applications for a change in effective control that would result in the control, by one person, of a dominant position in the delivery of television services to Canadians that would impact on the diversity of programming available to television audiences. In terms of BDUs, the CRTC, as a general rule, will not approve applications for a change in the effective control of BDUs in a market that would result in one person being in a position to effectively control the delivery of programming services in that market. The CRTC is not prepared to allow one person to control all BDUs in any given market.

**Jurisdiction Over Canadian Broadcast Undertakings**

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

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

**Canadian Broadcasting Distribution (Cable Television)**

***Licensing of Canadian Broadcasting Distribution Undertakings***

A cable distribution undertaking distributes broadcasting services to customers predominantly over closed transmission paths. A license to operate a cable distribution undertaking gives the cable television operator the right to distribute television programming services in its licensed service area. Broadcasting licenses may be issued for periods not exceeding seven years and are usually renewed, except in particular circumstances or in cases of a serious breach of the conditions attached to the license or the regulations of the CRTC. The CRTC is required to hold a public hearing in connection with the issuance, suspension or revocation of a license. Videotron operates 52 cable systems pursuant either to the issuance of a license or of an order that exempts certain network operations from the obligation to hold a license.

Cable systems with 20,000 customers or fewer and operating their own local headend are exempted from the obligation to hold a license pursuant to exemption orders issued by the CRTC on February 15, 2010 (Broadcasting Order CRTC 2009-544). These cable systems are required to comply with a number of programming carriage requirements set out in the exemption order and comply with the Canadian ownership and control requirements in the Direction to the CRTC. Pursuant to Decision CRTC 2010-87, Videotron remains with only 8 cable system licenses.

In order to conduct our business, we must maintain our broadcasting distribution undertaking licenses in good standing. Failure to meet the terms of our licenses may result in their short-term renewal, suspension, revocation or non-renewal. We have never failed to obtain a license renewal for any cable systems.

On November 27, 2013 the CRTC issued administrative renewals, until August 31, 2015, for the following cable distribution licenses: Gatineau and surrounding areas (Aylmer, Gatineau, Hull), Montreal, Montreal (West), Québec and Terrebonne.

***Distribution of Canadian Content***

The *Broadcasting Distribution Regulations* issued by the CRTC pursuant to the Broadcasting Act mandate the types of Canadian and non-Canadian programming services that may be distributed by BDUs, including cable television systems. For example, Canadian television broadcasters are subject to "must carry" rules which require terrestrial distributors, like cable and MDS systems, to carry the signals of local television stations and, in some instances, regional television stations as part of their basic service. The guaranteed carriage enjoyed by local television broadcasters under the "must carry" rules is designed to ensure that the signals of local broadcasters reach cable households and enjoy advantageous channel placement. Furthermore, cable operators, DBS operators and MDS operators must offer their customers more Canadian programming than non-Canadian programming services. In summary, each cable television system is required to distribute all of the Canadian programming services that the CRTC has determined are appropriate for the market it serves, which includes local and regional television stations, certain specialty channels and pay television channels, and a pay-per-view service, but does not include Category B and Category C digital services.

***Broadcasting Distribution Regulations***

The Broadcasting Distribution Regulations which came into force in 1998 (the "**1998 Regulations**"), apply to broadcasting distribution undertakings in Canada. The 1998 Regulations promote competition among broadcasting distribution undertakings and the development of new technologies for the distribution of such services while ensuring that quality Canadian programs are broadcast. The 1998 Regulations introduced important new rules, including the following:

- *Competition and Carriage Rules*. The 1998 Regulations provide equitable opportunities for all distributors of broadcasting services. Similar to the signal carriage and substitution requirements that are imposed on existing cable television systems, under the 1998 Regulations, new broadcasting distribution undertakings are also subject to carriage and substitution requirements. The 1998 Regulations prohibit a distributor from giving an undue preference to any person, including itself, or subjecting any person to an undue disadvantage. This gives the CRTC the ability to address complaints of anti-competitive behaviour on the part of certain distributors.

- *Signal Substitution*. A significant aspect of television broadcasting in Canada is simultaneous program substitution, or simulcasting, a regulatory requirement under which Canadian distribution undertakings, such as cable television systems with over 2,000 customers and DTH satellite operators, are required to substitute the foreign programming service, with local Canadian signal, including Canadian commercials, for broadcasts of identical programs by a U.S. station when both programs are exhibited at the same time. These requirements are designed to protect the program rights that Canadian broadcasters acquire for their respective local markets.
- *Contribution to local expression, Canadian programming and community television*. All distributors, except systems with fewer than 2,000 customers, are required to contribute at least 5% of their gross annual broadcast revenues to the creation and presentation of Canadian programming including community programming. Moreover, distributors were required to contribute 1.5% of their gross annual broadcast revenues to the Local Programming Improvement Fund (LPIF). However, following the public hearing to review the CRTC's policies and regulations relating to the LPIF, the CRTC published, on July 18, 2012, Broadcasting Regulatory Policy CRTC 2012-385 whereby the CRTC found that it would be inappropriate to maintain the LPIF in the long term. Therefore, in order to mitigate the effects of eliminating this source of funding for local stations, the CRTC will phase out the fund over the next two broadcast years. Specifically, the CRTC reduced the contribution rate from 1.5% to 1% for the 2012-2013 broadcast year. Moreover, the CRTC will, for the 2013-2014 broadcast year, reduce the contribution rate to 0.5%; and as of September 1, 2014, discontinue the LPIF. Further, the CRTC directed all licensed broadcasting distribution undertakings (BDUs) to file a report in order to describe the measures they have taken or will take, commencing September 1, 2012, to reduce subscriber bills by amounts corresponding to the reduction of the LPIF contribution, including evidence that they have notified subscribers concerning these reductions. Accordingly, Videotron filed its compliance report on September 17, 2012.
- *Inside Wiring Rules*. The CRTC determined that the inside wiring portion of cable networks creates a bottleneck facility that could affect competition if open access is not provided to other distributors. *Incumbent* cable companies may retain the ownership of the inside wiring but must allow usage by competitive undertakings to which the cable company may charge a just and reasonable fee for the use of the inside wire. On September 3, 2002, the CRTC established a fee of $0.52 per customer per month for the use of cable inside wire in multiple-dwelling units. In Broadcasting Regulatory Policy CRTC 2011-774, the Commission found that it was appropriate to amend the Broadcasting Distribution Regulations to permit access by subscribers and competing broadcasting distribution undertakings to inside wire in commercial and institutional properties. Therefore, the CRTC directed all licensees to negotiate appropriate terms and conditions, including a just and reasonable rate, for the use by competitors of the inside wire such licensees own in commercial and institutional properties. If the inside wire configuration resembles that in a multi-unit dwelling, the CRTC would expect that the established $0.52 per subscriber per month rate would be reasonable. If parties cannot come to an agreement, either party may apply to the CRTC for dispute resolution.

***Rates***

Our revenue related to cable television is derived mainly from (a) monthly subscription fees for basic cable service; (b) fees for premium services such as specialty services, pay-television, pay-per-view television and video-on-demand; and (c) installation and additional outlets charges.

The CRTC does not regulate the fees charged by non-cable broadcast distribution undertakings and does not regulate the fees charged by cable providers.

***Vertical Integration***

In September 2011, the CRTC released Broadcasting Regulatory Policy CRTC 2011-601 (the "Policy") setting out its decisions on the regulatory framework for vertical integration. Vertical integration refers to the ownership or control by one entity of both programming services, such as conventional television stations or pay and specialty services, as well as distribution services, such as cable systems or DTH satellite services. The Policy: (i) prohibits companies from offering television programs on an exclusive basis to their mobile or Internet subscribers in a manner that they are dependent on the subscription to a specific mobile or retail Internet access service. Any program broadcast on television, including hockey games and other live events, must be made available to competitors under fair and reasonable terms; (ii) allows companies to offer exclusive programming to their Internet or mobile customers provided that it is produced specifically for an Internet portal or a mobile device; and (iii) adopts a code of conduct to prevent anti-competitive behaviour and ensure all distributors, broadcasters and online programming services negotiate in good faith (to protect Canadians from losing a television service during negotiations, broadcasters must continue to provide the service in question and distributors must continue to offer it to their subscribers.)

On July 26, 2012, the CRTC published Broadcasting Regulatory Policy CRTC 2012-407 and announced amendments to the Television Broadcasting Regulations, 1987, the Pay Television Regulations, 1990, the Specialty Services Regulations, 1990, and the Broadcasting Distribution Regulations. These amendments, related to the distribution of Category B services, the "no head start" rule, the prohibition against tied selling, the standstill provisions and dispute resolution provisions, implement determinations made by the CRTC in Regulatory framework relating to vertical integration, Broadcasting Regulatory Policy CRTC 2011-601, September 21, 2011.

On July 26, 2012, the CRTC published Broadcasting Order CRTC 2012-408. The CRTC amended the terms and conditions of the exemption order for terrestrial broadcasting distribution undertakings serving fewer than 20,000 subscribers. These amendments implement determinations made by the CRTC in Regulatory framework relating to vertical integration, Broadcasting Regulatory Policy CRTC 2011-601, September 21, 2011.

***Pay-Per-View License***

On October 23, 2013, the CRTC published a revised regulatory framework for pay-per-view services. The revised framework simplifies the Commission's policy and makes it more consistent with the regulatory framework for video-on-demand services, with which pay-per-view services compete. Indigo filed its request for license renewal on February 28, 2014.

***New Media Broadcasting Undertakings***

On October 22, 2009, the CRTC amended the Exemption Order applying to new media broadcasting undertakings (Appendix A to the Public Notice CRTC 1999-197). As such, the description of a "new media broadcasting undertaking" was amended to encompass all Internet-based and mobile point-to-point broadcasting services, to introduce an undue preference provision for new media broadcasting undertakings, and to introduce a reporting requirement for such undertakings (Broadcasting Order CRTC 2009-660).

On July 28, 2009, in Broadcasting Regulatory Policy CRTC 2009-329 entitled "Review of Broadcasting in New Media," the CRTC set out its determinations in its proceeding on Canadian broadcasting in new media. However, the CRTC did not determine the legal issue as to whether Internet access providers carry on, in whole or in part, "broadcasting undertakings" pursuant to the Broadcasting Act when they provide access to broadcasting through the Internet. Instead, the CRTC stated that it would refer the matter to the Federal Court of Appeal. Hence, the CRTC referred this question to the Federal Court of Appeal for hearing and determination in its Broadcasting Order CRTC 2009-452. On July 7, 2010, the Federal Court of Appeal determined that ISPs play a "content-neutral role" in the transmission of data and do not carry on broadcasting activities. On February 9, 2012, the Supreme Court of Canada subsequently upheld the Federal Court of Appeal's decision.

On July 26, 2012, the CRTC amended the Exemption Order for new media broadcasting undertakings. These amendments implement determinations made by the CRTC in regulatory framework relating to vertical integration (Broadcasting Regulatory Policy CRTC 2011-601). As such, the CRTC implemented the following :

- A "no head start" rule, where the CRTC expects that digital media broadcasting undertakings that intend to provide exclusive access to programming in a manner that restricts access based on a consumer's specific mobile or retail Internet access service will provide other digital media broadcasting undertakings with appropriate notice in order to allow these undertakings to exercise their options;
- A provision to preclude undertakings operating under that exemption order from providing exclusive access to programming designed primarily for conventional television, specialty, pay or VOD services in situations where such access to the programming was restricted on the basis of a consumer's specific mobile or retail Internet access service;
- A standstill rule whereby an undertaking that was in a dispute with another undertaking concerning the terms of carriage of programming or any right or obligation under the Broadcasting Act would be required to continue providing or distributing the service that was subject to the dispute on the same terms and conditions that prevailed before the dispute; and
- A dispute resolution mechanism.

**Copyright Board Proceedings**

Certain copyrights in radio, television, Internet and pay audio content are administered collectively by copyright societies according to tariffs set by the Copyright Board of Canada (the "**Copyright Board**"). Tariffs set by the Copyright Board are generally applicable until a public process is held and a decision of the Copyright Board is rendered for a renewed tariff. Renewed tariffs are often applicable retroactively.

***Royalties for the Retransmission of Distant Signals***

Following the implementation in 1989 of the Canada-U.S. Free Trade Agreement, the Copyright Act (Canada) was amended to require retransmitters, including Canadian cable television operators, to pay royalties in respect of the retransmission of distant television and radio signals.

Since this legislative amendment, the Copyright Act (Canada) empowers the Copyright Board to quantify the amount of royalties payable to retransmit these signals and to allocate them among collective societies representing the holders of copyright in the works thus retransmitted. Regulated cable television operators cannot automatically recover such paid retransmission royalties from their customers, although such charges might be a component of an application for a basic cable service rate increase based on economic need.

For the period 2009-2013, the royalties have been set to between $0.48 and $0.98 per customer per month depending on the number of customers receiving the signal. The new tariff has been homologated after negotiation between the industry and collectives. The collective societies are demanding substantive increases for 2014 onwards (more than 7%). The proposed tariff has been opposed.

***Royalties for the Transmission of Pay and Specialty Services***

In 1989, the Copyright Act (Canada) was amended, in particular, to define copyright as including the exclusive right to "communicate protected works to the public by telecommunication." Prior to the amendment, it was generally believed that copyright holders did not have an exclusive right to authorize the transmission of works carried on radio and television station signals when these signals were not broadcast but rather transmitted originally by cable television operators to their customers. In 1996, at the request of the Society of Composers, Authors and Music Publishers of Canada ("**SOCAN**"), the Copyright Board approved Tariff 17A, which required the payment of royalties by broadcasting distribution undertakings, including cable television operators, that transmit musical works to their customers in the course of transmitting television services on a subscription basis. Through a series of industry agreements, this liability was shared with the pay and specialty programming services.

***Royalties for Commercial Television and Specialty Services for Communication to the Public***

Tariffs 2A and 17 of the SOCAN require the payment of a royalty to SOCAN by the commercial television stations and by the specialty services in compensation for the right to communicate to the public by telecommunication in Canada the musical works forming part of SOCAN's repertoire and contained in the audiovisual works broadcast. The tariffs represent a percentage of the gross income of the stations and services. In January 1998, the Copyright Board reduced the applicable rate from 2.1% to 1.9%, and fixed a "modified blanket license", allowing television stations to "withdraw" from the standard blanket license regarding certain broadcasts.

For the period from 2009 to 2013, SOCAN Tariffs 2A and 17 represent respectively 1.9% of the gross income of the relevant channels, according to the definitions of the applicable regulations, subject to the exceptions and special conditions of application of the Tariffs and to sharing of the fees related to Tariff 17 with the broadcasting distribution undertakings distributing the specialty channels. For the proposed Tariffs 2A and 17 of 2014, which included increases, the proposed rates have been opposed.

Webcasting of SOCAN's repertoire is governed by Tariff 22 D 1, which represents 1.9% of the gross income coming from this platform, subject to the exceptions and special conditions of application of the Tariff. The proposed increase for 2014 has been opposed.

***Royalties for Pay Audio Services***

The royalties payable by distribution undertakings for the communication to the public by telecommunication of musical works in SOCAN's repertoire in connection with the transmission of a pay audio signal other than retransmitted signals are as follows: a monthly fee of 12.35% of the affiliation payments payable by a distribution undertaking for the transmission for private or domestic use of a pay audio signal, or an annual fee of 6.175% of the affiliation payments payable where the distribution undertaking is a small cable transmission system, an unscrambled low power or very low power television station or an equivalent small transmission system. SOCAN has filed a proposed Pay Audio Tariff for the years 2008 through 2014 that proposes to maintain those rates.

For its part, Re:Sound filed a proposed Pay Audio Tariff for the period 2012-2014 asking for a monthly fee of 15% of the affiliation payments payable by a distribution undertaking for the transmission for private or domestic use of a pay audio signal, or an annual fee of 7.5% of the affiliation payments payable where the distribution undertaking is a small cable transmission system, an unscrambled low power or very low power television station or an equivalent small transmission system. The proposed rates have been opposed.

***Royalties by Online Music Services***

Archambault Group operates an online music streaming service, known as archambault.ca, with per-track fees and an online music streaming service known as Zik.ca. In 2007, the Copyright Board rendered two decisions on the tariffs proposed by, on one hand, CMRRA-SODRAC Inc. (CSI), an umbrella organization formed by the Canadian Musical Reproduction Rights Agency (CMRRA) and the Société du droit de reproduction des auteurs, compositeurs et éditeurs du Canada Inc. (SODRAC), for the royalties to be paid by online music services for the reproduction of musical works in CSI's repertoire (CSI Tariff) and, on the other hand, SOCAN for the royalties to be paid for the public performance of musical works in SOCAN's repertoire (SOCAN Tariff) for the purposes of communicating and transmitting the musical works in a file to consumers in Canada via the Internet and authorizing consumers in Canada to further reproduce the musical work for their own private use.

The certified tariffs, which resulted from those two decisions, cover a number of years (2005 to 2006 for the CSI Tariff and 1996 to 2007 for the SOCAN Tariff) and establish different formulae for the calculation of royalties payable by online music services that only offer on-demand streams or limited downloads with or without on-demand streams. With respect to services that offer permanent downloads, the combined royalty payable is 11% of the amount paid by the consumer for the download, subject to a minimum of 5.6¢ per permanent download within a bundle of 13 or more files and a minimum of 7.4¢ per permanent download in all other cases. In June 2009, CSI and SOCAN filed proposed tariffs which would double the royalty. The new tariffs have been contested by the industry. In July 2012, the Supreme Court of Canada rendered decisions that clarify the scope of the Copyright Act (Canada), namely, that permanent download of music and short previews are not subject to a copyright royalty, but music streaming is. It is expected that the Copyright Board will change the applicable Tariffs in light of the decisions.

***Royalties for Online Music***

It is expected that copyright collectives will try to certify tariffs for online music not part of an online music downloading service. This could result in higher costs for operating websites containing online music content.

***Royalties for Ringtones***

Since 2006, Videotron sells ringtones directly to cellular phone users. After negotiating a proposed increase, SOCAN and the industry, including Videotron, came to an agreement on a new Tariff 24 for the period July 1, 2006 to and including the year 2013, the rate is 6% with a minimum royalty of six cents for the period 2006 to 2009, and 5% with a minimum royalty of five cents for the period 2009 to and including 2013.

In July 2012, the Supreme Court of Canada issued decisions in five copyright cases in which the court ruled that songwriters and music publishers (represented by SOCAN) are not entitled to royalties for certain downloads and samples. Pursuant to those rulings, the industry has filed a lawsuit seeking a refund of the royalties paid and the annulment of Tariff 24. It is expected that this matter will continue to be litigated.

**ISP Liability**

In 1996, SOCAN proposed a tariff to be applied against ISPs, in respect of composers'/publishers' rights in musical works communicated over the Internet to ISPs' customers. SOCAN's proposed tariff was challenged by a number of industry groups and companies. In 1999, the Copyright Board decided that ISPs should not be liable for the communication of musical works by their customers, although they might be liable if they themselves operated a musical website. In June 2004, the Supreme Court of Canada upheld this portion of the decision of the Copyright Board and determined that ISPs do not incur liability for copyright content when they engage in normal intermediary activities, including web hosting for third parties and caching. As a consequence, ISPs may, however, be found liable if their conduct leads to the inference that they have authorized a copyright violation. At the end of 2012, amendments to the Copyright Act (Canada) received royal assent. The amendments clarify ISPs' liability by putting in place a notice and notice process (i.e., copyright infringement notices must now be sent to the Internet end-users by ISPs).

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

***Programming of Canadian Content***

CRTC regulations require licensees of television stations to maintain a specified percentage of Canadian content in their programming. Specialty or thematic television channels also have to maintain a specified percentage of Canadian content in their programming generally set forth in the conditions of their license. A licensee is required to devote not less than 55% of the broadcast year, and not less than 50% of the evening broadcast period (6:00 p.m. to midnight) to the broadcast of Canadian programs.

***Broadcasting License Fees***

Broadcasting licensees are subject to annual license fees payable to the CRTC. The license fees consist of two separate fees. One fee allocates the CRTC's regulatory costs for the year to licensees based on a licensee's proportion of the gross revenue derived during the year from the licensed activities of all licensees whose gross revenues exceed specific exemption levels. The other fee, also called the Part II license fee, for broadcasting undertakings that licensed activity exceeds $1,500,000. The total annual amount to be assessed by the Commission is the lower of: a) $100,000,000; and b) 1.365% multiplied by the aggregate fee revenues for the return year terminating during the previous calendar year of all licensees whose fee revenues exceed the applicable exemption levels, less the aggregate exemption level for all those licensees for that return year.

***Tangible Benefits***

On October 21, 2013, the CRTC announced that it wished to undertake a review of the regulatory framework governing tangible benefits and the manner of determining the value of the transaction. Among other things, the CRTC seeks comment on its preliminary view that at least 80% of tangible benefits for television services should be allocated to specific third-party funds (80% to the Canada Media Fund and 20% to a certified independent production fund) and that the allocation of no more than 20% of tangible benefits should be left to the discretion of the purchaser. The interventions were filed on January 13, 2014 and the replies were filed on January 28, 2014. A decision should be issued by the CRTC in 2014.

***Standard Clauses for Non-Disclosure Agreements***

On October 31, 2013, the CRTC published two distinct policies regarding the standard clauses for non-disclosure agreements and the provisions governing the conduct of audits of subscriber information held by broadcasting distribution undertakings.

Thus, the CRTC decided to establish standard non-disclosure clauses and will require undertakings that negotiate or commit to distribution relationships to sign non-disclosure agreements containing these clauses in order to counter inappropriate use of information regarding the competition.

***Provisions Governing the Conduct of Audits of Subscriber Information Held by Broadcasting Distribution Undertakings***

The revised policy on audits of subscriber information clarifies the manner in which audits are conducted by programming undertakings to ensure a proper verification of the subscriber information held by broadcasting distribution undertakings.

***Renewal of TVA's Licenses***

Following the public hearing held by the CRTC with regards to the renewal of TVA's licenses (TVA network and associated conventional television stations, along with several TVA specialty services), the CRTC published, on April 26, 2012, the Broadcasting Decision CRTC 2012-242 including, notably, the following determinations:

- The Commission imposed a condition of license to the effect that TVA shall, in each broadcast year, devote to the acquisition of or investment in Canadian programming at least 80% of the current broadcast year's programming expenditures of the network and all conventional television stations of TVA. Moreover, the CRTC did not consider it necessary to impose a condition of license with respect to either the broadcast of priority programs or to programs of national interest (PNI).
- The CRTC chose to continue to require for the local TVA station in Québec City, that, of the 18 hours of local programming per broadcast week, 9 hours must focus specifically on the Québec region, including the 5 hours and 30 minutes of local newscasts (including two newscasts on weekends). The CRTC deemed it unnecessary that the remaining 3 hours and 30 minutes be broadcast exclusively in the local Québec market and considered that it may be broadcast on the TVA network.
- The CRTC chose to maintain the current Canadian programming expenditures (CPE) requirement for Addik TV at 40% of its revenues of the previous year.

The conditions of license came into force on September 1, 2012 and will remain applicable until August 31, 2015.

***Regulatory Framework Governing Canadian News Services***

On August 8, 2013, while denying the application for mandatory distribution of Sun News, the CRTC issued a call for comments on the terms and conditions of distribution of Canadian Category C national news specialty services: LCN, RDI, Sun News, CBC News and CTV News. On December 19, 2013, the CRTC set out its decision regarding the regulatory framework adopted for the distribution of these services. This framework is implemented via an order and has the purpose of reducing the gap between Canadian news services and foreign news services that seem to benefit from

better distribution conditions. The CRTC therefore ordered the licensees of broadcasting distribution undertakings to distribute all the Canadian Category C national news specialty services according to certain terms and conditions as of March 19, 2014 and to comply with the new regulatory framework as of May 20, 2014.

**Canadian Telecommunications Services**

***Jurisdiction***

The provision of telecommunications services in Canada is regulated by the CRTC pursuant to the Telecommunications Act. The Telecommunications Act provides for the regulation of facilities-based telecommunications common carriers under federal jurisdiction. With certain exceptions, companies that own or operate transmission facilities in Canada that are used to offer telecommunications services to the public for compensation are deemed "telecommunications common carriers" under the Telecommunications Act administered by the CRTC and are subject to regulation. Cable operators offering telecommunications services are deemed "Broadcast Carriers."

In the Canadian telecommunications market, Videotron operates as a CLEC and a Broadcast Carrier. Videotron also operates its own 4G mobile wireless network and offers services over this network as a Wireless Service Provider ("**WSP**").

The issuance of licenses for the use of radio frequency spectrum in Canada is administered by Industry Canada under the Radiocommunication Act. Use of spectrum is governed by conditions of license which address such matters as license term, transferability and divisibility, technical compliance, lawful interception, research and development requirements, and requirements related to antenna site sharing and mandatory roaming.

Our AWS licenses were issued on December 23, 2008, for a term of ten years. At a minimum of two years before the end of this term, and any subsequent terms, we may apply for license renewal for an additional license term of up to ten years. AWS license renewal, including whether license fees should apply for a subsequent license term, will be subject to a public consultation process initiated in year eight. Our 700 MHz license, for which we were declared the provisional auction winner on February 19, 2014, will have a term of 20 years, beginning on the date at which we have completed payment and eligibility documentation requirements. At the end of this term, we will have a high expectation that new licenses will be issued for a subsequent term through a renewal process unless a breach of license condition has occurred, a fundamental reallocation of spectrum to a new service is required, or an overriding policy need arises. The process for issuing licenses after this term and any issues relating to renewal, including the terms and conditions of the new licenses, will be determined by the Minister of Industry Canada following a public consultation.

***Application of Canadian Telecommunications Regulation***

In a series of decisions, the CRTC has determined that the carriage of "non-programming" services by a cable company results in that company being regulated as a carrier under the Telecommunications Act. This applies to a company serving its own customers, or allowing a third party to use its distribution network to provide non-programming services to customers, such as providing access to cable Internet services.

In addition, the CRTC regulates the provision of telephony services in Canada.

Elements of the CRTC's local telecommunications regulatory framework to which Videotron is subject include: interconnection standards and inter-carrier compensation arrangements; the mandatory provision of equal access (*i.e.* customer choice of long distance provider); standards for the provision of 911 service, message relay service and certain privacy features; the obligation not to prevent other local exchange carriers from accessing end-users on a timely basis under reasonable terms and conditions in multi dwelling units where Videotron provides service; and the payment of contribution on VoIP revenues for the purposes of the revenue-based contribution regime established by the CRTC to subsidize residential telephone services in rural and remote parts of Canada.

As a CLEC, Videotron is not subject to retail price regulation. ILECs remain subject to retail price regulation in those geographic areas where facilities-based competition is insufficient to protect the interests of consumers. Videotron's ILEC competitors have requested and been granted forbearance from regulation of local exchange services in the vast majority of residential markets in which Videotron competes, as well as in a large number of business markets, including all of the largest metropolitan markets in the Province of Québec.

***Right to Access to Telecommunications and Support Structures***

The CRTC has concluded that some provisions of the Telecommunications Act may be characterized as encouraging joint use of existing support structures of telephone utilities to facilitate efficient deployment of cable distribution undertakings by Canadian carriers. We access these support structures in exchange for a tariff that is regulated by the CRTC. If it were not possible to agree on the use or conditions of access with a support structure owner, we could apply to the CRTC for a right of access to a supporting structure of a telephone utility. The Supreme Court of Canada, however, held on May 16, 2003 that the CRTC does not have jurisdiction under the Telecommunications Act to establish the terms and conditions of access to the support structures of hydro-electricity utilities. Terms of access to the support structures of hydro-electricity utilities must therefore be negotiated with those utilities.

Videotron has entered into comprehensive support structure access agreements with all of the major hydro-electric companies and all of the major telecommunications companies in its service territory. Videotron's agreement with Hydro-Québec, the most significant of them, expired in December 2012. Negotiations are under way toward renewing this agreement.

On December 2, 2010, the CRTC issued a decision revising the large ILECs' support structure service rates. Significant increases in rates, retroactive to mid-2009, were approved for some categories of support structures in Videotron's operating territory. However, radical changes in rating methodology were rejected. A follow-on proceeding and related negotiations also resulted in users of support structures, including Videotron, agreeing to pay for the use of ancillary structures, namely service poles. We do not expect these changes to have a material impact on Videotron's network cost structure.

***Right to Access to Municipal Rights-of-Way***

Pursuant to sections 42, 43 and 44 of the Telecommunications Act, the CRTC possesses certain construction and expropriation powers related to the installation, operation and maintenance of telecommunication facilities. In the past, most notably in Telecom Decision CRTC 2001-23 (the "**Ledcor Decision**"), the Commission has used these powers to grant Canadian carriers access to municipal rights-of-way under terms and conditions set out in a municipal access agreement.

On September 23, 2011, the CRTC initiated a public proceeding to consider the development of a model agreement for access by Canadian carriers to municipal rights-of-way, such as street crossings and other municipal property. As part of this proceeding, an *ad hoc* working group, including representatives from Canadian municipalities and the telecommunication industry, was tasked with developing a model agreement based on the principles established in the Ledcor Decision.

On November 21, 2013, the CRTC issued its ruling in this proceeding in the form of Telecom Decision CRTC 2013-618. This ruling approved a partial model agreement incorporating consensus recommendations from the *ad hoc* working group on matters such as the use of rights-of-way, permitting practices and the manner of work. At the same time, the Commission declined to rule on a series of non-consensus items including the treatment of incorrectly located equipment, indemnification clauses, the definition of causal costs and the reimbursement of collocation costs. In declining to rule on these items, the CRTC stated its expectation that they be negotiated between individual carriers and municipalities. Should negotiations fail, the Commission retains the power to resolve disputes.

Videotron has outstanding disputes with several Québec municipalities related to the use of municipal rights-of-way. Should these disputes not be resolved to the mutual satisfaction of the parties, and should they be referred to the CRTC for resolution, the outcome of which could have a material impact on Videotron's costs for municipal access for its wireline facilities.

***Access by Third Parties to Cable Networks***

In Canada, access to the Internet is a telecommunications service. While Internet access services are not regulated on a retail (price and terms of service) basis, Internet access for third-party ISPs is mandated and tariffed according to conditions approved by the CRTC for cable operators.

The largest cable operators in Canada, including Videotron, have been required by the CRTC to provide third-party ISPs with access to their cable systems at mandated cost-based rates. In a decision issued on August 30, 2010, the CRTC reaffirmed the network model underlying the cable operators' third-party Internet access (or "**TPIA**") services, and also reaffirmed its directive that, at the same time we offer any new retail Internet service speed, we file proposed revisions to our TPIA tariff to include this new speed offering. TPIA tariff items have been filed and approved for all Videotron Internet service speeds. Several third party ISPs are interconnected to our cable network and are thereby providing retail Internet access services.

The CRTC also requires the large cable carriers, such as us, to allow third party ISPs to provide telephony and networking (LAS/VPN) applications services in addition to retail Internet access services. The CRTC has also approved technical solutions for the provision of static IP addresses under TPIA.

In a decision dated November 15, 2011, the CRTC made substantial changes to the practices that may be employed by incumbent telephone companies and cable operators to bill third parties for the access to and use of their underlying networks. The objective of these changes was to grant third parties greater flexibility to bring pricing discipline, innovation and consumer choice to the retail Internet service market. The new rules, which entered into force on February 1, 2012, required Videotron to replace its former end-user usage-based billing model by a new aggregate capacity-based billing model, for the vast majority of Videotron's third party customers. On February 21, 2013, the CRTC ruled on a series of disputes related to the new wholesale regime. These rulings did not fundamentally alter the nature of the new regime.

In a notice of consultation issued on October 15, 2013, the CRTC initiated a comprehensive review of wholesale services and associated policies. Among the issues to be considered in this proceeding are whether to extend mandatory wholesale high-speed access services to include fibre-to-the-premises (FTTP) services, or alternatively whether the Commission should forbear from regulating any existing wholesale services, as well as the approaches and principles the Commission relies on to set rates for wholesale services. A public hearing on these matters is scheduled to begin on November 24, 2014 and a ruling is expected by April 2015. As a result of this proceeding, we may experience increased competition for retail cable Internet and telephony customers. In addition, because our third-party Internet access rates are regulated by the CRTC, we could be limited in our ability to recover our costs associated with providing this access.

***Internet Traffic Management Practices***

On October 21, 2009, the CRTC issued a regulatory policy regarding the Internet traffic management practices (ITMPs) of ISPs. The policy attempts to balance the freedom of Canadians to use the Internet for various purposes with the legitimate interests of ISPs to manage the traffic thus generated on their networks, consistent with legislation, including privacy legislation. Among other things, the policy sets rules for ensuring transparency in the use of economic and technical ITMPs, and establishes an ITMP framework that provides a structured approach to evaluating whether existing and future ITMPs are in compliance with the prohibition on unjust discrimination (e.g. as against specific applications or content) found in the Telecommunications Act. Specific rules are also established to ensure that wholesale customers are not subjected to unjust discrimination.

On June 30, 2010, the CRTC determined that the policy framework regarding ITMPs applies to the use of mobile wireless data services to provide Internet access.

While we consider Videotron's current ITMPs to be fully compliant with the policy, we note that the policy may limit the range of ITMPs Videotron could choose in the future, thereby potentially constraining our ability to recover our costs associated with providing access to our network.

***Regulatory Framework for Mobile Wireless Services***

On March 14, 2012, the Government of Canada announced its policy framework for the auction of spectrum in the 700 MHz and 2500 MHz bands, both of which are considered attractive candidates for the deployment of LTE A mobile wireless technology. The policy framework includes several measures intended to sustain competition and robust investment in wireless telecommunications and promote the timely availability of advanced services, including:

- Foreign investment restrictions have been lifted for companies that initially have a market share of less than 10% of the Canadian telecommunications market.
- Spectrum caps will be employed in both the 700 MHz and the 2500 MHz auctions to ensure that in each region of Canada no fewer than four operators gain access to prime spectrum.
- Tower sharing and roaming policies will be improved and extended.
- Obligations will be imposed on 700 MHz license holders to ensure advanced wireless services are quickly delivered to rural Canadians.

On March 7, 2013, the Government of Canada announced the final rules for the upcoming 700 MHz spectrum auction. In so doing, it acted to maintain the pro-competitive policy framework it had previously announced in March 2012, notably as it relates to the use of spectrum caps and the strengthening of mandatory roaming and tower sharing rules. We participated in the auction and on February 19, 2014 were declared the provisional winner of a package of seven spectrum licenses for a final price of $233.3 million. Eligibility documentation and payment equal to 20% of the final price was submitted to Industry Canada on March 5, 2014. Payment equal to the remaining 80% of the final price must be submitted by April 2, 2014.

On January 10, 2014, the Government of Canada announced the final rules for the upcoming 2500 MHz spectrum auction, which is scheduled to begin on April 14, 2015. Videotron will be studying the detailed auction format and rules in depth and will be setting its auction strategy accordingly. The deadline to participate in the auction is November 27, 2014.

On March 7, 2013, Industry Canada also released the text of its revisions to the mandatory roaming and antenna tower and site sharing rules. These rules were put in place subsequent to the 2008 AWS auction in order to facilitate competitive entry into the wireless sector, among other objectives. Among the revisions that were adopted are: an indefinite extension of the obligation to offer both in-territory and out-of-territory roaming services on commercial terms; measures to improve transparency and information exchange related to tower sharing; and measures to streamline the arbitration process in the event of disputes.

In addition, on June 28, 2013, Industry Canada published its new framework relating to transfers, divisions and subordinate licensing of spectrum licenses for commercial mobile spectrum. The framework sets out a series of considerations and criteria for reviewing license transfers and prospective transfers, while refraining from imposing specific quantitative or other approval thresholds. Among the considerations and criteria are: the current license holdings of the applicants in the licensed area, the overall distribution of holdings in the band and other commercial mobile bands in the licensed area, the availability of alternative spectrum, and the degree to which the applicants have deployed networks. The framework also sets out review procedures and timelines (normally 12 weeks from the time of receipt of all required information) and establishes a definition of “deemed transfers” subject to review. The new framework applies to license transfers and prospective transfers on or after the date of publication, and therefore will apply if and when Videotron exercises its option to sell its Toronto AWS license to Rogers under the Rogers LTE Agreement.

The CRTC also regulates mobile wireless services under the Telecommunications Act. On August 12, 1994, the CRTC released a decision forbearing from the exercise of most of its powers under the Telecommunications Act as they relate to mobile wireless service. However, the CRTC did maintain its ability to require conditions governing customer confidential information and to place other general conditions on the provision of mobile wireless service. Since 1994, the CRTC has exercised this power, for example, to mandate wireless number portability, and to require all WSPs to upgrade their networks to more precisely determine the location of a person using a mobile phone to call 911.

On October 11, 2012, the CRTC released a decision determining that the conditions for forbearance have not changed sufficiently to require the Commission to regulate rates or interfere in the competitiveness of the retail mobile wireless voice and data services market. However, on the same date, to ensure that consumers are able to participate in the competitive market in an informed and effective manner, and to fulfill the policy objectives of the Telecommunications Act, the CRTC initiated a public proceeding to establish a mandatory code for mobile wireless service providers to address the clarity and content of mobile wireless service contracts and related issues for consumers.

The new Wireless Code was published on June 3, 2013 and came into force on December 2, 2013. It includes, among other things, a limit on early cancellation fees to ensure customers can take advantage of competitive offers at least every two years, as well as measures requiring service providers to unlock wireless devices, to offer a trial period for wireless contracts, and to set default caps on data overage charges and data roaming charges.

On December 12, 2013 the CRTC initiated a proceeding to consider whether or not there is a situation of unjust discrimination or undue preference with respect to inter-carrier wireless roaming arrangements in Canada and, if so, what remedies would be appropriate. Initial and reply submissions have been filed on January 29 and February 10, 2014 respectively, and a decision is expected in June 2014. On February 20, 2014, the Commission also initiated a broader proceeding to determine whether the wholesale mobile wireless services market is sufficiently competitive and whether greater regulatory oversight, including mandating access to any existing or potential wholesale mobile wireless service, would be appropriate. In this regard, the Commission will examine the market conditions for wholesale roaming and wholesale tower and site sharing, as well as the market conditions for other wholesale mobile wireless services. A public hearing on these matters is scheduled to begin on September 29, 2014 and a ruling is expected by February 2015.

On December 18, 2013 the Minister of Industry (Canada) announced that the Government will introduce an amendment to the Telecommunications Act that will put a cap on domestic wireless roaming rates, preventing wireless providers from charging other companies more than they charge their own customers for mobile voice, data and text services. This measure will be in place until such time as the CRTC makes a decision on roaming rates. The Minister of Industry (Canada) also announced that the Government will amend both the Telecommunications Act and the Radiocommunication Act to give the CRTC and Industry Canada the option to impose monetary penalties on companies that violate established rules such as the Wireless Code and those related to the deployment of spectrum, services to rural areas and tower sharing.

The remedies or measures that result from the CRTC's roaming or wholesale wireless proceedings or the Government's proposed legislative amendments could have an impact on Videotron's cost structure for domestic roaming or tower sharing and hence on Videotron's competitiveness in the wireless market.

***Municipal Siting Processes for Wireless Antenna Systems***

On February 28, 2013, the Canadian Wireless Telecommunications Association, of which Videotron is a member, and the Federation of Canadian Municipalities signed a joint protocol on the siting process for wireless antenna systems. The protocol establishes a more comprehensive notification and consultation process than current regulations, and emphasizes the need for meaningful pre-consultation to ensure local land use priorities and sensitivities are fully reflected in the location and design of new antenna systems. Telecommunications carriers have agreed for the first time to notify municipalities of all antennas being installed before their construction, regardless of height, and to undertake full public consultation for towers under 15 meters—whenever deemed necessary by the municipality.

Effective implementation of the joint protocol requires a willingness on the part of both carriers and municipalities to engage in constructive discussions related to antenna siting within the framework of current Industry Canada regulations. Any efforts by municipalities to refrain from constructive discussions or to impose requirements that fall outside of the framework of current Industry Canada regulations could have a material impact on Videotron's ability to expand its existing HSPA+ network or to deploy a future LTE network on a timely and cost-effective basis.

On February 5, 2014, the Minister of Industry (Canada) announced that its department will be making changes to the policy guiding the installation of new antenna towers, most notably to require companies to consult communities on all commercial tower installations regardless of height and to ensure residents are well informed of upcoming consultations. While these changes appear to be largely consistent with the joint protocol cited above, the detailed text of the changes is not yet available, and as a result we are not yet able to assess what impact they may have on Videotron's ability to gain timely approval for new tower installations.

**Canadian Publishing**

Federal and provincial laws do not directly regulate the publication of newspapers in Canada. There are, however, indirect restrictions on the foreign ownership of Canadian newspapers by virtue of certain provisions of the *Income Tax Act* (Canada), which limits the deductibility by Canadian taxpayers of advertising expenditures which are made in a newspaper other than, subject to limited exceptions, a "Canadian issue" of a "Canadian newspaper." For any given publication to qualify as a Canadian issue of a Canadian newspaper, the entity that publishes it, if publicly traded on a prescribed stock exchange in Canada, must ultimately be controlled, in law and in fact, by Canadian citizens and, if a private company, must be at least 75% owned, in vote and in value, and controlled in fact by Canadians. In addition, the publication must be printed and published in Canada and edited in Canada by individuals resident in Canada. All of our newspapers qualify as "Canadian issues" of "Canadian newspapers" (or otherwise fall outside of the limitation on deductibility of advertising expenses) and, as a result, our commercial advertisers generally have the right to deduct their advertising expenditures with us for Canadian tax purposes.

**ITEM 4A — UNRESOLVED STAFF COMMENTS**

None.

## ITEM 5 – OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following Management Discussion and Analysis provides information concerning the operating results and financial condition of Quebecor Media Inc. ("Quebecor Media" or the "Corporation"). This discussion should be read in conjunction with the consolidated financial statements and accompanying notes. The Corporation's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

All amounts are in Canadian dollars ("CAN dollars"), unless otherwise indicated. This discussion contains forward-looking statements, which are subject to a variety of factors that could cause actual results to differ materially from those contemplated by these statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed under "Cautionary Statement Regarding Forward-Looking Statements" and in "Item 3. Key Information – Risk Factors."

### OVERVIEW

Quebecor Media is one of Canada's leading media companies, with activities in cable distribution, telecommunications, newspaper publishing, production and distribution of printing products, television broadcasting, book, magazine and video retailing, publishing and distribution, music recording, production, distribution and streaming, production of shows and events, new media services, video game development, out of home advertising, a Quebec Major Junior Hockey League ("QMJHL") team and sporting and cultural events management. Through its Videotron Ltd. ("Videotron") subsidiary, Quebecor Media is a premier cable and mobile communications service provider. Through its activities, Quebecor Media holds leading positions in the creation, promotion and distribution of news, entertainment and Internet-related services that are designed to appeal to audiences in every demographic category. Quebecor Media continues to pursue a convergence strategy to capture synergies within its portfolio of media properties.

Quebecor Media's operating subsidiaries' primary sources of revenue include: subscriptions for cable television, Internet access, cable and mobile telephony services and business solutions; newspaper advertising, circulation and Internet/portal services; television broadcasting, advertising, distribution and subscription; book and magazine publishing and distribution; retailing, distribution (physical and digital distribution) and production of music products (CDs, DVDs and Blu-ray discs, musical instruments, music recording and live event promotion and production); and rental and sale of videos and games.

The major components of Quebecor Media's subsidiaries' costs are comprised of employee costs and purchase of goods and services costs, which include royalties, rights and creation costs, cost of retail products, marketing, circulation and distribution expenses, service and printing contracts, and paper, ink and printing supplies.

### QUEBECOR MEDIA'S SEGMENTS

Quebecor Media's subsidiaries operate in the following business segments: Telecommunications, News Media, Broadcasting, Leisure and Entertainment, and Interactive Technologies and Communications.

Since the third quarter of 2013, financial data for the Le SuperClub Vidéotron ltée subsidiary ("Le SuperClub Vidéotron") has been presented in the Leisure and Entertainment segment instead of the Telecommunications segment. Since the fourth quarter of 2013, financial data for the Quebecor Media Out of Home division has been presented in the Broadcasting segment instead of the News Media segment. Accordingly, the Corporation's segmented financial data for prior periods have been restated to reflect those changes.

## TREND INFORMATION

Competition continues to be intense in the cable and alternative multichannel broadcast distribution industry and in the mobile telephony market. Moreover, the significant subscriber growth recorded in the Telecommunications sector in past years is not necessarily representative of future growth, due to the penetration rates currently reached.

The Telecommunications segment has in the past required substantial capital for the upgrade, expansion and maintenance of its network, the launch and expansion of new or additional services to support growth in its customer base and demands for increased bandwidth capacity and other services. The Corporation expects that additional capital expenditures will be required in the short and medium term in order to expand and maintain the Telecommunications segment's systems and services, including expenditures relating to the cost of its mobile services infrastructure upgrade, as well as costs relating to advancements in Internet access and high-definition television ("HDTV"). Moreover, the demand for wireless data services has been growing at unprecedented rates and it is projected that this demand will further increase in the future. The anticipated levels of data traffic will represent a growing challenge to the current mobile network's ability to serve this traffic. The Telecommunications segment may have to acquire additional spectrum, as available, in order to address this increased demand.

Some of Quebecor Media's lines of business are cyclical in nature. They are dependent on advertising and, in the News Media segment in particular, on circulation sales. Operating results are therefore sensitive to prevailing economic conditions, especially in Québec, Ontario and Alberta.

In the News Media segment, circulation, measured in terms of copies sold, has been generally declining in the industry over the past several years. Also, the traditional run of press advertising for major multimarket retailers has been declining over the past few years due to consolidation in the retail industry, combined with a shift in marketing strategy toward other media. In order to respond to such competition, the News Media operations continue to develop their Internet presence through branded websites, including French- and English-language portals and specialized sites.

The broadcasting industry is undergoing a period of significant change. Television audiences are fragmenting as viewing habits shift not only toward specialty channels, but also toward content delivery platforms that allow users greater control over content and timing, such as the Internet, video-on-demand and mobile devices. Audience fragmentation has prompted many advertisers to review their strategies. The Broadcasting segment is taking steps to adjust to the profound changes occurring in its industry so as to maintain its leadership position and offer audiences and advertisers alike the best available content, when they want it and on the media platform they want.

## QUEBECOR MEDIA'S INTEREST IN SUBSIDIARIES

Table 1 shows Quebecor Media's equity interest in its main subsidiaries as of December 31, 2013.

**Table 1**
**Quebecor Media's interest (direct and indirect) in its main subsidiaries**
December 31, 2013

| | Percentage of equity | Percentage of vote |
|---|---|---|
| Videotron Ltd. | 100.0% | 100.0% |
| Sun Media Corporation | 100.0 | 100.0 |
| Quebecor Media Printing Inc. | 100.0 | 100.0 |
| TVA Group Inc. | 51.4 | 99.9 |
| Archambault Group Inc. | 100.0 | 100.0 |
| Nurun Inc. | 100.0 | 100.0 |

Quebecor Media's interest in its subsidiaries has not varied significantly over the past three years.

On June 30, 2012, Sun Media Corporation bought a 2% interest in Sun News General Partnership ("SUN News") from TVA Group Inc. ("TVA Group"), bringing its interest to 51%.

On May 1, 2011, Canoe Inc. ("Canoe") was wound up and its operations integrated into Sun Media Corporation.

On January 1, 2011, Osprey Media Publishing Inc. was wound up and its operations integrated into Sun Media Corporation.

**DISCONTINUED OPERATIONS**

On December 5, 2013, Quebecor Media announced the sale of 74 Québec weeklies to Transcontinental Interactive Inc., a subsidiary of Transcontinental Inc., for a cash consideration of $75.0 million. The transaction is subject to approval by regulatory authorities, specifically the Competition Bureau. While it is under review, Sun Media Corporation continues publishing the weeklies in question. The operating results and cash flows related to those businesses have been reclassified as discontinued operations in the consolidated statements of income and cash flows.

Quebecor Media sold its specialized website *Jobboom* on June 1, 2013 for a cash consideration of $52.1 million, net of disposed-of cash in the amount of $5.4 million, and on November 29, 2013, Quebecor Media sold its specialized website *Réseau Contact* for a cash consideration of $7.1 million, net of disposed-of cash in the amount of $0.4 million. The operating results and cash flows related to those businesses, as well as the $37.6 million gain on the sale of the two websites, were reclassified as discontinued operations in the consolidated statements of income and cash flows.

In this Management Discussion and Analysis, only continuing operating activities of Quebecor Media are included in the analysis of segment operating results.

**HIGHLIGHTS SINCE END OF 2012**

- Quebecor Media's sales increased by $28.3 million (0.7%) to $4.28 billion in 2013, mainly because of 4.4% revenue growth in the Telecommunications segment.
- On May 8, 2013, Robert Dépatie, President and Chief Executive Officer of Videotron Ltd. ("Videotron") since 2003, took the reins from Pierre Karl Péladeau as President and Chief Executive Officer of Quebecor and of Quebecor Media. Manon Brouillette was named President and Chief Operating Officer of Videotron. On the same date, Pierre Karl Péladeau became Chairman of the Board of Quebecor Media and of TVA Group, replacing Serge Gouin, who retired, and Vice Chairman of the Board of Quebecor.
- Following his decision to enter politics and run as a candidate, Pierre Karl Péladeau resigned from all his positions with Quebecor and its subsidiaries on March 9, 2014. Subsequently, Sylvie Lalande was appointed Chairperson of the Board of TVA Group on March 10, 2014 and Françoise Bertrand was appointed Chairperson of the Board of Quebecor Media on March 12, 2014. Robert Dépatie became a director of Quebecor, Quebecor Media and TVA Group on March 12, 2014.
- On July 8, 2013, Aldo Giampaolo was appointed President and Chief Executive Officer of Quebecor Media Entertainment & Sports Group. Mr. Giampaolo has extensive expertise in the management of large-scale events and major venues for sporting and cultural events.
- On August 26, 2013, Caroline Roy became Vice President, Development and Strategy, of QMI Digital, a division that serves as a digital technology centre of expertise with a strong focus on research and development.
- In 2013, the Corporation performed impairment tests on the News Media, Music and Books cash generating units ("CGUs"), which continue to be negatively impacted by the shift toward digital, as well as by challenging market conditions in their respective industries. Accordingly, the Corporation recognized a $281.3 million total non-cash impairment charge with respect to goodwill, mastheads and customer relationships.

**Telecommunications**

- In 2013, the Telecommunications segment grew its revenues by $114.0 million (4.4%) and its adjusted operating income by $81.1 million (6.7%).
- In 2013, revenue increases were recorded in all of Videotron's main services: mobile telephony ($49.1 million or 28.6%), Internet access ($45.9 million or 5.9%), cable telephony ($18.9 million or 4.2%), and cable television ($11.0 million or 1.0%).

- The net increase in revenue-generating units[1] was 122,700 in 2013, compared with 221,800 in 2012. Videotron passed the 5-million revenue-generating unit mark in 2013.
- On February 19, 2014, Industry Canada announced that Videotron was the successful bidder for seven 700 MHz spectrum licences in Canada's four most populous provinces. The operating licences, acquired for $233.3 million, cover the entirety of the provinces of Québec, Ontario (except Northern Ontario), Alberta and British Columbia. They make it possible to reach approximately 80% of Canada's population, more than 28 million people.
- At the end of 2013, Videotron's Club illico subscription video on demand service, which carries the largest selection of unlimited on-demand French-language titles in Canada, had more than 58,000 subscribers. The service was launched in late February 2013.
- On May 29, 2013, Videotron and Rogers Communications Partnership ("Rogers") announced a 20-year agreement to build out and operate a shared LTE mobile network in the Province of Québec and in the Ottawa region. Under this agreement, Videotron and Rogers will share the deployment and operating costs. Videotron will maintain its business independence, including its product and service lines, billing systems and customer databases. As well, the parties to the transactions will provide each other with services over a 10-year period, for which Videotron will receive $93.0 million in total and Rogers $200.0 million in total. In addition to the network sharing agreement, and subject to regulatory approvals, Videotron has had the option, since January 1, 2014, to sell its unused Advanced Wireless Services ("AWS") spectrum licence in the Toronto region for a price of $180.0 million.

**News Media**

- The News Media segment's adjusted operating income decreased by $7.4 million (-7.0%) in 2013.
- On December 19, 2013, Quebecor Media announced that it was abandoning door-to-door distribution of community newspapers and flyers in Québec and was discontinuing distribution of the Le Sac Plus doorknob bag as of January 2014.
- In 2013, Sun Media Corporation announced a number of restructuring initiatives to secure its news properties' long-term positioning on all distribution platforms, including digital. These initiatives entailed the elimination of 560 positions, the closing of 8 publications and 3 free urban newspapers – the *24 Hours* papers in Ottawa, Calgary and Edmonton – along with a series of efforts to enhance operational efficiencies. The total cost of these measures is estimated at $9.0 million. The initiatives are expected to yield total annual savings of approximately $67.0 million. Sun Media Corporation intends to continue making investments and expanding its value-added content offerings on print and digital platforms.

**Broadcasting**

- The Broadcasting segment's adjusted operating income increased by $12.0 million (35.9%) in 2013 to $45.4 million, reflecting the favourable impact of a retroactive adjustment to royalties for distant signal retransmission for the years 2009 to 2013, the decrease in the adjusted operating loss of SUN News, as well as the positive impact of restructuring initiatives introduced in the second quarter of 2013.
- On November 26, 2013, Quebecor announced an agreement with Rogers Communications and the National Hockey League ("NHL") whereby TVA Sports will become the NHL's official French-language broadcaster in Canada. The 12-year agreement will begin with the 2014-15 season. Among other things, TVA Sports obtains broadcast rights to 22 Montréal Canadiens regular season games, exclusive French-language broadcast rights to all playoff games (including those involving the Montréal Canadiens) and the Stanley Cup final, broadcast rights to all national games involving Canadian teams and up to 160 games between American NHL teams, and a number of NHL special events. TVA Sports thereby becomes a major player in sports broadcasting in Québec.
- On July 18, 2013, TVA Group announced the acquisition of Les Publications Charron & Cie inc. ("Les Publications Charron & Cie"), publisher of *La Semaine* magazine, and of Charron Éditeur inc. ("Charron Éditeur"), which was subsequently sold to Sogides Group Inc. ("Sogides"), a subsidiary in the Leisure and Entertainment segment. The acquisition was part of TVA Group's strategy to remain the Québec market leader in magazine publishing.
- On June 5, 2013, TVA Group announced a restructuring plan designed to maintain its leadership position in Québec, safeguard the quality of its content and support future investments in view of the challenging business environment for media advertising revenues. The plan, which affected all segments of TVA Group, included the elimination of approximately 90 positions, or 4.5% of its total workforce.

[1] The sum of cable television, cable and mobile Internet access, and cable telephony service subscriptions and subscriber connections to the mobile telephony service.

- The television show *La Voix* posted excellent ratings throughout its run from January 20 to April 14, 2013. The weekly gala attracted an average audience of more than 2.6 million and an average audience share of more than 57%. The creation of value-added multiplatform content around this high-quality television program illustrates Quebecor's successful convergence strategy, which benefits all its media properties.

**Other segments**

- On May 24, 2013, Quebecor announced the acquisition of Event Management Gestev inc. ("Gestev"), a Québec City sports and cultural events manager. Gestev was founded in 1992 and has produced numerous high-profile events such as the Red Bull Crashed Ice extreme race, the Vélirium (International Mountain Bike Festival and World Cup), the Transat Québec Saint-Malo sailing race, Sprint Québec (FIS Cross-Country World Cup), and the Snowboard Jamboree (including the FIS Snowboard World Championships).

**Financing activities**

The following financial operations were carried out in 2013.

- On June 17, 2013, Videotron announced the closing of the offering and sale of 5.625% Senior Notes, maturing on June 15, 2025, in the aggregate principal amount of $400.0 million, for net proceeds of $394.8 million. It was the first issue of high-yield 12-year Notes on the Canadian market. Strong demand enabled Videotron to increase the size of the placement on favourable terms.
- On July 2, 2013, Videotron used the proceeds from its placement of 5.625% Senior Notes maturing on June 15, 2025 to finance the early redemption and withdrawal of US$380.0 million aggregate principal amount of its outstanding 9.125% Senior Notes, issued on April 15, 2008 and maturing in April 2018, and to settle the related hedges.
- On August 29, 2013, Quebecor Media issued a US$350 million senior secured term loan "B" at a price of 99.50% for net proceeds of $358.4 million. This term loan bears interest at the U.S. London Interbank Offered Rate ("LIBOR"), subject to a LIBOR floor of 0.75%, plus a premium of 2.50%. It provides for quarterly amortization payments totalling 1.00% per annum of the original principal amount, with the balance payable on August 17, 2020.
- On August 30, 2013, Quebecor Media redeemed US$265.0 million in aggregate principal amount of its outstanding 7.75% Senior Notes issued on January 17, 2006 and maturing in March 2016, and settled the related hedges.

## NON-IFRS FINANCIAL MEASURES

The financial measures not standardized under IFRS that are used by the Corporation to assess its financial performance, such as adjusted operating income, cash flows from segment operations, free cash flows from continuing operating activities, and average monthly revenue per user ("ARPU"), are not calculated in accordance with or recognized by IFRS. The Corporation's method of calculating these non-IFRS financial measures may differ from the methods used by other companies and, as a result, the non-IFRS financial measures presented in this document may not be comparable to other similarly titled measures disclosed by other companies.

### Adjusted Operating Income

In its analysis of operating results, the Corporation defines adjusted operating income, as reconciled to net (loss) income under IFRS, as net (loss) income before amortization, financial expenses, (loss) gain on valuation and translation of financial instruments, charge for restructuring of operations, impairment of assets and other special items, charge for impairment of goodwill and intangible assets, loss on debt refinancing, income taxes, and income (loss) from discontinued operations. Adjusted operating income as defined above is not a measure of results that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The Corporation's parent company, Quebecor Inc. ("Quebecor"), considers the media segment as a whole and uses adjusted operating income in order to assess the performance of its investment in Quebecor Media. The Corporation's management and Board of Directors use this measure in evaluating its consolidated results as well as the results of its operating segments. This measure eliminates the significant level of impairment and amortization of tangible and intangible assets and is unaffected by the capital structure or investment activities of Quebecor Media and its segments. Adjusted operating income is also relevant because it is a significant component of the Corporation's annual incentive compensation programs. A limitation of this measure, however, is that it does not

reflect the periodic costs of tangible and intangible assets used in generating revenues in the Corporation's segments. Quebecor Media uses other measures that do reflect such costs, such as cash flows from segment operations and free cash flows from continuing operating activities. In addition, measures like adjusted operating income are commonly used by the investment community to analyze and compare the performance of companies in the industries in which the Corporation is engaged. Quebecor Media's definition of adjusted operating income may not be the same as similarly titled measures reported by other companies.

Table 2 below provides a reconciliation of adjusted operating income to net (loss) income as disclosed in the Corporation's consolidated financial statements. The consolidated income statement data for the three-month periods ended December 31, 2013 and 2012 presented in Table 2 below is derived from the unaudited consolidated statements for such periods not included in this annual report.

**Table 2**
**Reconciliation of the adjusted operating income measure used in this report to the net (loss) income measure used in the consolidated financial statements**
(in millions of Canadian dollars)

| | Year ended December 31 | | | Three months ended December 31 | |
|---|---|---|---|---|---|
| | **2013** | 2012 | 2011 | **2013** | 2012 |
| Adjusted operating (loss) income: | | | | | |
| Telecommunications | **$1,284.8** | $1,203.7 | $1,073.6 | $ 322.4 | $ 304.8 |
| News Media | **97.7** | 105.1 | 142.5 | 44.6 | 37.4 |
| Broadcasting | **45.4** | 33.4 | 47.3 | 16.7 | 15.1 |
| Leisure and Entertainment | **16.6** | 25.1 | 38.3 | 7.5 | 8.6 |
| Interactive Technologies and Communications | **14.4** | 9.8 | 7.9 | 4.8 | 3.4 |
| Head Office | **—** | 5.0 | 3.0 | (1.8) | 0.4 |
| | **1,458.9** | 1,382.1 | 1,312.6 | 394.2 | 369.7 |
| Amortization | **(662.2)** | (594.9) | (507.5) | (169.3) | (166.1) |
| Financial expenses | **(362.8)** | (337.5) | (319.6) | (87.2) | (94.9) |
| (Loss) gain on valuation and translation of financial instruments | **(244.4)** | 136.9 | 52.0 | (32.1) | (94.9) |
| Restructuring of operations, impairment of assets and other special items | **(29.9)** | (28.5) | (29.3) | (16.0) | (0.7) |
| Impairment of goodwill and intangible assets | **(281.3)** | (186.0) | **—** | **—** | **—** |
| Loss on debt refinancing | **(18.9)** | (6.3) | (4.0) | **—** | (8.7) |
| Income taxes | **(31.1)** | (130.4) | (141.4) | (26.8) | 6.3 |
| Income (loss) from discontinued operations | **19.3** | (3.7) | 14.8 | 2.4 | 2.4 |
| **Net (loss) income** | **$ (152.4)** | $ 231.7 | $ 377.6 | $ 65.2 | $ 13.1 |

**Cash Flows from Segment Operations**

Cash flows from segment operations represents adjusted operating income, less additions to property, plant and equipment and to intangible assets (excluding disbursements for licence acquisitions and renewals), plus proceeds from disposal of assets. The Corporation uses cash flows from segment operations as a measure of the liquidity generated by its segments. Cash flows from segment operations represents funds available for interest and income tax payments, expenditures related to restructuring programs, business acquisitions, licence acquisitions and renewals, the payment of dividends, and the repayment of long-term debt. Cash flows from segment operations is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. Cash flows from segment operations is used by the Corporation's management and Board of Directors to evaluate cash flows generated by its segments' operations. When cash flows from segment operations is reported, a reconciliation to adjusted operating income is provided in the same section of the report.

**Free Cash Flows from Continuing Operating Activities**

Free cash flows from continuing operating activities consists of cash flows provided by continuing operating activities calculated in accordance with IFRS, less additions to property, plant and equipment and to intangible assets (excluding disbursements for licence acquisitions and renewals), plus proceeds from disposal of assets. The Corporation uses free cash flows from continuing operating activities as a measure of total liquidity generated on a consolidated basis. Free cash flows from continuing operating activities represents funds available for business acquisitions, licence acquisitions and renewals, the payment of dividends and the repayment of long-term debt. Free cash flows from continuing operating activities is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. The Corporation's definition of free cash flows from continuing operating activities may not be identical to similarly titled measures reported by other companies.

Table 9 provides a reconciliation of free cash flows from continuing operating activities of the Corporation to cash flows provided by continuing operating activities reported in the consolidated financial statements.

**Average Monthly Revenue per User**

ARPU is an industry metric that the Corporation uses to measure its monthly cable television, Internet access, cable and mobile telephony revenues per average basic cable customer. ARPU is not a measurement that is consistent with IFRS and the Corporation's definition and calculation of ARPU may not be the same as identically titled measurements reported by other companies. The Corporation calculates ARPU by dividing its combined cable television, Internet access and cable and mobile telephony revenues by the average number of basic customers during the applicable period, and then dividing the resulting amount by the number of months in the applicable period.

**2013/2012 FINANCIAL YEAR COMPARISON**

**Analysis of consolidated results of Quebecor Media**

**Revenues:** $4.28 billion, a $28.3 million (0.7%) increase.

- Revenues increased in Telecommunications ($114.0 million or 4.4% of segment revenues) and Broadcasting ($1.3 million or 0.3%).
- Revenues decreased in News Media ($91.3 million or -10.4%), Leisure and Entertainment ($12.7 million or -4.1%) and Interactive Technologies and Communications ($6.3 million or -4.3%).

**Adjusted operating income:** $1.46 billion, a $76.8 million (5.6%) increase.

- Adjusted operating income increased in Telecommunications ($81.1 million or 6.7% of segment adjusted operating income), Broadcasting ($12.0 million or 35.9%) and Interactive Technologies and Communications ($4.6 million or 46.9%).
- Adjusted operating income decreased in Leisure and Entertainment ($8.5 million or -33.9%) and News Media ($7.4 million or -7.0%).
- The change in the fair value of Quebecor Media stock options resulted in a $0.4 million unfavourable variance in the stock-based compensation charge in 2013 compared with the same period of 2012. The change in the fair value of Quebecor stock options resulted in a $4.8 million unfavourable variance in the Corporation's stock-based compensation charge in 2013.

**Net loss attributable to shareholders:** $159.6 million in 2013, compared with net income attributable to shareholders of $234.6 million in 2012, a $394.2 million unfavourable variance.

- The unfavourable variance was due primarily to:
  - $381.3 million unfavourable variance in losses and gains on valuation and translation of financial instruments;
  - $95.3 million unfavourable variance related to the charge for impairment of goodwill and intangible assets;
  - $67.3 million increase in amortization charge;
  - $25.3 million increase in financial expenses;
  - $12.6 million unfavourable variance in losses on debt refinancing.

  Partially offset by:

  - $76.8 million increase in adjusted operating income;
  - $23.0 million favourable variance in income from discontinued operations, resulting mainly from the gains on disposal of *Jobboom* and *Réseau Contact.*

**Amortization charge:** $662.2 million in 2013, a $67.3 million increase essentially due to the impact of the significant capital expenditures made since 2011 in the Telecommunications segment, including amortization of capital expenditures related to cable Internet access services and modernization of the wired network, plus the impact of promotional strategies focused on equipment leasing.

**Financial expenses:** $362.8 million, a $25.3 million increase due mainly to higher indebtedness resulting from the leveraged repurchase in October 2012 of Quebecor Media shares held by CDP Capital d'Amérique Investissement inc. ("CDP Capital"), a subsidiary of Caisse de dépôt et placement du Québec ("the Caisse"). This factor was partially offset by the impact of lower interest rates on long-term debt as a result of debt refinancing at more advantageous rates.

**Loss on valuation and translation of financial instruments:** $244.4 million in 2013 compared with a $136.9 million gain in 2012. The $381.3 million unfavourable variance was mainly due to the variance in the fair value of early settlement options caused by fluctuations in valuation assumptions, including interest rates, and credit premiums implicit in the adjusted prices of the underlying instruments. The variance was also due to the reversal of the fair value of early settlement options on the Videotron Senior Notes redeemed on July 2, 2013 and the Quebecor Media Senior Notes redeemed on August 30, 2013.

**Charge for restructuring of operations, impairment of assets and other special items**: $29.9 million in 2013 compared with $28.5 million in 2012.

- In 2013, a $9.2 million net charge for restructuring of operations was recorded in the News Media segment, mainly related to staff-reduction programs ($30.9 million in 2012). A $7.5 million charge for impairment of certain assets was also recorded in 2012 in connection with those restructuring initiatives.
- In December 2013, the Corporation announced its decision to discontinue door-to-door distribution of weekly newspapers and flyers in Québec as of January 2014. Accordingly, the News Media segment recorded an $8.3 million restructuring charge.
- The Broadcasting segment recorded a $2.9 million restructuring charge in 2013 ($0.1 million in 2012) in connection with staff reductions and a $2.1 million asset impairment charge. A $12.9 million gain on disposal of businesses was recorded in 2012 in the Broadcasting segment as a result of the sale by TVA Group of its interest in the specialty channels mysteryTV and The Cave.
- The other segments recorded a net charge for restructuring of operations, impairment of assets and other special items of $7.4 million in 2013 ($2.9 million in 2012).

**Charge for impairment of goodwill and intangible assets:** $281.3 million in 2013 compared with $186.0 million in 2012, a $95.3 million unfavourable variance.

- In the third quarter of 2013, Quebecor Media performed impairment tests on the News Media, Books and Music CGUs, which continue to be affected by the migration toward digital distribution platforms and by challenging market conditions in their respective industries. Quebecor Media concluded that the recoverable amount based on value in use or on fair value less disposal costs was less than the carrying amount of these CGUs. Accordingly, the following goodwill impairment charges were recorded:
  - the News Media segment recorded a $204.5 million non-cash goodwill impairment charge without any tax consequences ($129.5 million in 2012) and a $56.0 million non-cash impairment charge on mastheads and customer relationships, including $14.0 million without any tax consequences ($30.0 million in 2012, including $7.0 million without any tax consequences);
  - the Leisure and Entertainment segment recorded non-cash goodwill impairment charges without any tax consequences in the amount of $8.9 million in its Music CGU ($12.0 million in 2012) and $11.9 million in its Books CGU (nil in 2012).
- As well, the costs of magazine publishing operations were adversely affected by new tariffs adopted in 2012 with respect to business contributions for costs related to waste recovery services provided by Québec municipalities. Accordingly, the Corporation reviewed its business plan for the segment and determined that goodwill was no longer fully recoverable. A $14.5 million non-cash goodwill impairment charge (without any tax consequences) was therefore recorded in 2012.

**Loss on debt refinancing:** $18.9 million in 2013 compared with $6.3 million in 2012, a $12.6 million unfavourable variance.

- On July 2, 2013, Videotron redeemed its outstanding 9.125% Senior Notes in the aggregate principal amount of US$380.0 million, issued on April 15, 2008 and maturing in April 2018, and settled the related hedges. On August 30, 2013, Quebecor Media redeemed US$265.0 million in aggregate principal amount of its outstanding 7.75% Senior Notes issued in January 2006 and maturing in March 2016, and settled the related hedges. As a result, a total loss of $18.9 million was recorded in the consolidated statement of income in 2013, including a $14.5 million gain previously recorded in "Other comprehensive income."
- In 2012, Videotron redeemed all of the 6.875% Senior Notes issued in October 2003 and November 2004, and maturing in January 2014, in the aggregate principal amount of US$395.0 million. During the same period, Quebecor Media redeemed US$580.0 million principal amount of its 7.75% Senior Notes, issued in January 2006 and October 2007, and maturing in March 2016, and settled some of the related hedges. Finally, Quebecor Media prepaid the outstanding balance of its term loan "B" credit facility for a cash consideration of $153.9 million and settled the related hedges in January 2013. The transactions generated a total $6.3 million loss on debt refinancing.

**Income tax expense:** $31.1 million (effective tax rate of 31.5%) in 2013, compared with $130.4 million (effective tax rate of 24.7%) in 2012. The effective tax rate is calculated considering only taxable and deductible items.

- The $99.3 million favourable variance in the income tax expense was mainly due to the decrease in pre-tax income.
- The increase in the effective tax rate was due to the impact of the tax rate mix on the various components of the gain or loss on valuation and translation of financial instruments and on the loss on debt refinancing.

**SEGMENTED ANALYSIS**

**Telecommunications**

In Quebecor Media's Telecommunications segment, Videotron is the largest cable operator in Québec and the third-largest in Canada by customer base. Its state-of-the-art network passes 2,742,500 homes and businesses. In addition to analog cable television and digital cable television ("illico Digital TV") services, Videotron offers Internet access, cable telephony and advanced mobile telephony services, including high-speed Internet access, mobile television and many other functionalities supported by smartphones. Videotron also includes Videotron Business Solutions, a full-service business telecommunications provider that offers telephony, high-speed data transmission, Internet access, hosting, and cable television services.

**2013 operating results**

**Revenues:** $2.71 billion, a $114.0 million (4.4%) increase.

- Combined revenues from all cable television services increased $11.0 million (1.0%) to $1.09 billion, due primarily to higher revenues from the leasing of digital set-top boxes, increased subscriptions to the HDTV service and increased pay-per-view orders, partially offset by the impact of the net decrease in the customer base.
- Revenues from Internet access services increased $45.9 million (5.9%) to $818.4 million. The favourable variance was mainly due to customer growth, higher revenues from Internet access resellers, increased usage and other related revenues.
- Revenues from cable telephony service increased $18.9 million (4.2%) to $473.8 million, primarily as a result of customer growth, increases in some rates and growth in the number of business lines.
- Revenues from mobile telephony service increased $49.1 million (28.6%) to $220.7 million, essentially due to customer growth.
- Revenues from Videotron Business Solutions decreased $1.4 million (-2.2%) to $63.5 million.
- Revenues from equipment sales to customers decreased $6.9 million (-15.9%) to $36.5 million, mainly because of campaigns promoting cable television equipment leasing, partially offset by increased revenues from mobile telephony equipment.
- Other revenues were down $2.5 million (-22.3%) to $8.7 million.

**ARPU:** $118.03 in 2013 compared with $111.57 in 2012, a $6.46 (5.8%) increase.

**Customer statistics**

*Revenue-generating units* – As of December 31, 2013, the total number of revenue-generating units stood at 5,040,000, an increase of 122,700 (2.5%) in 2013 compared with an increase of 221,800 in 2012 (Table 3). Revenue-generating units are the sum of cable television, cable and mobile Internet access, and cable telephony service subscriptions and subscriber connections to the mobile telephony service.

*Cable television* – The combined customer base for all of Videotron's cable television services decreased by 29,900 (-1.6%) in 2013 (compared with a decrease of 6,500 in 2012) (Table 3). As of December 31, 2013, Videotron had 1,825,100 subscribers to its cable television services. The household and business penetration rate (number of subscribers as a proportion of the total 2,742,500 homes and businesses passed by Videotron's network as of the end of December 2013, up from 2,701,200 one year earlier) was 66.5% versus 68.7% a year earlier.

- As of December 31, 2013, the number of subscribers to the illico Digital TV service stood at 1,531,400, an increase of 46,800 or 3.2% in 2013, compared with an increase of 83,800 in 2012. As of December 31, 2013, illico Digital TV had a household and business penetration rate of 55.8% versus 55.0% a year earlier.
- The customer base for analog cable television services decreased by 76,700 (-20.7%) in 2013 (compared with a decrease of 90,300 in 2012), partly as a result of customer migration to illico Digital TV.

*Cable Internet access* – The number of subscribers to cable Internet access services stood at 1,418,300 at December 31, 2013, an increase of 30,600 (2.2%) in 2013, compared with an increase of 55,200 in 2012 (Table 3). At December 31, 2013, Videotron's cable Internet access services had a household and business penetration rate of 51.7%, compared with 51.4% a year earlier.

*Cable telephony service* – The number of subscribers to cable telephony service stood at 1,286,100 at December 31, 2013, an increase of 21,200 (1.7%) in 2013, compared with an increase of 59,600 in 2012 (Table 3). At December 31, 2013, the cable telephony service had a household and business penetration rate of 46.9% versus 46.8% a year earlier.

*Mobile telephony service* – As of December 31, 2013, the number of subscriber connections to the mobile telephony service stood at 503,300, an increase of 100,700 (25.0%) in 2013, compared with an increase of 112,000 in 2012 (Table 3).

**Table 3**
**Telecommunications segment year-end customer numbers (2009-2013)**
(in thousands of customers)

| | **2013** | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Cable television: | | | | | |
| Analog | **293.7** | 370.4 | 460.7 | 592.0 | 692.9 |
| Digital | **1,531.4** | 1,484.6 | 1,400.8 | 1,219.6 | 1,084.1 |
| | **1,825.1** | 1,855.0 | 1,861.5 | 1,811.6 | 1,777.0 |
| Cable Internet | **1,418.3** | 1,387.7 | 1,332.5 | 1,252.1 | 1,170.6 |
| Cable telephony | **1,286.1** | 1,264.9 | 1,205.3 | 1,114.3 | 1,014.0 |
| Mobile telephony[1] | **503.3** | 402.6 | 290.6 | 136.1 | 82.8 |
| Internet over wireless | **7.2** | 7.1 | 5.6 | 2.3 | – |
| **Total (revenue-generating units)** | **5,040.0** | 4,917.3 | 4,695.5 | 4,316.4 | 4,044.4 |

[1] Thousands of connections

**Adjusted operating income:** $1.28 billion, an $81.1 million (6.7%) increase.

- The increase in adjusted operating income was mainly due to:
  - impact of higher revenues;
  - adjustment to provision for Canadian Radio-television and Telecommunications Commission ("CRTC") licence fees to align with the CRTC's billing period.

  Partially offset by:
  - increases in some operating expenses, mainly related to engineering costs and customer support costs;
  - $4.0 million increase in stock-based compensation charge.

**Cost/revenue ratio:** Employee costs and purchases of goods and services for the Telecommunications segment's operations, expressed as a percentage of revenues, were 52.6% in 2013 compared with 53.7% in 2012.

- The decrease was mainly due to the impact of revenue growth (as the fixed component of operating costs does not fluctuate in proportion to revenues) and impact of adjustment to CRTC licence fees.

**Cash flows from operations**

**Cash flows from segment operations:** $699.2 million in 2013, compared with $465.5 million in 2012 (Table 4).

- The $233.7 million increase was primarily due to a $147.0 million decrease in additions to property, plant and equipment and in additions to intangible assets, mainly reflecting lower investment in the 4G network and in cable network modernization, as well as the $81.1 million increase in adjusted operating income.

**Table 4: Telecommunications**
**Cash flows from operations**
(in millions of Canadian dollars)

| | 2013 | 2012 |
|---|---|---|
| Adjusted operating income | **$1,284.8** | $1,203.7 |
| Additions to property, plant and equipment | **(546.8)** | (669.5) |
| Additions to intangible assets | **(51.6)** | (75.9) |
| Proceeds from disposal of assets | **12.8** | 7.2 |
| **Cash flows from segment operations** | **$ 699.2** | $ 465.5 |

**News Media**

In Quebecor Media's News Media segment, Sun Media Corporation operates Canada's largest newspaper chain, counting both paid and free circulation, according to corporate figures. As of December 31, 2013, Sun Media Corporation was publishing 36 paid-circulation dailies and 3 free dailies, including newspapers in 8 of the 10 largest urban markets in the country. It also publishes 141 community weeklies, magazines, weekly buyers' guides, farm publications, and other specialty publications. According to corporate figures, the aggregate circulation of the News Media segment's paid and free newspapers was approximately 10.5 million copies per week as of December 31, 2013. Sun Media Corporation holds a 51% interest in the English-language news and opinion specialty channel SUN News, launched in April 2011 in partnership with TVA Group, which holds 49%.

Sun Media Corporation's newspapers disseminate information in traditional print form as well as through 8 urban daily newspaper portals (*journaldemontreal.com*, *journaldequebec.com*, *ottawasun.com*, *torontosun.com*, *lfpress.com*, *winnipegsun.com*, *edmontonsun.com* and *calgarysun.com*) and more than 150 portals for community newspapers, free dailies, magazines and specialty information. The Canoe network also operates a number of sites, including *canoe.ca, canoe.tv* and *yourlifemoments.ca*, as well as the e-commerce sites *micasa.ca* (real estate) and *autonet.ca* (automobiles). The News Media segment's portals log over 9.6 million unique visitors per month in Canada, including 5.1 million in Québec (according to comScore Media Metrix® figures for December 2013).

The News Media segment also includes the QMI Agency, a news agency that provides content to all Quebecor Media properties and external customers. The segment is also engaged in the distribution of newspapers and magazines. In addition, the News Media segment offers commercial printing and related services to other publishers through its national printing and production platform.

**2013 operating results**

**Revenues:** $784.2 million, a $91.3 million (-10.4%) decrease.

- Revenues decreased by $19.8 million because of the closure of newspapers and specialty publications since the end of 2012 under restructuring initiatives.
- On a same-store basis, advertising revenues decreased 12.6%; circulation revenues decreased 3.9%; digital revenues decreased 3.9%; combined revenues from commercial printing and other sources increased 4.7%.
- On a same-store basis, revenues decreased 9.8% at the urban dailies, 11.0% at the community weeklies and 26.9% at the portals; the decline at the portals was caused mainly by lower advertising revenues.

**Adjusted operating income:** $97.7 million, a $7.4 million (-7.0%) decrease.

- The decrease was due primarily to:
- impact of decrease in revenues on a same-store basis;
- $2.7 million unfavourable variance in multimedia employment tax credits.

Partially offset by:

- $49.9 million favourable impact of restructuring initiatives and other reductions in operating expenses;
- $5.2 million reversal of a litigation reserve;
- $3.0 million decrease in adjusted operating loss of Quebecor Media Network Inc. ("Quebecor Media Network");
- $3.2 million impact of decrease in newsprint prices.

**Cost/revenue ratio:** Employee costs and purchases of goods and services for the News Media segment's operations, expressed as a percentage of revenues, were 87.5% in 2013 compared with 88.0% in 2012. The decrease was due to the favourable impact of operating cost-reduction initiatives on the 2013 results and the reversal of a litigation reserve, partially offset by the impact of the fixed component of operating costs, which does not fluctuate in proportion to revenue decreases.

**Cash flows from operations**

**Cash flows from segment operations:** $86.9 million in 2013, compared with $89.0 million in 2012 (Table 5). The $2.1 million decrease was due to a $7.4 million decrease in adjusted operating income, partially offset by a $5.4 million increase in proceeds from disposal of assets.

**Table 5: News Media**
**Cash flows from operations**
(in millions of Canadian dollars)

| | 2013 | 2012 |
|---|---|---|
| Adjusted operating income | **$ 97.7** | $105.1 |
| Additions to property, plant and equipment | **(10.0)** | (5.7) |
| Additions to intangible assets | **(7.4)** | (11.6) |
| Proceeds from disposal of assets | **6.6** | 1.2 |
| **Cash flows from segment operations** | **$ 86.9** | $ 89.0 |

**Broadcasting**

In the Broadcasting segment, TVA Group operates the largest French-language private television network in North America. TVA Group is the sole owner of 6 of the 10 television stations in the TVA Network and the specialty channels LCN, TVA Sports, addik$^{TV}$, Argent, Prise 2, Yoopa, CASA and MOI&cie. TVA Group also holds interests in two other TVA Network affiliates and the Évasion specialty channel. As well, TVA Group holds a 49% interest in the English-language news and opinion specialty channel SUN News in partnership with Sun Media Corporation, which holds 51%. SUN News is part of the Broadcasting segment. TVA Group's TVA Accès division is engaged in commercial production and its TVA Films division in the distribution of films and television programs. The TVA Publications Inc. subsidiary publishes more than 50 general-interest and entertainment magazines. It is the largest publisher of French-language magazines in Québec. The Broadcasting segment is also engaged in outdoor advertising through Quebecor Media Out of Home.

**2013 operating results**

**Revenues:** $458.9 million, a $1.3 million (0.3%) increase.

- Revenues from television operations decreased $5.7 million, mainly due to:
  - lower advertising revenues at TVA Network;
  - discontinuation of operations of TVA Boutiques in the third quarter of 2013.

  Offset by:
  - $7.5 million adjustment resulting from the favourable impact of a retroactive adjustment to TVA Group's share of royalties for the retransmission of its signal in markets located outside its over-the-air stations' local service areas ("retransmission royalties") for the years 2009 to 2013, including $6.1 million applied retroactively to the years 2009 to 2012;
  - increased subscription revenues at the specialty channels, attributable largely to the LCN, TVA Sports, MOI&cie, SUN News, addik$^{TV}$ and Prise 2 channels;

- increased advertising revenues at the specialty channels, including addik$^{TV}$, Prise 2 and CASA.

- Total revenues from publishing operations increased by $0.5 million. The decrease in newsstand and advertising revenues was offset by the favourable impact on revenues of the acquisition of Les Publications Charron & Cie in July 2013.
- Revenues of Quebecor Media Out of Home, which began operations in August 2012, increased by $7.2 million in 2013.

**Adjusted operating income:** $45.4 million, a $12.0 million (35.9%) increase.

- Adjusted operating income from television operations increased by $10.4 million, mainly as a result of:
  - favourable impact of retroactive adjustment of retransmission royalties;
  - decrease in SUN News' adjusted operating loss due primarily to reduced labour and content costs;
  - decrease in TVA Network's operating costs due to containment of content, production and other costs, and an adjustment to provision for CRTC licence fees to align with the CRTC's billing period.

  Partially offset by:
  - impact of revenue decrease at TVA Network.
- Adjusted operating income from publishing operations increased by $3.6 million, mainly as a result of:
  - favourable impact on 2013 comparative analysis of recognition in the first quarter of 2012 of a $2.3 million charge for the years 2010 and 2011 related to adoption of new tariffs with respect to business contributions for costs related to waste recovery services provided by Québec municipalities;
  - impact of acquisition of Les Publications Charron & Cie.
- Activities of Quebecor Media Out of Home, which began operations in August 2012, generated a $1.9 million increase in adjusted operating loss due to start-up costs.

**Cost/revenue ratio:** Employee costs and purchases of goods and services for the Broadcasting segment's operations, expressed as a percentage of revenues, were 90.1% in 2013 compared with 92.7% in 2012. The decrease in costs as a proportion of revenues was mainly due to decreased operating costs, the favourable impact of retroactive adjustment of retransmission royalties, and the recognition in 2012 of retroactive costs related to waste-recovery services.

**Cash flows from operations**

**Cash flows from segment operations:** $20.6 million in 2013 compared with $28.6 million in 2012 (Table 6). The $8.0 million decrease mainly reflects proceeds of $21.0 million from the disposal of assets recognized in 2012 in connection with the disposal of interests in the mysteryTV and The Cave specialty channels, partially offset by a $12.0 million increase in adjusted operating income.

**Table 6: Broadcasting**
**Cash flows from operations**
(in millions of Canadian dollars)

| | 2013 | 2012 |
|---|---|---|
| Adjusted operating income | **$ 45.4** | $ 33.4 |
| Additions to property, plant and equipment | **(21.7)** | (22.2) |
| Additions to intangible assets | **(3.1)** | (3.6) |
| Proceeds from disposal of assets | **—** | 21.0 |
| **Cash flows from segment operations** | **$ 20.6** | $ 28.6 |

**Leisure and Entertainment**

The operations of the Leisure and Entertainment segment consist primarily of retail sales of CDs, books, DVDs, Blu-ray discs, musical instruments, games and toys, video games, gift ideas and magazines through the chain of stores operated by Archambault Group Inc. ("Archambault Group") and the *archambault.ca* e-commerce site. They also include online sales of downloadable music and e-books; distribution of CDs and videos (Distribution Select); the ZIK music streaming service; distribution of music to Internet download services (Select Digital); music recording and video production (Musicor); recording of live concerts, production of concert videos and television commercials (Les Productions Select TV inc.), and concert promotion (Musicor Spectacles). Archambault Group is a fully integrated Canadian music corporation, a producer offering a complete range of media solutions and an increasingly active player in the concerts and cultural events industry.

The Leisure and Entertainment segment is also engaged in academic publishing through CEC Publishing Inc., general literature through 18 publishing houses, and physical and digital distribution through Messageries ADP inc. ("Messageries ADP"), the exclusive distributor for approximately 200 Québec and European French-language publishers. The general literature publishing houses and Messageries ADP are operated under the Sogides umbrella.

The Leisure and Entertainment segment is also engaged in retail and rental of DVDs, Blu-ray discs and console games through the Le SuperClub Vidéotron subsidiary and its franchise network. The segment also includes the QMJHL hockey team Armada de Blainville-Boisbriand, Québec video game developer BlooBuzz Studios Inc., established in February 2012, and e-book solutions provider Readbooks SAS. Finally, since May 2013, it includes the activities of Gestev, a Québec City sports and cultural events manager.

**2013 operating results**

**Revenues:** $298.9 million, a $12.7 million (-4.1%) decrease compared with 2012.

- Archambault Group's revenues decreased 5.7%, mainly because of:
  - 5.1% decrease in retail sales due primarily to lower sales of CDs and DVDs;
  - 7.4% decrease in distribution revenues, mainly because of lower CD sales;
  - 22.2% decrease in production revenues, mainly reflecting the greater number of concerts produced in 2012.
- Revenues of the Le SuperClub Vidéotron retail chain decreased by 26.5%, mainly because of lower franchise fee revenues and store closures.
- Book division revenues were flat. The addition of Charron Éditeur sales and increase in academic sales were offset by lower revenues from distribution to mass retailers and bookstores.

  Partially offset by:

- Favourable impact of revenues from acquisition of Gestev on May 24, 2013.

**Adjusted operating income:** $16.6 million in 2013, an $8.5 million (-33.9%) decrease. The unfavourable variance was mainly a result of the impact of lower revenues at Archambault Group and Le Super Club Vidéotron stores, partially offset by the impact of lower operating expenses in the Book division.

**Cash flows from operations**

**Cash flows from segment operations:** $9.2 million in 2013 compared with $13.7 million in 2012 (Table 7).

- The $4.5 million unfavourable variance was due to the $8.5 million decrease in adjusted operating income, partially offset by a $4.0 million decrease in additions to property, plant and equipment and in additions to intangible assets.

**Table 7: Leisure and Entertainment**
**Cash flows from operations**
(in millions of Canadian dollars)

| | 2013 | 2012 |
|---|---|---|
| Adjusted operating income | **$16.6** | $25.1 |
| Additions to property, plant and equipment | **(3.0)** | (6.4) |
| Additions to intangible assets | **(4.4)** | (5.0) |
| **Cash flows from segment operations** | **$ 9.2** | $13.7 |

**Interactive Technologies and Communications**

The Interactive Technologies and Communications segment consists of Nurun Inc. ("Nurun"), which is engaged in Internet, intranet and extranet development, technological platforms, e-commerce, interactive television, automated publishing solutions, and e-marketing and online customer relationship management strategies and programs. Nurun has offices in North America, Europe and China.

**2013 operating results**

**Revenues:** $139.2 million, a $6.3 million (-4.3%) decrease.

- The decrease was mainly due to:
  - lower volume from Canadian customers, due in part to a decrease in intersegment revenues from other segments of Quebecor Media;
  - lower volume in Europe, particularly in France and Spain.

  Partially offset by:
  - higher revenues at the San Francisco office in the United States and in Italy;
  - higher volume from government customers.

**Adjusted operating income:** $14.4 million, a $4.6 million (46.9%) increase. The favourable variance was due primarily to decreases in some operating costs, including labour costs, partially offset by the impact of the revenue decrease.

**Cash flows from operations**

**Cash flows from segment operations:** $12.5 million in 2013 compared with $5.6 million in 2012 (Table 8).

- The $6.9 million favourable variance was mainly due to the $4.6 million increase in adjusted operating income, combined with the $2.3 million decrease in additions to property, plant and equipment and in additions to intangible assets.

**Table 8: Interactive Technologies and Communications**
**Cash flows from operations**
(in millions of Canadian dollars)

| | 2013 | 2012 |
|---|---|---|
| Adjusted operating income | **$14.4** | $ 9.8 |
| Additions to property, plant and equipment | **(1.7)** | (4.2) |
| Additions to intangible assets | **(0.2)** | — |
| **Cash flows from segment operations** | **$12.5** | $ 5.6 |

**2013/2012 FOURTH QUARTER COMPARISON**

**Analysis of consolidated results of Quebecor Media**

**Revenues:** $1.12 billion, a $5.7 million (0.5%) increase.

- Revenues increased in Telecommunications ($24.6 million or 3.7% of segment revenues).
- Revenues decreased in News Media ($18.2 million or -8.2%), Broadcasting ($5.9 million or -4.6%), Interactive Technologies and Communications ($1.5 million or -4.2%) and Leisure and Entertainment ($0.8 million or -0.8%).

**Adjusted operating income:** $394.2 million, a $24.5 million (6.6%) increase.

- Adjusted operating income increased in Telecommunications ($17.6 million or 5.8% of segment adjusted operating income), News Media ($7.2 million or 19.3%), Broadcasting ($1.6 million or 10.6%) and Interactive Technologies and Communications ($1.4 million or 41.2%).
- Adjusted operating income decreased in Leisure and Entertainment ($1.1 million or -12.8%).
- The change in the fair value of Quebecor Media stock options resulted in a $0.8 million unfavourable variance in the stock-based compensation charge in the fourth quarter of 2013 compared with the same period of 2012. The change in the fair value of Quebecor stock options resulted in a $0.4 million unfavourable variance in the Corporation's stock-based compensation charge in the fourth quarter of 2013.

**Net income attributable to shareholders:** $61.3 million in the fourth quarter of 2013, compared with $8.6 million in the same period of 2012, a $52.7 million favourable variance.

- The favourable variance was due primarily to:
  - $62.8 million favourable variance in losses and gains on valuation and translation of financial instruments;
  - $24.5 million increase in adjusted operating income;
  - $8.7 million favourable variance in losses on debt refinancing;
  - $7.7 million decrease in financial expenses.

  Partially offset by:
  - $15.3 million unfavourable variance in charge for restructuring of operations, impairment of assets and other special items;
  - $3.2 million increase in amortization charge.

**Amortization charge:** $169.3 million, a $3.2 million increase due essentially to the same factors as those noted above in the 2013/2012 financial year comparison.

**Financial expenses:** $87.2 million, a $7.7 million decrease caused mainly by the impact of lower interest rates on long-term debt due to debt refinancing at lower rates, partially offset by higher average debt levels.

**Loss on valuation and translation of financial instruments:** $32.1 million in the fourth quarter of 2013 compared with $94.9 million in the same period of 2012. The $62.8 million favourable variance was mainly due to the variance in the fair value of early settlement options due to fluctuations in valuation assumptions, including interest rates, and credit premiums implicit in the adjusted prices of the underlying instruments.

**Charge for restructuring of operations, impairment of assets and other special items:** $16.0 million in the fourth quarter of 2013, compared with $0.7 million in the same period of 2012, a $15.3 million unfavourable variance.

- In the fourth quarter of 2013, a $6.1 million net charge for restructuring of operations was recorded in the News Media segment, mainly in connection with staff-reduction programs ($0.2 million reversal in the same period of 2012).

- In December 2013, the Corporation announced its decision to discontinue door-to-door distribution of weekly newspapers and flyers in Québec as of January 2014. Accordingly, the News Media segment recorded an $8.3 million restructuring charge.
- The other segments recorded a net charge for restructuring of operations, impairment of assets and other special items of $1.6 million in the fourth quarter of 2013 ($0.9 million in the same period of 2012).

**Loss on debt refinancing:** $8.7 million in the fourth quarter of 2012 compared with nil in the same period of 2013.

- In the fourth quarter of 2012, Quebecor Media redeemed US$320.0 million principal amount of its 7.75% Senior Notes maturing in March 2016. The transaction generated an $8.7 million loss on debt refinancing.

**Income tax expense:** $26.8 million (effective tax rate of 29.9%) in the fourth quarter of 2013 compared with a $6.3 million reversal in the fourth quarter of 2012.

- The $33.1 million unfavourable variance in income tax expense was mainly due to increase in pre-tax income.

**SEGMENTED ANALYSIS**

**Telecommunications**

**Revenues:** $693.2 million, a $24.6 million (3.7%) increase essentially due to the same factors as those noted above in the 2013/2012 financial year comparison.

- Combined revenues from all cable television services increased $2.0 million (0.7%) to $276.3 million.
- Revenues from Internet access services increased $14.3 million (7.3%) to $209.9 million.
- Revenues from cable telephony service increased $2.4 million (2.1%) to $118.7 million.
- Revenues from mobile telephony service increased $11.5 million (23.9%) to $59.6 million.
- Revenues from Videotron Business Solutions decreased $0.4 million (-2.5%) to $15.8 million.
- Revenues from customer equipment sales decreased $4.3 million (-28.7%) to $10.7 million.
- Other revenues decreased $1.0 million (-31.3%) to $2.2 million.

**ARPU:** $121.22 in fourth quarter 2013, compared with $114.02 in the same period of 2012, a $7.20 (6.3%) increase.

**Customer statistics**

*Revenue-generating units* – 35,100 (0.7%) unit increase in the fourth quarter of 2013, compared with an increase of 59,400 in the same period of 2012.

*Cable television* – 5,300 (-0.3%) decrease in the combined customer base for all of Videotron's cable television services in the fourth quarter of 2013, compared with an increase of 2,100 in the same period of 2012.

- illico Digital TV: 13,800 (0.9%) subscriber increase in the fourth quarter of 2013, compared with an increase of 26,800 in the same period of 2012.
- Analog cable TV: 19,100 (-6.1%) subscriber decrease in the fourth quarter of 2013, compared with a decrease of 24,700 in the same period of 2012.

*Cable Internet access* – 10,100 (0.7%) customer increase in the fourth quarter of 2013, compared with an increase of 18,100 in the same period of 2012.

*Cable telephony* – 4,900 (0.4%) subscriber increase in the fourth quarter of 2013, compared with an increase of 15,200 in the same period of 2012.

*Mobile telephony service* – 25,300 (5.3%) increase in subscriber connections in the fourth quarter of 2013, compared with an increase of 24,300 in the same period of 2012.

**Adjusted operating income:** $322.4 million, a $17.6 million (5.8%) increase.

- The increase in adjusted operating income was mainly due to:
  - impact of higher revenues.

  Partially offset by:
  - increases in some operating expenses;
  - $2.3 million increase in the stock-based compensation charge.

**Cost/revenue ratio:** Employee costs and purchases of goods and services for the Telecommunications segment's operations, expressed as a percentage of revenues, were 53.5% in the fourth quarter of 2013 compared with 54.4% in the same period of 2012.

- The decrease was mainly due to the impact of revenue growth (as the fixed component of operating costs does not fluctuate in proportion to revenues).

**News Media**

**Revenues:** $204.5 million, an $18.2 million (-8.2%) decrease.

- $5.3 million decrease in revenues due to closure of newspapers and specialty publications since the third quarter of 2012.
- On a same-store basis, advertising revenues decreased 10.8%; circulation revenues decreased 4.0%; digital revenues increased 2.4%; combined revenues from commercial printing and other sources increased 11.4%.
- On a same-store basis, revenues decreased 8.9% at the urban dailies, 8.8% at the community weeklies and 11.6% at the portals; the decline at the portals was caused mainly by lower advertising revenues.

**Adjusted operating income:** $44.6 million, a $7.2 million (19.3%) increase.

- The increase was due primarily to:
  - $15.1 million favourable impact of restructuring initiatives and other reductions in operating expenses;
  - $5.2 million reversal of a litigation reserve.

  Partially offset by:
  - impact of decrease in revenues on a same-store basis;
  - $1.0 million unfavourable variance in multimedia employment tax credits.

**Cost/revenue ratio:** Employee costs and purchases of goods and services for the News Media segment's operations, expressed as a percentage of revenues, were 78.2% in the fourth quarter of 2013, compared with 83.2% in the same period of 2012. The decrease was due to the favourable impact of operating expense-reduction initiatives on fourth quarter 2013 results and reversal of a litigation reserve, partially offset by the fixed component of operating costs, which does not fluctuate in proportion to revenue decreases.

**Broadcasting**

**Revenues:** $123.7 million, a $5.9 million (-4.6%) decrease.

- Revenues from television operations decreased $7.8 million, mainly due to:
  - lower advertising revenues at TVA Network;
  - discontinuation of operations of TVA Boutiques in the third quarter of 2013;
  - lower volume at TVA Accès and in commercial production.

  Partially offset by:
  - increased subscription and advertising revenues at the specialty channels.
- Total revenues from publishing operations increased by $0.5 million. The favourable impact on revenues of the acquisition of Les Publications Charron & Cie in July 2013 outweighed the decrease in newsstand and advertising revenues.
- Revenues of Quebecor Media Out of Home increased by $1.6 million in the fourth quarter of 2013, primarily because of higher advertising revenues.

**Adjusted operating income:** $16.7 million, a $1.6 million (10.6%) increase.

- Adjusted operating income from television operations increased by $0.2 million, mainly as a result of:
  - decrease in SUN News' adjusted operating loss due primarily to reduced labour and content costs;
  - decrease in TVA Network's operating costs due to containment of content, production and other costs.

  Partially offset by:
  - impact of revenue decrease at TVA Network.
- Adjusted operating income from publishing operations increased by $0.5 million, mainly as a result of the impact of the acquisition of Les Publications Charron & Cie.

- The adjusted operating loss of Quebecor Media Out of Home decreased by $0.9 million.

**Cost/revenue ratio:** Employee costs and purchases of goods and services for the Broadcasting segment's operations, expressed as a percentage of revenues, were 86.5% in the fourth quarter of 2013 compared with 88.3% in the same period of 2012. The decrease in costs as a proportion of revenues was mainly due to the reduction in operating costs.

**Leisure and Entertainment**

**Revenues:** $93.7 million, a $0.8 million (-0.8%) decrease due to:

- 5.7% decrease in Archambault Group's revenues, mainly because of a 7.2% decrease in retail sales, due in part to lower sales of DVDs and CDs;
- 25.8% decrease in revenues of the Le SuperClub Vidéotron retail chain due to lower franchise fee revenues and store closures.

Partially offset by:

- 12.2% increase in the Book division's revenues, mainly because of higher revenues from distribution to mass retailers and bookstores and the addition of Charron Éditeur sales.
- Favourable impact on revenues of the acquisition of Gestev in May 2013.

**Adjusted operating income:** $7.5 million in the fourth quarter of 2013, a $1.1 million (-12.8%) decrease. The decrease was mainly a result of the impact of lower revenues at Archambault Group and Le Super Club Vidéotron stores, partially offset by the impact of higher revenues and profitability in the Book division.

**Interactive Technologies and Communications**

**Revenues**: $34.3 million, a $1.5 million (-4.2%) decrease.

- The decrease was mainly due to:
  - lower volume from Canadian customers, due in part to a decrease in intersegment revenues from other segments of Quebecor Media;
  - lower volume in Europe, particularly in France and Spain.

Partially offset by:

- higher revenues at the San Francisco office in the United States;
- higher volume from government customers.

**Adjusted operating income:** $4.8 million, a $1.4 million (41.2%) increase. The favourable variance was due primarily to decreases in some operating costs, including labour costs, partially offset by the impact of the revenue decrease.

**2012/2011 FINANCIAL YEAR COMPARISON**

The 2011 financial year contained an additional week in the News Media, Broadcasting, Leisure and Entertainment, and Interactive Technologies and Communications segments.

**Analysis of consolidated results of Quebecor Media**

**Revenues**: $4.25 billion, a $154.2 million (3.8%) increase.

- Revenues increased in Telecommunications ($208.5 million or 8.7% of segment revenues), Interactive Technologies and Communications ($24.6 million or 20.3%) and Broadcasting ($21.3 million or 4.9%).
- Revenues decreased in News Media ($58.4 million or -6.3%) and Leisure and Entertainment ($22.9 million or -6.8%).

**Adjusted operating income:** $1.38 billion, a $69.5 million (5.3%) increase.

- Adjusted operating income increased in Telecommunications ($130.1 million or 12.1% of segment adjusted operating income) and Interactive Technologies and Communications ($1.9 million or 24.1%).
- Operating income decreased in News Media ($37.4 million or -26.2%), Broadcasting ($13.9 million or -29.4%), and Leisure and Entertainment ($13.2 million or -34.5%).
- The change in the fair value of Quebecor Media stock options resulted in a $10.4 million unfavourable variance in the consolidated stock-based compensation charge in 2012 compared with 2011. The fair value of the options increased in 2012, whereas it decreased in 2011. The change in the fair value of Quebecor stock options resulted in a $2.6 million unfavourable variance in the Corporation's consolidated stock-based compensation charge in 2012.

**Net income attributable to shareholders:** $234.6 million in 2012, compared with $365.6 million in 2011, a $131.0 million decrease.

- The decrease was mainly due to:
  - $186.0 million charge for impairment of goodwill and intangible assets recorded in 2012;
  - $87.4 million increase in amortization charge;
  - $17.9 million increase in financial expenses.

  Partially offset by:
  - $84.9 million favourable variance in gain on valuation and translation of financial instruments;
  - $69.5 million increase in adjusted operating income.

**Amortization charge:** $594.9 million, an $87.4 million increase due essentially to the impact of significant capital expenditures since 2010 in the Telecommunications segment, including amortization of 4G network equipment, plus the impact of promotional strategies focused on equipment leasing.

**Financial expenses:** $337.5 million, a $17.9 million increase due mainly to higher indebtedness.

**Gain on valuation and translation of financial instruments:** $136.9 million in 2012 compared with $52.0 million in 2011. The $84.9 million favourable variance was mainly due to the variance in the fair value of early settlement options due to fluctuations in valuation assumptions, including interest rates and credit premiums implicit in the adjusted prices of the underlying instruments.

**Charge for restructuring of operations, impairment of assets and other special items:** $28.5 million in 2012 compared with $29.3 million in 2011, a favourable variance of $0.8 million.

- In 2012, a $30.9 million charge for restructuring of operations was recorded in the News Media segment, mainly related to staff-reduction programs implemented in the third quarter of 2012, compared with a $10.1 million net charge in 2011 for restructuring initiatives implemented during that year. Also in connection with those initiatives, a $7.5 million charge for impairment of certain assets was recorded in 2012, compared with a $0.8 million charge for impairment of intangible assets recorded in 2011.

- A $12.9 million gain on disposal of businesses was recorded in 2012 in the Broadcasting segment as a result of the sale by TVA Group of its interest in the specialty channels mysteryTV and The Cave. A $0.1 million restructuring charge was also recorded in the Broadcasting segment in 2012 ($0.8 million in 2011). In 2011, the Broadcasting segment also recognized a $0.7 million charge for impairment of intangible assets and a $0.2 million charge for other special items.
- In connection with the start-up of its 4G network, the Telecommunications segment recorded a $0.5 million charge for migration costs in 2012, compared with $14.8 million in 2011. In addition, a $0.6 million charge for restructuring of other operations was recorded in the segment in 2011.
- In 2012, other special items in the amount of $2.4 million were recorded in other segments, compared with $1.3 million in 2011.

**Charge for impairment of goodwill and intangible assets:** $186.0 million in 2012.

- In 2012, the Corporation performed impairment tests on the News Media and Music CGUs and concluded that the recoverable amount based on value in use was less than their carrying amount. Accordingly, a $129.5 million non-cash goodwill impairment charge (without any tax consequences) and a $30.0 million non-cash impairment charge on mastheads and customer relationships (including $7.0 million without any tax consequences) were recorded in the News Media segment and a $12.0 million goodwill impairment charge (without any tax consequences) was recorded in the Leisure and Entertainment segment.
- As a result of new tariffs adopted in 2012 with respect to business contributions for costs related to waste recovery services provided by Québec municipalities, the costs of the magazine publishing operations were adversely affected. Accordingly, the Corporation reviewed its business plan for the segment and determined that goodwill was no longer fully recoverable. A $14.5 million non-cash goodwill impairment charge (without any tax consequences) was therefore recorded in 2012.

**Loss on debt refinancing:** $6.3 million in 2012 compared with $4.0 million in 2011, a $2.3 million unfavourable variance.

- In 2012, Videotron redeemed all of its 6.875% Senior Notes maturing in January 2014 in the aggregate principal amount of US$395.0 million. During the same period, Quebecor Media redeemed US$580.0 million principal amount of its outstanding 7.75% Senior Notes maturing in March 2016 and settled some of the related hedges. Finally, Quebecor Media prepaid the outstanding balance of its term loan “B” for a cash consideration of $153.9 million. The transactions generated a total $6.3 million loss on debt refinancing.
- On July 18, 2011, Videotron redeemed and withdrew US$255.0 million principal amount of its issued and outstanding 6.875% Senior Notes maturing in 2014 and settled the related hedges. On February 15, 2011, Sun Media Corporation redeemed and withdrew the entirety of its 7.625% Senior Notes in the aggregate principal amount of US$205.0 million and settled the related hedges. The transactions generated a $4.0 million loss on debt refinancing.

**Income tax expense:** $130.4 million (effective tax rate of 24.7%, considering only taxable and deductible items) in 2012, compared with $141.4 million (effective tax rate of 28.0%) in 2011.

- The $11.0 million favourable variance was due primarily to the lowering of the statutory tax rate.

**SEGMENTED ANALYSIS**

**Telecommunications**

**2012 operating results**

**Revenues:** $2.60 billion, a $208.5 million (8.7%) increase.

- Combined revenues from all cable television services increased $66.7 million (6.6%) to $1.08 billion, due primarily to higher ARPU resulting from increases in some rates, the impact of migration to digital, leasing of digital set-top boxes, and an increase in subscriptions to HD services.
- Revenues from Internet access services increased $74.3 million (10.6%) to $772.5 million. The favourable variance was mainly due to customer growth and increases in some rates.
- Revenues from cable telephony service increased $18.2 million (4.2%) to $454.9 million, primarily as a result of customer base growth and growth in the number of business lines.
- Revenues from mobile telephony service increased $58.9 million (52.3%) to $171.6 million, essentially due to customer growth.
- Revenues of Videotron Business Solutions increased $1.8 million (2.9%) to $64.9 million.
- Revenues from customer equipment sales decreased $12.5 million (-22.4%) to $43.4 million, mainly because of campaigns promoting cable television equipment leasing.
- Other revenues increased $1.1 million (10.8%) to $11.2 million.

**ARPU:** $111.57 in 2012 compared with $103.28 in 2011, an $8.29 (8.0%) increase.

**Customer statistics**

*Revenue-generating units* – As of December 31, 2012, the total number of revenue-generating units stood at 4,917,300, a 221,800 (4.7%) increase in 2012 compared with an increase of 379,100 in 2011 (Table 3). The 2011 figure constituted the largest one-year increase in revenue-generating units since 2008, resulting largely from the marketing of bundled services, including mobile telephony, and the end of over-the-air analog television broadcasting.

*Cable television* – The combined customer base for all of Videotron's cable television services decreased by 6,500 (-0.3%) in 2012 (Table 3), compared with an increase of 49,900 in 2011. As of December 31, 2012, Videotron had 1,855,000 customers for its cable television services, a household and business penetration rate of 68.7% (number of subscribers as a proportion of the total 2,701,200 homes and businesses passed by Videotron's network as of the end of December 2012, up from 2,657,300 at the end of December 2011), compared with 70.1% a year earlier.

- As of December 31, 2012, the number of subscribers to the illico Digital TV service stood at 1,484,600, an increase of 83,800 or 6.0% in 2012 compared with an increase of 181,200 in 2011. As of December 31, 2012, illico Digital TV had a household and business penetration rate of 55.0% versus 52.7% a year earlier.
- The customer base for analog cable television services decreased by 90,300 (-19.6%) in 2012, compared with a decrease of 131,300 in 2011, largely as a result of customer migration to illico Digital TV.

*Cable Internet access* – The number of subscribers to cable Internet access services stood at 1,387,700 at December 31, 2012, an increase of 55,200 (4.1%) in 2012 compared with an increase of 80,400 in 2011 (Table 3). At December 31, 2012, Videotron's cable Internet access services had a household and business penetration rate of 51.4%, compared with 50.1% a year earlier.

*Cable telephony service* – The number of subscribers to cable telephony service stood at 1,264,900 at December 31, 2012, an increase of 59,600 (4.9%) in 2012 compared with an increase of 91,000 in 2011 (Table 3)**.** At December 31, 2012, the cable telephony service had a household and business penetration rate of 46.8% versus 45.4% a year earlier.

*Mobile telephony service* – As of December 31, 2012, the number of subscriber connections to the mobile telephony service stood at 402,600, an increase of 112,000 (38.5%) in 2012 compared with an increase of 154,500 in 2011 (Table 3).

**Adjusted operating income:** $1.20 billion, a $130.1 million (12.1%) increase.

- The increase in adjusted operating income was mainly due to:
  - impact of higher revenues.

  Partially offset by:
  - increases in some operating expenses, among them network maintenance costs (including the 4G network), customer service costs incurred to support customer base growth, and marketing expenses;
  - $7.5 million increase in the stock-based compensation charge.

**Cost/revenue ratio:** Employee costs and purchases of goods and services for the Telecommunications segment's operations, expressed as a percentage of revenues, were 53.7% in 2012, compared with 55.1% in 2011.

- The decrease was mainly due to the impact of revenue growth (as the fixed component of operating costs does not fluctuate in proportion to revenues), partially offset by the increase in some operating costs.

**Cash flows from segment operations:** $465.5 million in 2012, compared with $284.0 million in 2011.

- The $181.5 million increase was due to the $130.1 million increase in adjusted operating income and the $55.6 million decrease in additions to property, plant and equipment, mainly reflecting lower investment in the 4G network and in network modernization, partially offset by the $5.2 million increase in additions to intangible assets.

**News Media**

**Revenues:** $875.5 million, a $58.4 million (-6.3%) decrease.

- Advertising revenues decreased 9.2%; circulation revenues decreased 3.8%; digital revenues increased 2.1%; combined revenues from commercial printing and other sources increased 4.1%.
- On a same-store basis, revenues decreased 8.3% at the urban dailies, 8.5% at the community weeklies and 36.8% at the portals; the decline at the portals was caused mainly by lower advertising revenues.

**Adjusted operating income:** $105.1 million, a $37.4 million (-26.2%) decrease.

- The decrease was due primarily to:
  - impact of revenue decrease;
  - unfavourable variance related to investments in Quebecor Media Network;
  - $4.0 million unfavourable variance in multimedia employment tax credits;
  - $3.4 million increase in the stock-based compensation charge.

  Partially offset by:
  - $30.3 million favourable impact related to restructuring initiatives announced in November 2011 and in 2012, and to other reductions in operating expenses.

**Cost/revenue ratio:** Employee costs and purchases of goods and services for the News Media segment's operations, expressed as a percentage of revenues, were 88.0% in 2012, compared with 84.7% in 2011. The increase was due to the unfavourable impact of investments in Quebecor Media Network, the fixed component of operating costs, which does not fluctuate in proportion to revenue decreases, the unfavourable impact on the 2012 comparative analysis of the recognition in 2011 of gains on rationalization of postretirement benefits, multimedia tax credits and the stock-based compensation charge, partially offset by the favourable impact of lower operating expenses in 2012.

**Cash flows from segment operations:** $89.0 million in 2012 compared with $124.9 million in 2011, a $35.9 million decrease due mainly to the $37.4 million decrease in adjusted operating income.

**Broadcasting**

**Revenues:** $457.6 million, a $21.3 million (4.9%) increase.

- Revenues from television operations increased $23.9 million, mainly due to:
  - increased subscription revenues at the specialty channels, attributable largely to the TVA Sports, SUN News, LCN, MOI&cie and Yoopa channels.
- Total publishing revenues decreased $3.3 million, mainly because of lower newsstand and advertising revenues.
- The revenues of Quebecor Media Out of Home, which began operations in August 2012, had a favourable impact on total revenues.

**Adjusted operating income:** $33.4 million, a $13.9 million (-29.4%) decrease.

- Adjusted operating income from television operations decreased $6.6 million, mainly due to:
  - full year of operating costs at TVA Sports in 2012 compared with four months in 2011;
  - $1.9 million increase in the stock-based compensation charge.

  Partially offset by:
  - impact of increased advertising and subscription revenues at the specialty channels.
- Adjusted operating income from publishing operations declined by $5.8 million, mainly as a result of:
  - impact of recognition of a $3.4 million charge related to the adoption of new tariffs for 2010, 2011 and 2012 with respect to business contributions for costs related to waste recovery services provided by Québec municipalities, of which $2.3 million was attributable to 2010 and 2011;
  - impact of revenue decrease.
- The start-up costs of Quebecor Media Out of Home, which began operations in August 2012, had an unfavourable impact on the segment's adjusted operating income.

**Cost/revenue ratio:** Employee costs and purchases of goods and services for the Broadcasting segment's operations, expressed as a percentage of revenues, were 92.7% in 2012 compared with 89.2% in 2011. The increase in costs as a proportion of revenues was mainly due to the adjusted operating loss at TVA Sports, higher operating expenses at some other specialty channels, and recognition of costs related to waste-recovery services.

**Cash flows from segment operations:** $28.6 million in 2012, compared with $11.0 million in 2011.

- The $17.6 million increase mainly reflected proceeds from the disposal of assets in the amount of $21.0 million recognized in 2012 in connection with the disposal of interests in the mysteryTV and The Cave specialty channels, combined with a $10.5 million decrease in additions to property, plant and equipment and in additions to intangible assets, partially offset by a $13.9 million decrease in adjusted operating income.

**Leisure and Entertainment**

**Revenues:** $311.6 million, a $22.9 million (-6.8%) decrease compared with 2011.

- Archambault Group's revenues decreased 4.2%, mainly because of:
  - 5.0% decrease in retail sales due to lower sales of CDs, videos and books than in 2011, which included an extra week;
  - 9.3% decrease in distribution revenues reflecting the larger number of successful CD releases in 2011.
- The Book division's revenues decreased by 11.7%, mainly because of lower sales of textbooks in the academic segment following completion of the education reform in Québec and lower revenues from general literature publishing and distribution.
- The revenues of the Le SuperClub Vidéotron retail chain decreased by 10.4%, mainly because of store closures.

**Adjusted operating income:** $25.1 million, a $13.2 million (-34.5%) decrease compared with 2011, due primarily to the impact of the decrease in revenues.

**Cash flows from segment operations:** $13.7 million in 2012 compared with $28.0 million in 2011.

- The $14.3 million decrease was essentially due to the $13.2 million decrease in adjusted operating income and the $1.2 million increase in additions to intangible assets.

**Interactive Technologies and Communications**

**Revenues:** $145.5 million, a $24.6 million (20.3%) increase.

- The increase was mainly due to:
  - impact of acquisition of an interactive advertising agency in the United States in the third quarter of 2011;
  - higher volume from customers in North America, generated by new contracts, among other things;
  - higher volume from government customers.

  Partially offset by:
  - lower volumes in Europe.

**Adjusted operating income:** $9.8 million, a $1.9 million (24.1%) increase. The favourable variance was mainly due to the impact of the revenue increase, partially offset by higher labour costs related to strategic personnel retention programs and provision for bonuses.

**Cash flows from segment operations:** $5.6 million in 2012, compared with $3.6 million in 2011, a $2.0 million increase due mainly to the increase in adjusted operating income.

## CASH FLOWS AND FINANCIAL POSITION

This section provides an analysis of sources and uses of cash flows, as well as an analysis of the financial position as of the balance sheet date. This section should be read in conjunction with the discussions on trends under "Trend Information" above and on the Corporation's financial risks under "Financial Instruments and Financial Risk" below.

### Operating activities

*2013 financial year*

**Cash flows provided by operating activities:** $932.4 million in 2013 compared with $1.12 billion in 2012.

- The $190.7 million unfavourable variance was mainly due to:
  - $203.5 million unfavourable net change in non-cash balances related to operations, mainly because of unfavourable variances in accounts payable and accrued charges at Videotron and Nurun, as well as provisions for restructuring of operations;
  - $38.4 million unfavourable variance in current income taxes;
  - $27.7 million increase in cash portion of financial expenses.

  Partially offset by:
  - $81.1 million increase in adjusted operating income in the Telecommunications segment.

The unfavourable impact of the timing of transactions on non-cash items related to operating activities, combined with a reduction in tax benefits available for the deferral of income tax disbursements, negatively affected cash flows provided by operating activities. Interest disbursements on higher indebtedness resulting from the repurchase of Quebecor Media shares in the fourth quarter of 2012 also had a negative impact. However, profit growth in the Telecommunications segment and the refinancing of some debt at lower rates had a favourable impact on cash flows.

*2012 financial year*

**Cash flows provided by operating activities:** $1.12 billion in 2012, compared with $863.5 million in 2011.

- The $259.6 million favourable variance was mainly due to:
  - $279.3 million favourable variance in net change in non-cash balances related to operations, mainly because of favourable variances in income tax liabilities, inventory, accounts payable, accrued charges, and provision for restructuring of operations;
  - $130.1 million increase in adjusted operating income in the Telecommunications segment.

  Partially offset by:
  - $74.7 million unfavourable variance in current income taxes;
  - decreases in adjusted operating income in News Media ($37.4 million), Broadcasting ($13.9 million) and Leisure and Entertainment ($13.2 million);
  - $16.4 million increase in cash interest expense.

Profit growth in the Telecommunications segment had a favourable impact on cash flows in 2012. On the other hand, the negative impact of more aggressive competition and weak market conditions in the News Media and Broadcasting segments, plus the costs of product and service launches, had an unfavourable impact on cash flows provided by operating activities.

**Working capital:** $95.2 million at December 31, 2013 compared with negative $81.7 million at December 31, 2012. The $176.9 million favourable variance was mainly due to the increase in cash and cash equivalents, the decrease in accounts payable and accrued charges, primarily at Videotron, and the recognition of assets held for sale under current assets (in connection with the sale of Québec community newspapers in the News Media segment), partially offset by impact of recognition of liabilities related to derivative financial instruments and long-term debt maturing in 2014 under current liabilities.

**Investing activities**

*2013 financial year*

**Additions to property, plant and equipment:** $585.7 million in 2013 compared with $709.9 million in 2012. The $124.2 million decrease was due primarily to:

- $122.7 million decrease in additions to property, plant and equipment in the Telecommunications segment, mainly related to lower spending on the 4G network and cable network modernization.

**Additions to intangible assets:** $66.1 million in 2013 compared with $93.9 million in 2012. The Telecommunications segment accounted for the largest part of the $27.8 million decrease.

**Proceeds from disposal of assets:** $19.5 million in 2013, primarily in the Telecommunications segment, compared with $29.4 million in 2012, a $9.9 million decrease.

- The 2012 figure included $21.0 million recorded in the Broadcasting segment in connection with the sale of TVA Group's interest in the specialty channels mysteryTV and The Cave.

**Business acquisitions:** $15.0 million in 2013, consisting mainly of the acquisition of Les Publications Charron & Cie and Charron Éditeur in the Broadcasting segment and the payment of an earnout related to the acquisition of a digital agency in the United States in the Interactive Technologies and Communications segment, compared with $2.0 million in 2012.

**Disposal of businesses:** $59.2 million in 2013, reflecting the sale of *Jobboom* and *Réseau Contact* to Mediagrif Interactive Technologies Inc., compared with $0.8 million in 2012.

*2012 financial year*

**Additions to property, plant and equipment**: $709.9 million in 2012 compared with $779.4 million in 2011. The $69.5 million difference was mainly due to:

- $55.6 million decrease in additions to property, plant and equipment in the Telecommunications segment, mainly because of spending on the 4G network and network modernization;
- $8.3 million decrease in the Broadcasting segment and a $6.7 million decrease in the News Media segment.

**Additions to intangible assets:** $93.9 million in 2012 compared with $91.1 million in 2011.

**Proceeds from disposal of assets:** $29.4 million in 2012 compared with $12.0 million in 2011.

- The 2012 figure included $21.0 million recorded in the Broadcasting segment in connection with the sale of TVA Group's interest in the specialty channels mysteryTV and The Cave.

**Business acquisitions:** $2.0 million in 2012 compared with $55.7 million in 2011, a $53.7 million decrease mainly due to the impact of the acquisition in 2011 of community newspapers in the News Media segment and of a digital agency in the United States in the Interactive Technologies and Communications segment.

**Free cash flows from continuing operating activities**

*2013 financial year*

**Free cash flows from continuing operating activities:** $300.1 million in 2013 compared with $348.7 million in 2012 (Table 9).

- The $48.6 million unfavourable variance was mainly due to:
  - $190.7 million unfavourable variance in cash flows provided by continuing operating activities;
  - $9.9 million decrease in proceeds from disposal of assets.

  Offset by:
  - $124.2 million decrease in additions to property, plant and equipment;

- $27.8 million decrease in additions to intangible assets.

*2012 financial year*

**Free cash flows from continuing operating activities:** $348.7 million in 2012 compared with $5.0 million in 2011 (Table 9).

- The $343.7 million increase was essentially due to:
  - $259.6 million increase in cash flows provided by continuing operating activities;
  - $69.5 million decrease in additions to property, plant and equipment;
  - $17.4 million increase in proceeds from disposal of assets.

**Table 9**
**Cash flows provided by continuing operating activities reported in the consolidated financial statements and free cash flows from continuing operating activities**
(in millions of Canadian dollars)

| | **2013** | 2012 | 2011 |
|---|---|---|---|
| Adjusted operating income: | | | |
| Telecommunications | **$1,284.8** | $1,203.7 | $1,073.6 |
| News Media | **97.7** | 105.1 | 142.5 |
| Broadcasting | **45.4** | 33.4 | 47.3 |
| Leisure and Entertainment | **16.6** | 25.1 | 38.3 |
| Interactive Technologies and Communications | **14.4** | 9.8 | 7.9 |
| Head Office | **–** | 5.0 | 3.0 |
| | **1,458.9** | 1,382.1 | 1,312.6 |
| Cash interest expense[1] | **(350.9)** | (323.2) | (306.8) |
| Cash portion of charge for restructuring of operations, impairment of assets and other special items[2] | **(26.7)** | (33.9) | (27.8) |
| Current income taxes | **(95.4)** | (57.0) | 17.7 |
| Other | **(0.6)** | 4.5 | (3.5) |
| Net change in non-cash balances related to operations | **(52.9)** | 150.6 | (128.7) |
| **Cash flows provided by continuing operating activities** | **932.4** | 1,123.1 | 863.5 |
| Additions to property, plant and equipment and additions to intangible assets, less proceeds from disposal of assets: | | | |
| Telecommunications | **(585.6)** | (738.2) | (789.6) |
| News Media | **(10.8)** | (16.1) | (17.6) |
| Broadcasting | **(24.8)** | (4.8) | (36.3) |
| Leisure and Entertainment | **(7.4)** | (11.4) | (10.3) |
| Interactive Technologies and Communications | **(1.9)** | (4.2) | (4.3) |
| Head Office | **(1.8)** | 0.3 | (0.4) |
| | **(632.3)** | (774.4) | (858.5) |
| **Free cash flows from continuing operating activities** | **$ 300.1** | $ 348.7 | $ 5.0 |

1 Interest on long-term debt, interest on net defined benefit liability, impact of foreign currency translation on short-term monetary items and other interest expenses (*see* note 4 in the consolidated financial statements).
2 Charge for restructuring of operations and other items (*see* note 6 in the consolidated financial statements).

**Financing activities**

*2013 financial year*

**Consolidated debt** (long-term debt plus bank borrowings): $547.3 million increase in 2013; $211.5 million favourable net variance in assets and liabilities related to derivative financial instruments.

- Summary of debt increases in 2013:
  - $400.0 million aggregate principal amount of Senior Notes issued by Videotron on June 17, 2013 for net proceeds of $394.8 million, net of financing fees of $5.2 million. The Notes bear 5.625% interest and mature on June 15, 2025;
  - US$350 million senior secured term loan "B" entered into by Quebecor Media on August 1, 2013 and issued at a price of 99.50% on August 29, 2013, for net proceeds of $358.4 million, net of financing fees of $1.9 million. The term loan bears interest at LIBOR, subject to a LIBOR floor of 0.75%, plus a 2.50% premium. It provides for quarterly amortization payments totalling 1.00% per annum of the original principal amount, with the balance payable on August 17, 2020;
  - $245.6 million increase in debt due to the reduction in the fair value of early settlement options, which are presented on the balance sheet as a reduction of debt. The reduction in fair value was due to fluctuations in valuation assumptions, including interest rates, and credit premiums implicit in the adjusted prices of the underlying instruments, as well as to the reversal of the fair value of early settlement options on the Videotron Senior Notes redeemed on July 2, 2013, and on the Quebecor Media Senior Notes redeemed on August 30, 2013.
  - Estimated $228.8 million unfavourable impact of exchange rate fluctuations. The increase in this item is offset by a decrease in the liability (or increase in the asset) related to cross-currency swap agreements entered under "Derivative financial instruments."
- Summary of main debt reductions in 2013:
  - Early redemption and withdrawal by Videotron on July 2, 2013 of US$380.0 million principal amount of 9.125% Senior Notes issued on April 15, 2008 and maturing in April 2018;
  - Early redemption by Quebecor Media on August 30, 2013 of US$265.0 million aggregate principal amount of its outstanding 7.75% Senior Notes issued on January 17, 2006 and maturing in March 2016;
  - Current payments totalling $22.2 million on Quebecor Media's and Videotron's credit facilities.
- Assets and liabilities related to derivative financial instruments totalled a net liability of $262.9 million at December 31, 2012, compared with a net liability of $51.4 million at December 31, 2013. The $211.5 million net favourable variance was due to:
  - Favourable impact of exchange rate fluctuations on the value of derivative financial instruments;
  - Settlement at maturity of liabilities related to Quebecor Media's foreign currency exposure hedges on its term loan "B" credit facility, which was prepaid in full in December 2012;
  - Settlement of liability related to Quebecor Media's hedging contracts in connection with the redemption on August 30, 2013 of US$265.0 million aggregate principal amount of Quebecor Media's 7.75% Senior Notes.

  Offset by:
  - Unfavourable impact of interest rate trends in Canada, compared with the United States, on the fair value of derivative financial instruments;
  - Unwinding of Videotron's hedging contracts in an asset position in connection with the redemption on July 2, 2013 of US$380.0 million principal amount of 9.125% Senior Notes.
- On April 16, 2013, Quebecor Media announced a public exchange offer for the exchange of the entirety of its outstanding 5.75% Senior Notes maturing on January 15, 2023 for an equivalent principal amount of Notes registered pursuant to the *Securities Act of 1933*. The exchange of almost all the Notes (99.9%) was completed by May 14, 2013.
- In June 2013, Quebecor Media amended its $300.0 million revolving credit facility to extend the maturity date to January 2017 and amend certain terms and conditions.
- In June 2013, Videotron also amended its $575.0 million revolving credit facility to extend the maturity date to July 2018 and amend certain terms and conditions.

*2012 financial year*

**Consolidated debt** (long-term debt plus bank borrowings): $726.8 million increase in 2012; $17.6 million favourable net variance in assets and liabilities related to derivative financial instruments.

- Summary of debt increases in 2012:
  - issuance by Videotron on March 14, 2012 of US$800.0 million aggregate principal amount of Senior Notes for net proceeds of $787.6 million, net of financing fees of $11.9 million. The Notes bear 5.0% interest and mature on July 15, 2022;
  - issuance by Quebecor Media on October 11, 2012 of US$850.0 million aggregate principal amount of Senior Notes bearing interest at 5.75% and maturing in 2023, and $500.0 million aggregate principal amount of Senior Notes bearing interest at 6.625% and maturing in 2023, for total net proceeds of $1.31 billion, net of financing fees of $16.5 million.
- Summary of debt reductions in 2012:
  - repayment by Videotron in March 2012 of all of its 6.875% Senior Notes maturing in January 2014, in the aggregate principal amount of US$395.0 million;
  - repayment by Quebecor Media in March, April and November 2012 of US$580.0 million aggregate principal amount of its 7.75% Senior Notes maturing in March 2016;
  - prepayment by Quebecor Media in December 2012 of the outstanding balance of its term loan "B" for a cash consideration of $153.9 million;
  - $195.8 million decrease in debt due to the favourable variance in the fair value of embedded derivatives, resulting mainly from interest rate and credit premium fluctuations;
  - estimated $53.2 million favourable impact of exchange rate fluctuations. Any decrease in this item is offset by an increase in the liability (or decrease in the asset) related to cross-currency swap agreements entered under "Derivative financial instruments";
  - repayment of the $37.6 million balance of Sun Media Corporation's term credit facility on February 3, 2012 and cancellation of the facility;
  - current payments, totalling $47.4 million, on the credit facilities and other debt of TVA Group, Quebecor Media and Videotron.
- Total proceeds of $1.31 billion from the issuance by Quebecor Media on October 11, 2012 of 5.75% Senior Notes maturing in 2023 and of 6.625% Senior Notes maturing in 2023 were used to purchase for cancellation 20,351,307 Common Shares of Quebecor Media's capital stock held by CDP Capital for a total cash consideration of $1.0 billion and to redeem US$320.0 million in aggregate principal amount of its 7.75% Senior Notes maturing in 2016.
- Assets and liabilities related to derivative financial instruments totalled a net liability of $262.9 million at December 31, 2012, compared with a net liability of $280.5 million at December 31, 2011. The favourable net variance of $17.6 million was due to:
  - settlement of hedges by Quebecor Media following repayment in March and April 2012 of US$260.0 million aggregate principal amount of its 7.75% Senior Notes;
  - favourable impact of interest rate trends in Canada, compared with the United States, on the fair value of derivative financial instruments.

  Offset by:
  - unfavourable impact of exchange rate fluctuations on the value of derivative financial instruments.
- On January 25, 2012, Quebecor Media amended its bank credit facilities to extend the maturity of its $100.0 million revolving credit facility from January 2013 to January 2016 and added a new $200.0 million revolving credit facility "C," also maturing in January 2016. In December 2012, this credit facility was combined with the existing facility for a total amount of $300.0 million.
- On February 24, 2012, TVA Group amended its bank credit facilities to extend the maturity of its $100.0 million revolving credit facility from December 2012 to February 2017.

- On June 4, 2012, Videotron announced a public exchange offer for the exchange of the entirety of its outstanding 5.00% Senior Notes maturing on July 15, 2022 for an equivalent principal amount of Notes registered pursuant to the *Securities Act of 1933*. The exchange was completed on July 20, 2012.

**Financial Position**

**Net available liquidity:** $1.34 billion at December 31, 2013 for the Corporation and its wholly owned subsidiaries, consisting of $464.7 million in cash and $874.3 million in available unused lines of credit. See "Results of 700 MHz spectrum auction" below for information about the filing of a letter of credit with Industry Canada, which has not been considered in the calculation of Quebecor Media's net available liquidity.

**Consolidated debt:** $4.98 billion at December 31, 2013, a $547.3 million increase compared with December 31, 2012; $211.5 million favourable net variance in assets and liabilities related to derivative financial instruments (*see* "Financing Activities" above).

- Consolidated debt essentially consisted of Videotron's $2.40 billion debt ($2.13 billion at December 31, 2012), TVA Group's $74.6 million debt ($74.4 million at December 31, 2012) and Quebecor Media's $2.50 billion debt ($2.23 billion at December 31, 2012).

As at December 31, 2013, minimum principal payments on long-term debt in the coming years were as follows:

**Table 10**
**Minimum principal payments on Quebecor Media's long-term debt**
**12 months ending December 31**
(in millions of Canadian dollars)

| | |
|---|---|
| 2014 | $ 100.2 |
| 2015 | 211.1 |
| 2016 | 412.7 |
| 2017 | 14.5 |
| 2018 | 362.8 |
| 2019 and thereafter | 3,938.9 |
| **Total** | **$5,040.2** |

The weighted average term of Quebecor Media's consolidated debt was approximately 7.0 years as of December 31, 2013, (7.1 years as of December 31, 2012). The debt consists of approximately 82.6% fixed-rate debt (90.9% as of December 31, 2012) and 17.4% floating-rate debt (9.1% as of December 31, 2012).

Management of the Corporation believes that cash flows and available sources of financing should be sufficient to cover committed cash requirements for capital investments, working capital, interest payments, debt repayments, pension plan contributions, and dividend payments (or distribution of capital). The Corporation has access to cash flows generated by its subsidiaries through dividends (or distributions) and cash advances paid by its wholly owned subsidiaries. The Corporation believes it will be able to meet future debt maturities, which are fairly staggered over the coming years.

Pursuant to their financing agreements, the Corporation and its subsidiaries are required to maintain certain financial ratios. The key indicators listed in these financing agreements include debt service coverage ratio and debt ratio (long-term debt over adjusted operating income). At December 31, 2013, the Corporation and its subsidiaries were in compliance with all required financial ratios.

**Dividends:** Total of $100.0 million in dividends declared and paid by the Board of Directors of Quebecor Media in 2013. In 2012, the Board of Directors of Quebecor Media declared and paid dividends totalling $100.0 million.

**Results of 700 MHz spectrum auction**

On February 19, 2014, Industry Canada announced that Videotron was the successful bidder for seven 700 MHz spectrum licences in Canada's four most populous provinces. The operating licences, acquired for $233.3 million, cover the entirety of the provinces of

Québec, Ontario (except Northern Ontario), Alberta and British Columbia. They make it possible to reach approximately 80% of Canada's population, more than 28 million people. The 700 MHz band is distinguished by its ability to penetrate walls, an important advantage in urban areas, and its long range in remote regions, making it the ideal band for the development of next-generation networks, including LTE.

In November 2013, prior to the commencement of the spectrum auction on January 14, 2014, Videotron filed a letter of credit with Industry Canada. Under Industry Canada's published rules respecting disclosure, it is strictly forbidden for the Corporation to reveal the amount of this letter of credit. Accordingly, Quebecor Media's net available liquidity as reported under "Financial Position" above has not been reduced by the amount of this letter of credit.

**Analysis of consolidated balance sheet at December 31, 2013**

**Table 11**
**Consolidated balance sheet of Quebecor Media**
**Analysis of main variances between December 31, 2012 and December 31, 2013**
(in millions of Canadian dollars)

| | December 31, 2013 | December 31, 2012 | Difference | Main reason for difference |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | **$ 476.6** | $ 228.7 | $ 247.9 | Cash flows from operations exceeded cash flows used in investing and financing activities |
| Net assets held for sale[1] | **67.9** | — | 67.9 | Agreement to sell 74 Québec community weeklies in the News Media segment |
| Property, plant and equipment | **3,398.4** | 3,353.2 | 45.2 | Additions to property, plant and equipment (*see* "Investing activities" above), less amortization for the period |
| Intangible assets | **808.8** | 956.7 | (147.9) | Amortization of Videotron's spectrum licences and impairment of mastheads and customer relationships in the News Media segment |
| Goodwill | **3,061.5** | 3,371.6 | (310.1) | Goodwill impairment in the News Media and Leisure and Entertainment segment, disposal of *Jobboom* and *Réseau Contact*, and recording of assets held for sale |
| **Liabilities** | | | | |
| Accounts payable and accrued liabilities | **693.2** | 784.9 | (91.7) | Impact of current variances in activity |
| Income taxes[2] | **71.2** | 23.3 | 47.9 | Reduction in previously available tax benefits |
| Long-term debt, including short-term portion and bank indebtedness | **4,976.0** | 4,428.7 | 547.3 | *See* "Financing activities" |
| Derivative financial instruments[3] | **51.4** | 262.9 | (211.5) | *See* "Financing activities" |
| Other liabilities | **155.8** | 329.5 | (173.7) | Decrease in net benefit obligation due to the higher discount rate and to return on assets |
| Net future tax liabilities[4] | **542.0** | 570.2 | (28.2) | Reduced deferred income taxes, mainly because of fluctuations in the fair value of early settlement options |

1 Current assets less current liabilities.
2 Current liabilities less current assets.
3 Current and long-term liabilities less long-term assets.
4 Long-term liabilities less long-term assets.

## ADDITIONAL INFORMATION

### Contractual Obligations

At December 31, 2013, material contractual obligations of operating activities included: capital repayment and interest payments on long-term debt; operating lease arrangements; capital asset purchases and other commitments; and obligations related to derivative financial instruments, less estimated future receipts on derivative financial instruments. Table 12 below shows a summary of those contractual obligations.

**Table 12**
**Contractual obligations of Quebecor Media as of December 31, 2013**
(in millions of Canadian dollars)

| | Total | Under 1 year | 1-3 years | 3-5 years | 5 years or more |
|---|---|---|---|---|---|
| Long-term debt[1] | **$5,040.2** | $100.2 | $ 623.8 | $ 377.3 | $3,938.9 |
| Interest payments[2] | **2,310.0** | 291.2 | 617.2 | 539.0 | 862.6 |
| Operating leases | **367.6** | 61.7 | 88.1 | 61.7 | 156.1 |
| Additions to property, plant and equipment and other commitments | **1,368.9** | 149.3 | 296.2 | 215.7 | 707.7 |
| Derivative financial instruments[3] | **26.0** | 116.6 | (15.1) | 60.3 | (135.8) |
| **Total contractual obligations** | **$9,112.7** | **$719.0** | **$1,610.2** | **$1,254.0** | **$5,529.5** |

1 The carrying value of long-term debt excludes adjustments related to embedded derivatives and financing fees.
2 Estimated interest payable on long-term debt, based on interest rates, hedging of interest rates and hedging of foreign exchange rates as of December 31, 2013.
3 Estimated future disbursements, net of receipts, related to foreign exchange hedging using derivative financial instruments.

*Significant commitments included in Table 12*

Videotron leases sites for its 4G network and other equipment under operating lease arrangements and has contracted long-term commitments to acquire services and equipment for a total future consideration of $408.2 million. During the year ended December 31, 2013, Videotron renewed or extended several leases and signed new operating lease arrangements.

In 2011, Quebecor Media announced an agreement with Québec City for the construction and management of an amphitheatre. As at December 31, 2013, the balance of these commitments stood at $111.8 million.

In 2012, Quebecor Media signed an agreement to install, maintain and advertise on Société de transport de Montréal bus shelters for the next 20 years. As at December 31, 2013, the balance of these commitments stood at $102.0 million.

In May 2013, Videotron and Rogers announced a 20-year agreement to build out and operate a shared LTE mobile network in the Province of Québec and in the Ottawa region. The outstanding balance of such commitments was $200.0 million at December 31, 2013.

In the normal course of business, the Broadcasting segment contracts commitments regarding broadcast rights for television programs, sporting events and films, as well as distribution rights for audiovisual content. The outstanding balance of such commitments was $880.7 million at December 31, 2013.

*Procurement of raw materials*

Large quantities of newsprint, paper and ink are among the most important raw materials used by Quebecor Media. During 2013, the total newsprint consumption of its News Media segment's operations was approximately 123,900 metric tonnes. Newsprint accounted for approximately 8.7% ($59.8 million) of the News Media segment's operating expenses for the year ended December 31, 2013. In order to obtain more favourable pricing, Quebecor Media sources substantially all of its newsprint from a single newsprint producer. Quebecor Media currently obtains newsprint from this supplier at a discount to market prices, and receives additional volume rebates for purchases above certain ceiling thresholds. However, there can be no assurance that this supplier will continue to supply newsprint to Quebecor Media on favourable terms or at all.

**Pension Plan Contributions**

The expected employer contributions to the Corporation's defined benefit pension plans and post-retirement benefits plans will be $66.2 million in 2014 (contributions of $72.4 million were paid in 2013).

**Related Party Transactions**

The following describes transactions in which the Corporation and its directors, executive officers and affiliates are involved. The Corporation believes that each of the transactions described below was on terms no less favourable to Quebecor Media than could have been obtained from independent third parties.

*Operating transactions*

During the year ended December 31, 2013, the Corporation and its subsidiaries made purchases and incurred rent charges with the parent corporation and affiliated corporations in the amount of $12.1 million ($14.4 million in 2012 and 11.7 million in 2011), which are included in purchase of goods and services. The Corporation and its subsidiaries made sales to affiliated corporations in the amount of $3.5 million ($3.8 million in 2012 and $3.2 million in 2011). These transactions were accounted for at the consideration agreed between the parties.

*Corporate reorganization*

On June 28, 2012, the CRTC approved the sale of a 2% interest in SUN News by TVA Group to Sun Media Corporation. The transaction closed on June 30, 2012 and, as a result, Sun Media Corporation holds a 51% interest and TVA Group a 49% interest in SUN News.

*Management arrangements*

The parent corporation has entered into management arrangements with the Corporation. Under these management arrangements, the parent corporation and the Corporation provide management services to each other on a cost-reimbursement basis. The expenses subject to reimbursement include the salaries of the Corporation's executive officers, who also serve as executive officers of the parent corporation.

In 2013, the Corporation received an amount of $1.8 million, which is included as a reduction in employee costs ($1.7 million in 2012 and 2.0 million in 2011), and incurred management fees of $2.0 million ($1.1 million in 2012 and in 2011) with the shareholders.

*Tax transactions*

In 2013, the parent corporation transferred $29.0 million of non-capital losses ($43.4 million in 2012, nil in 2011) to the Corporation and its subsidiaries in exchange for a total cash consideration of $6.9 million ($10.2 million in 2011, nil in 2011). This transaction was concluded on terms equivalent to those that prevail on an arm's length basis and was accounted for at the consideration agreed to between the parties. As a result, the Corporation recorded a reduction of $0.9 million in its income tax expense in 2013 ($1.5 million in 2012, nil in 2011).

**Off-Balance Sheet Arrangements**

*Guarantees*

In the normal course of business, the Corporation enters into numerous agreements containing guarantees, including the following:

*Operating leases*

The Corporation has guaranteed a portion of the residual values of certain assets under operating leases for the benefit of the lessor. Should the Corporation terminate these leases prior to term (or at the end of the lease terms) and should the fair value of the assets be less than the guaranteed residual value, then the Corporation must, under certain conditions, compensate the lessor for a portion of the shortfall. In addition, the Corporation has provided guarantees to the lessor of certain premises leases with expiry dates through 2018. Should the lessee default under the agreement, the Corporation must, under certain conditions, compensate the lessor. As of December 31, 2013, the maximum exposure with respect to these guarantees was $19.0 million and no liability has been recorded in the consolidated balance sheet.

*Business and asset disposals*

In the sale of all or part of a business or an asset, in addition to possible indemnification relating to failure to perform covenants and breach of representations or warranties, the Corporation may agree to indemnify against claims related to the past conduct of the business. Typically, the term and amount of such indemnification will be limited by the agreement. The nature of these indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay to guaranteed parties. The Corporation has not accrued any amount in respect of these items in the consolidated balance sheet.

*Outsourcing companies and suppliers*

In the normal course of its operations, the Corporation enters into contractual agreements with outsourcing companies and suppliers. In some cases, the Corporation agrees to provide indemnifications in the event of legal procedures initiated against them. In other cases, the Corporation provides indemnification to counterparties for damages resulting from the outsourcing companies and suppliers. The nature of the indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay. No amount has been accrued in the consolidated balance sheet with respect to these indemnifications.

**Financial Instruments and Financial Risk**

The Corporation's financial risk management policies have been established in order to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and in the Corporation's activities.

The Corporation uses a number of financial instruments, mainly cash and cash equivalents, trade receivables, long-term investments, bank indebtedness, trade payables, accrued liabilities, long-term debt and derivative financial instruments. As a result of their use of financial instruments, the Corporation and its subsidiaries are exposed to credit risk, liquidity risk and market risks relating to foreign exchange fluctuations and interest rate fluctuations.

In order to manage its foreign exchange and interest rate risks, the Corporation and its subsidiaries use derivative financial instruments (i) to set in CAN dollars future payments on debts denominated in U.S. dollars (interest and principal) and certain purchases of inventories and other capital expenditures denominated in a foreign currency, (ii) to achieve a targeted balance of fixed- and floating-rate debts; and (iii) to lock-in the value of certain derivative financial instruments through offsetting transactions. The Corporation and its subsidiaries do not intend to settle their derivative financial instruments prior to their maturity as none of these instruments is held or issued for speculative purposes.

**Table 13**
**Description of derivative financial instruments**
**As of December 31, 2013**
(in millions of dollars)

**Foreign exchange forward contracts**

| Maturity | Canadian dollar average exchange rate per one U.S. dollar | Notional amount sold | Notional amount bought |
|---|---|---|---|
| **Quebecor Media** | | | |
| 2016[1] | 1.0154 | US$ 320.0 | $ 324.9 |
| **Videotron** | | | |
| Less than 1 year | 1.0454 | $ 85.6 | US$ 81.9 |
| 2014[2] | 1.0151 | US$ 395.0 | $ 401.0 |

**Cross-currency interest rate swaps**

| Hedged item | Hedging instrument | | | |
|---|---|---|---|---|
| | Period covered | Notional amount | Annual interest rate on notional amount in CAN dollars | CAN dollar exchange rate on interest and capital payments per one U.S. dollar |
| **Quebecor Media** | | | | |
| 7.750% Senior Notes due 2016 | 2007 to 2016 | US$ 380.0 | 7.69% | 1.0001 |
| 5.750% Senior Notes due 2023[1] | 2007 to 2016 | US$ 320.0 | 7.69% | 0.9977 |
| 5.750% Senior Notes due 2023 | 2016 to 2023 | US$ 431.3 | 7.27% | 0.9792 |
| 5.750% Senior Notes due 2023 | 2012 to 2023 | US$ 418.7 | 6.85% | 0.9759 |
| Term loan "B" | 2013 to 2020 | US$ 349.1 | Bankers' acceptances 3 months +2.77% | 1.0346 |

**Cross-currency interest rate swaps (continued)**

| Hedged item | Hedging instrument | | | | |
|---|---|---|---|---|---|
| | Period covered | Notional amount | | Annual interest rate on notional amount in CAN dollars | CAN dollar exchange rate on interest and capital payments per one U.S. dollar |
| **Videotron** | | | | | |
| 5.000% Senior Notes due 2022[2] | 2003 to 2014 | US$ | 200.0 | Bankers' acceptances 3 months +2.73% | 1.3425 |
| 5.000% Senior Notes due 2022[2] | 2004 to 2014 | US$ | 60.0 | Bankers' acceptances 3 months +2.80% | 1.2000 |
| 5.000% Senior Notes due 2022[2] | 2003 to 2014 | US$ | 135.0 | 7.66% | 1.3425 |
| 6.375% Senior Notes due 2015 | 2005 to 2015 | US$ | 175.0 | 5.98% | 1.1781 |
| 9.125% Senior Notes due 2018 | 2008 to 2018 | US$ | 75.0 | 9.64% | 1.0215 |
| 9.125% Senior Notes due 2018 | 2009 to 2018 | US$ | 260.0 | 9.12% | 1.2965 |
| 5.000% Senior Notes due 2022 | 2014 to 2022 | US$ | 543.1 | 6.01% | 0.9983 |
| 5.000% Senior Notes due 2022 | 2012 to 2022 | US$ | 256.9 | 5.81% | 1.0016 |

[1] The Corporation initially entered into these cross-currency interest rate swaps to hedge the foreign currency risk exposure under Senior Notes redeemed in 2012. These swaps are now used to set in CAN dollars all coupon payments through 2016 on US$431.3 million of notional amount under its 5.75% Senior Notes due 2023 and issued on October 11, 2012. In conjunction with the repurposing of these swaps, the Corporation has entered into US$320.0 million offsetting foreign exchange forward contracts to lock-in the value of its hedging position related to the March 15, 2016 notional exchange.

[2] Videotron initially entered into these cross-currency interest rate swaps to hedge the foreign currency risk exposure under Senior Notes redeemed in 2012. These swaps are now used to set in CAN dollars all coupon payments through 2014 on US$543.1 million of notional amount under its 5.00% Senior Notes due 2022 and issued on March 14, 2012. In conjunction with the repurposing of these swaps, Videotron has entered into US$395.0 million offsetting foreign exchange forward contracts to lock-in the value of its hedging position related to the January 15, 2014 notional exchange.

Certain cross-currency interest rate swaps entered into by the Corporation and its subsidiaries include an option that allows each party to unwind the transaction on a specific date at the then settlement amount.

The gains on valuation and translation of financial instruments for 2013, 2012 and 2011 are summarized in Table 14.

**Table 14**
**Loss (gain) on valuation and translation of financial instruments**
(in millions of Canadian dollars)

| | **2013** | 2012 | 2011 |
|---|---|---|---|
| Loss (gain) on embedded derivatives and derivative financial instruments for which hedge accounting is not used | **$173.2** | $(197.5) | $(55.2) |
| Loss on reversal of embedded derivatives upon debt redemption | **72.9** | 61.4 | 2.6 |
| Gain on the ineffective portion of cash flow hedges | **(1.7)** | (1.1) | — |
| Loss on the ineffective portion of fair value hedges | **—** | 0.3 | 0.6 |
| | **$244.4** | $(136.9) | $(52.0) |

A $45.1 million loss was recorded under Other comprehensive income in relation to cash flow hedging relationships in 2013 ($33.1 million gain in 2012 and $9.5 million loss in 2011).

*Fair value of financial instruments*

The fair value of long-term debt is estimated based on quoted market prices when available or on valuation models. When the Corporation uses valuation models, the fair value is estimated using discounted cash flows using year-end market yields or the market value of similar instruments with the same maturity.

The fair value of cash equivalents and bank indebtedness, classified as held for trading and accounted for at their fair value on the consolidated balance sheets, is determined using inputs that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

The fair value of derivative financial instruments recognized on the consolidated balance sheets is estimated as per the Corporation's valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative instrument and factors observable in external markets data, such as period-end swap rates and foreign exchange rates. An adjustment is also included to reflect non-performance risk impacted by the financial and economic environment prevailing at the date of the valuation in the recognized measure of the fair value of the derivative instruments by applying a credit default premium estimated using a combination of observable and unobservable inputs in the market to the net exposure of the counterparty or the Corporation.

The fair value of early settlement options recognized as embedded derivatives is determined by option pricing models using market inputs, including volatility, discount factors, and underlying instrument-adjusted implicit interest rate and credit premium.

The carrying value and fair value of long term debt and derivative financial instruments as of December 31, 2013 and 2012 are as follows:

**Table 15**
**Fair value of long-term debt and derivative financial instruments**
(in millions of Canadian dollars)

| Asset (liability) | 2013 Carrying value | 2013 Fair value | 2012 Carrying value | 2012 Fair value |
|---|---|---|---|---|
| **Long-term debt[1]** | **$(5,040.2)** | **$(5,085.1)** | $(4,743.6) | (5,007.6) |
| **Derivative financial instruments[2]** | | | | |
| Early settlement options | **14.5** | **14.5** | 264.9 | 264.9 |
| Foreign exchange forward contracts[3] | **1.8** | **1.8** | 0.1 | 0.1 |
| Cross-currency interest rate swaps[3] | **(53.2)** | **(53.2)** | (263.0) | (263.0) |

1 The carrying value of long-term debt excludes embedded derivatives and financing fees.
2 The fair value of derivative financial instruments designated as hedges is an asset position of $18.6 million as of December 31, 2013 (a liability position of $168.9 million as of December 31, 2012).
3 The value of foreign exchange forward contracts entered into to lock-in the value of existing hedging positions is netted from the value of the offset financial instruments.

Due to the judgment used in applying a wide range of acceptable techniques and estimates in calculating fair value amounts, fair values are not necessarily comparable among financial institutions or other market participants and may not be realized in an actual sale or on the immediate settlement of the instrument.

*Credit risk management*

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial asset fails to meet its contractual obligations.

In the normal course of business, the Corporation continuously monitors the financial condition of its customers and reviews the credit history of each new customer. As of December 31, 2013, no customer balance represented a significant portion of the Corporation's consolidated trade receivables. The Corporation establishes an allowance for doubtful accounts based on the specific credit risk of its customers and historical trends. The allowance for doubtful accounts amounted to $28.4 million as of December 31, 2013 ($29.6 million as of December 31, 2012). As of December 31, 2013, 9.8% of trade receivables were 90 days past their billing date (9.9% as of December 31, 2012).

The following table shows changes to the allowance for doubtful accounts for the years ended December 31, 2013 and 2012:

| | 2013 | 2012 |
|---|---|---|
| Balance as of beginning of year | **$ 29.6** | $ 30.4 |
| Charged to income | **41.3** | 35.0 |
| Utilization | **(42.5)** | (35.8) |
| **Balance as of end of year** | **$ 28.4** | $ 29.6 |

The Corporation believes that the diversity of its customer base and its product lines are instrumental in reducing its credit risk, as well as the impact of fluctuations in product-line demand. The Corporation does not believe that it is exposed to an unusual level of customer credit risk.

As a result of their use of derivative financial instruments, the Corporation and its subsidiaries are exposed to the risk of non-performance by a third party. When the Corporation and its subsidiaries enter into derivative contracts, the counterparties (either foreign or Canadian) must have credit ratings at least in accordance with the Corporation's risk management policy and are subject to concentration limits. These credit ratings and concentration limits are monitored on an ongoing basis but at least quarterly.

*Liquidity risk management*

Liquidity risk is the risk that the Corporation and its subsidiaries will not be able to meet their financial obligations as they fall due or the risk that those financial obligations will have to be met at excessive cost. The Corporation and its subsidiaries manage this exposure through staggered debt maturities. The weighted average term of the Corporation's consolidated debt was approximately 7.0 years as of December 31, 2013 (7.1 years as of December 31, 2012).

*Market risk*

Market risk is the risk that changes in market prices due to foreign exchange rates, interest rates and/or equity prices will affect the value of the Corporation's financial instruments. The objective of market risk management is to mitigate and control exposures within acceptable parameters while optimizing the return on risk.

Foreign currency risk

Most of the Corporation's consolidated revenues and expenses, other than interest expense on U.S.-dollar-denominated debt, purchases of set-top boxes, handsets and cable modems and certain capital expenditures, are received or denominated in CAN dollars. A significant portion of the interest, principal and premium, if any, payable on its debt is payable in U.S. dollars. The Corporation and its subsidiaries have entered into transactions to hedge the foreign currency risk exposure on their U.S.-dollar-denominated debt obligations outstanding as of December 31, 2013, to hedge their exposure on certain purchases of set-top boxes, handsets, cable modems and capital expenditures, and to lock-in the value of certain derivative financial instruments through offsetting transactions. Accordingly, the Corporation's sensitivity to variations in foreign exchange rates is economically limited.

The following table summarizes the estimated sensitivity on income and other comprehensive income, before income tax, of a variance of $0.10 in the year-end exchange rate of a CAN dollar per one U.S. dollar as of December 31, 2013:

| Increase (decrease) | Income | Other comprehensive income |
|---|---|---|
| **Increase of $0.10** | | |
| U.S.-dollar-denominated accounts payable | $ (0.8) | $ — |
| Gain on valuation and translation of financial instruments and derivative financial instruments | 1.4 | 46.3 |
| **Decrease of $0.10** | | |
| U.S.-dollar-denominated accounts payable | 0.8 | — |
| Gain on valuation and translation of financial instruments and derivative financial instruments | (1.4) | (46.3) |

Interest rate risk

Some of the Corporation's and its subsidiaries' revolving and bank credit facilities bear interest at floating rates based on the following reference rates: (i) Bankers' acceptance rate, (ii) LIBOR, (iii) Canadian prime rate, and (iv) U.S. prime rate. The Senior Notes issued by the Corporation and its subsidiaries bear interest at fixed rates. The Corporation and its subsidiaries have entered into cross-currency interest rate swap agreements in order to manage cash flow risk exposure. As of December 31, 2013, after taking into account the hedging instruments, long-term debt was comprised of 82.6% fixed-rate debt (90.9% in 2012) and 17.4% floating-rate debt (9.1% in 2012).

The estimated sensitivity on interest payments, of a 100 basis-point variance in the year-end Canadian Bankers' acceptance rate as of December 31, 2013 is $8.6 million.

The estimated sensitivity on income and Other comprehensive income, before income tax, of a 100 basis-point variance in the discount rate used to calculate the fair value of financial instruments as of December 31, 2013, as per the Corporation's valuation models, is as follows:

| Increase (decrease) | Income | Other comprehensive income |
|---|---|---|
| Increase of 100 basis points | $ — | $ (7.2) |
| Decrease of 100 basis points | — | 7.2 |

*Capital management*

The Corporation's primary objective in managing capital is to maintain an optimal capital base in order to support the capital requirements of its various businesses, including growth opportunities.

In managing its capital structure, the Corporation takes into account the asset characteristics of its subsidiaries and planned requirements for funds, leveraging their individual borrowing capacities in the most efficient manner to achieve the lowest cost of financing. Management of the capital structure involves the issuance of new debt, the repayment of existing debt using cash flows generated by operations, and the level of distributions to shareholders. The Corporation has not significantly changed its strategy regarding the management of its capital structure since the last financial year.

The Corporation's capital structure is composed of equity, long-term debt, net assets and liabilities related to derivative financial instruments, less cash and cash equivalents. The capital structure as of December 31, 2013 and 2012 is as follows:

**Table 16**
**Capital structure of Quebecor Media**
(in millions of Canadian dollars)

| | 2013 | 2012 |
|---|---|---|
| Long-term debt | **4,976.0** | 4,428.7 |
| Derivative financial instruments | **51.4** | 262.9 |
| Cash and cash equivalents | **(476.6)** | (228.7) |
| Net liabilities | 4,550.8 | 4,462.9 |
| Equity | $1,956.8 | $2,160.4 |

The Corporation is not subject to any externally imposed capital requirements other than certain restrictions under the terms of its borrowing agreements, which relate, among other things, to permitted investments, inter-corporation transactions, the declaration and payment of dividends or other distributions.

**Contingencies**

In February 2012, a settlement was reached in legal proceedings against some of the Corporation's subsidiaries, initiated by another corporation in relation to printing contracts, including the cancellation of printing contracts. The settlement did not have a material impact on the Corporation's financial statements.

In addition, a number of other legal proceedings against the Corporation and its subsidiaries are pending. In the opinion of the management of the Corporation and its subsidiaries, the outcome of these proceedings is not expected to have a material adverse effect on Corporation's results or on its financial position.

**Critical Accounting Policies and Estimates**

*Revenue recognition*

The Corporation recognizes operating revenues when the following criteria are met:

- the amount of revenue can be measured reliably;
- the receipt of economic benefits associated with the transaction is probable;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably;

- the stage of completion can be measured reliably where services have been rendered; and
- significant risks and rewards of ownership, including effective control, have been transferred to the buyer where goods have been sold.

The portion of revenue that is unearned is recorded under "Deferred revenue" when customers are invoiced.

Revenue recognition policies for each of the Corporation's main segments are as follows:

Telecommunications

The Telecommunications segment provides services under arrangements with multiple deliverables, for which there are two separate accounting units: one for subscriber services (cable television, Internet, cable telephony or mobile telephony, including connection costs and rental of equipment); the other for equipment sales to subscribers. Components of multiple deliverable arrangements are separately accounted for, provided the delivered elements have stand-alone value to the customer and the fair value of any undelivered elements can be objectively and reliably determined. Arrangement consideration is allocated among the separate accounting units based on their relative fair values.

Cable connection revenues are deferred and recognized as revenues over the estimated average period that subscribers are expected to remain connected to the network. The incremental and direct costs related to cable connection costs, in an amount not exceeding the revenue, are deferred and recognized as an operating expense over the same period. The excess of those costs over the related revenues is recognized immediately in income. Operating revenues from cable and other services, such as Internet access, cable and mobile telephony, are recognized when services are rendered. Promotional offers and rebates are accounted for as a reduction in the service revenue to which they relate. Revenues from equipment sales to subscribers and their costs are recognized in income when the equipment is delivered. Promotional offers related to equipment, with the exclusion of mobile devices, are accounted for as a reduction in related equipment sales on delivery while promotional offers related to the sale of mobile devices are accounted for as a reduction in related equipment sales on activation. Operating revenues related to service contracts are recognized in income over the life of the specific contracts on a straight-line basis over the period in which the services are provided.

News Media

Revenues derived from circulation are recognized when the publication is delivered, net of provisions for estimated returns based on the segment's historical rate of returns. Advertising revenues are also recognized when the publication is delivered. Website advertising is recognized when advertisements are placed on websites. Revenues from the distribution of publications and products are recognized on delivery, net of provisions for estimated returns

Broadcasting

Revenues derived from the sale of advertising airtime are recognized when the advertisement has been broadcast on television. Revenues derived from subscriptions to specialty television channels are recognized on a monthly basis at the time service is rendered. Circulation revenues derived from publishing activities are recognized when the publication is delivered, net of provisions for estimated returns based on the segment's historical rate of returns. Revenues from advertising related to publishing activities are also recognized when the publication is delivered. Website advertising is recognized when advertisements are placed on websites.

Revenues derived from the distribution of televisual products and movies and from television program rights are recognized over the broadcasting period.

Revenues generated from the distribution of DVD and Blu-ray discs are recognized at the time of their delivery, less a provision for estimated returns, or are accounted for based on a percentage of retail sales.

Leisure and Entertainment

Revenues derived from music distribution, book publishing and distribution activities are recognized on delivery of the products, net of provisions for estimated returns based on the segment's historical rate of returns.

*Impairment of assets*

For the purposes of assessing impairment, assets are grouped in CGUs, which represent the lowest levels for which there are separately identifiable cash inflows generated by those assets. The Corporation reviews at each balance sheet date whether events or circumstances have occurred to indicate that the carrying amounts of its long-lived assets with finite useful lives may be less than their recoverable amounts. Goodwill, other intangible assets having an indefinite useful life, and intangible assets not yet available for use are tested for impairment each financial year, as well as whenever there is an indication that the carrying amount of the

asset, or the CGU to which an asset has been allocated, exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use of the asset or the CGU. Fair value less costs to sell represents the amount an entity could obtain at the valuation date from the asset's disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. The value in use represents the present value of the future cash flows expected to be derived from the asset or the CGU.

The Corporation uses the discounted cash flow method to estimate the recoverable amount consisting of future cash flows derived mainly from the most recent budget and three-year strategic plan approved by the Corporation's management and presented to the Board of Directors. These forecasts consider each CGU's past operating performance and market share as well as economic trends, along with specific and market industry trends and corporate strategies. A perpetual growth rate is used for cash flows beyond this three-year period. The discount rate used by the Corporation is a pre-tax rate derived from the weighted average cost of capital pertaining to each CGU, which reflects the current market assessment of (i) the time value of money, and (ii) the risk specific to the assets for which the future cash flow estimates have not been risk-adjusted. The perpetual growth rate has been determined with regard to the specific markets in which the CGUs participate.

An impairment loss is recognized in the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount. When the recoverable amount of a CGU to which goodwill has been allocated is lower than the CGU's carrying amount, the related goodwill is first impaired. Any excess amount of impairment is recognized and attributed to assets in the CGU, prorated to the carrying amount of each asset in the CGU.

An impairment loss recognized in prior periods for long-lived assets with finite useful lives and intangible assets having an indefinite useful life, other than goodwill, can be reversed through the consolidated statement of income to the extent that the resulting carrying value does not exceed the carrying value that would have been the result if no impairment losses had been previously recognized.

The determination of CGUs requires judgment when determining the lowest level for which there are separately identifiable cash inflows generated by the asset category.

In addition, when determining the recoverable amount of an asset or CGU, assessment of the information available at the valuation date is based on management's judgment and may involve estimates and assumptions. Furthermore, the discounted cash flow method used in determining the recoverable amount of an asset or CGU relies on the use of estimates such as the amount and timing of cash flows, expected variations in the amount or timing of those cash flows, the time value of money as represented by the risk-free rate, and the risk premium associated with the asset or CGU.

Therefore, the judgment used in determining the recoverable amount of an asset or CGU may affect the amount of the impairment loss to an asset or CGU to be recorded, as well as the potential reversal of the impairment charge in the future.

Based on the data and assumptions used in its last impairment test, the Corporation believes that at this time there are no significant amounts of long-lived assets with finite useful lives, or goodwill and intangible assets with indefinite useful lives on its books that present a significant risk of impairment in the near future. However, since impairment charges were recorded in 2013 in the News Media, Book Publishing and Distribution CGUs, any negative change in the future in the assumptions used for the purpose of realizing the impairment test in these CGUs could result in an additional impairment charge.

The net book value of goodwill as at December 31, 2013 was $ 3.06 billion, and the net book value of intangible assets with indefinite useful lives as at December 31, 2013 was $ 112.8 million.

*Derivative financial instruments and hedge accounting*

The Corporation uses various derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates and interest rates. The Corporation does not hold or use any derivative financial instruments for speculative purposes. Under hedge accounting, the Corporation documents all hedging relationships between hedging items and hedged items, as well as its strategy for using hedges and its risk management objective. It also designates its derivative financial instruments as either fair value hedges or cash flow hedges when they qualify for hedge accounting. The Corporation assesses the effectiveness of derivative financial instruments when the hedge is put in place and on an ongoing basis.

The Corporation generally enters into the following types of derivative financial instruments:

- The Corporation uses foreign exchange forward contracts to hedge foreign currency rate exposure on anticipated equipment or inventory purchases in a foreign currency. The Corporation also uses foreign exchange forward contracts in combination with cross-currency interest rate swaps to hedge foreign currency rate exposure on interest and principal payments on long-term debt. These foreign exchange forward contracts are designated as cash flow hedges.

- The Corporation uses cross-currency interest rate swaps to hedge (i) foreign currency rate exposure on interest and principal payments on foreign currency denominated debt and/or (ii) fair value exposure on certain debt resulting from changes in interest rates. The cross-currency interest rate swaps that set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting an interest rate from a floating rate to a floating rate or from a fixed rate to a fixed rate, are designated as cash flow hedges. The cross-currency interest rate swaps are designated as fair value hedges when they set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting the interest rate from a fixed rate to a floating rate.

- The Corporation uses interest rate swaps to manage fair value exposure on certain debt resulting from changes in interest rates. These swap agreements require a periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. These interest rate swaps are designated as fair value hedges when they convert the interest rate from a fixed rate to a floating rate, or as cash flow hedges when they convert the interest rate from a floating rate to a fixed rate.

Under hedge accounting, the Corporation applies the following accounting policies:

- For derivative financial instruments designated as fair value hedges, changes in the fair value of the hedging derivative recorded in income are substantially offset by changes in the fair value of the hedged item to the extent that the hedging relationship is effective. When a fair value hedge is discontinued, the carrying value of the hedged item is no longer adjusted and the cumulative fair value adjustments to the carrying value of the hedged item are amortized to income over the remaining term of the original hedging relationship.

- For derivative financial instruments designated as cash flow hedges, the effective portion of a hedge is reported in other comprehensive income until it is recognized in income during the same period in which the hedged item affects income, while the ineffective portion is immediately recognized in income. When a cash flow hedge is discontinued, the amounts previously recognized in accumulated other comprehensive income are reclassified to income when the variability in the cash flows of the hedged item affects income.

Any change in the fair value of these derivative financial instruments recorded in income is included in gain or loss on valuation and translation of financial instruments. Interest expense on hedged long-term debt is reported at the hedged interest and foreign currency rates.

Derivative financial instruments that do not qualify for hedge accounting, including derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts, such as early settlement options on long term-debt, are reported on a fair value basis in the consolidated balance sheets. Any change in the fair value of these derivative financial instruments is recorded in income as a gain or loss on valuation and translation of financial instruments.

Early settlement options are not considered closely related to their debt contract and are accordingly accounted for separately from the debt when the corresponding option exercise price is not approximately equal to the amortized cost of the debt.

The judgment used in determining the fair value of derivative financial instrument including embedded derivatives, using valuation and pricing models, may have a significant effect on the value of the gain or loss on valuation and translation of financial instruments recorded in the consolidated statements of income, and the value of the gain or loss on derivative financial instruments recorded in the consolidated statements of comprehensive income. Also, valuation and financial models are based on a number of assumptions including future cash flows, period-end swap rates, foreign exchange rates, credit default premium, volatility, discount factors, and underlying instrument-adjusted implicit interest rate and credit premium.

In addition, judgment is required to determine if an option exercise price is not approximately equal to the amortized cost of the debt. This determination may have a significant impact on the amount of gains or losses on valuation and translation of financial instruments recorded in the consolidated statements of income.

*Pension and postretirement benefits*

The Corporation offers defined contribution pension plans and defined benefit pension plans to some of its employees.

Quebecor Media's defined benefit obligations with respect to its defined benefit pension plan and postretirement benefits plan are measured at present value and assessed on the basis of a number of economic and demographic assumptions, which are established with the assistance of Quebecor Media's actuaries. Key assumptions relate to the discount rate, the rate of increase in compensation, retirement age of employees, healthcare costs, and other actuarial factors. Defined benefit pension plan assets are measured at fair value and consist of equities and corporate and government fixed-income securities.

Re-measurements of the net defined benefit liability or asset are recognized immediately in other comprehensive income.

Recognition of a net benefit asset is limited under certain circumstances to the amount recoverable, which is primarily based on the present value of future contributions to the plan to extent to which the Corporation can unilaterally reduce those future contributions. In addition, an adjustment to the net benefit asset or the net benefit liability can be recorded to reflect a minimum funding liability in a certain number of the Corporation's pension plans. The assessment of the amount recoverable in the future, for the purpose of calculating the limit on the net benefit asset, is based on a number of assumptions, including future service costs and reductions in future plan contributions.

The Corporation considers all the assumptions used to be reasonable in view of the information available at this time. However, variances from certain of these assumptions may have a significant impact on the costs and obligations of pension plans and postretirement benefits in future periods.

*Stock-based compensation*

Stock-based awards to employees that call for settlement in cash or other assets at the option of the employee are accounted for at fair value and classified as a liability. The compensation cost is recognized in expenses over the vesting period. Changes in the fair value of stock-based awards between the grant date and the measurement date result in a change in the liability and compensation cost.

Estimates of the fair value of stock option awards are determined by applying an option-pricing model, taking into account the terms and conditions of the grant and assumptions such as the risk-free interest rate, the dividend yield, the expected volatility and the expected remaining life of the option.

The judgment and assumptions used in determining the fair value of liability classified stock-based awards may have an effect on the compensation cost recorded in the statements of income.

*Provisions*

Provisions are recognized when (i) the Corporation has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and when (ii) the amount of the obligation can be reliably estimated. Restructuring costs, comprised primarily of termination benefits, are recognized when a detailed plan for the restructuring exists and a valid expectation has been raised in those affected, that the plan will be carried out.

Provisions are reviewed at each balance sheet date and changes in estimates are reflected in the consolidated statements of income in the reporting period in which changes occur.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date or to transfer it to a third party at that time, and it is adjusted for the effect of time value when material. The amount recognized for onerous contracts is the lower of the cost necessary to fulfill the obligations, net of expected economic benefits deriving from the contracts, and any indemnity or penalty arising from failure to fulfill those obligations.

No amounts are recognized for obligations that are possible but not probable or for those for which an amount cannot be reasonably estimated.

*Allowance for doubtful accounts*

The Corporation maintains an allowance for doubtful accounts to cover anticipated losses from customers who are unable to pay their debts. The allowance is reviewed periodically and is based on an analysis of specific significant accounts outstanding, the age of the receivable, customer creditworthiness, and historical collection experience.

*Business combinations*

A business combination is accounted for by the acquisition method. The cost of an acquisition is measured at the fair value of the consideration given in exchange for control of the business acquired at the acquisition date. This consideration can be comprised of cash, assets transferred, financial instruments issued, or future contingent payments. The identifiable assets and liabilities of the business acquired are recognized at their fair value at the acquisition date. Goodwill initially arising from a business acquisition is measured and recognized as the excess of the fair value of the consideration paid over the fair value of the recognized identifiable assets acquired and liabilities assumed. The judgments made in determining the estimated fair value and the expected useful life of each acquired asset, and the estimated fair value of each assumed liability, can significantly impact net income.

Determining the fair value of certain acquired assets, assumed liabilities and future contingent considerations requires judgment and involves complete and absolute reliance on estimates and assumptions. The Corporation primarily uses the discounted future cash flows approach to estimate the value of acquired intangible assets.

The estimates and assumptions used in the allocation of the purchase price at the date of acquisition may also have an impact on the amount of an impairment charge to be recognized, if any, after the date of acquisition, as discussed above under "Impairment of assets."

*Income taxes*

Deferred income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in income in the period that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be subsequently reduced, if necessary, to an amount that is more likely than not to be realized.

The assessment of deferred income taxes is judgmental in nature and is dependent on assumptions and estimates as to the availability and character of future taxable income. The ultimate amount of deferred income tax assets realized could be slightly different from that recorded, since it is influenced by the Corporation's future operating results.

The Corporation is at all times under audit by various tax authorities in each of the jurisdictions in which it operates. A number of years may elapse before a particular matter for which management has established a reserve is audited and resolved. The number of years between each tax audit varies depending on the tax jurisdiction. Management believes that its estimates are reasonable and reflect the probable outcome of known tax contingencies, although the final outcome is difficult to predict.

**Changes in Accounting Policies**

On January 1, 2013, the Corporation adopted retrospectively the following standards. Unless otherwise indicated, the adoption of these new standards did not have a material impact on prior period comparative figures.

(i) IFRS 10 *Consolidated Financial Statements* replaces SIC 12 *Consolidation – Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements* provides additional guidance regarding the concept of control as the determining factor in whether an entity should be included in the consolidated financial statements of the parent corporation.

(ii) IFRS 11 *Joint Arrangements* replaces IAS 31 *Interests in Joint Ventures* with guidance that focuses on the rights and obligations of the arrangement, rather than its legal form. It also withdraws the option to proportionately consolidate an entity's interest in joint ventures. The new standard requires that such interests be recognized using the equity method. The following table summarizes the adjustments that were recorded in the consolidated statements of income for the prior period comparative figures:

| Increase (decrease) | 2012 | 2011 |
|---|---|---|
| Revenues | $ (4.2) | $ (9.2) |
| Purchase of goods and services | (2.5) | (7.2) |
| Financial expenses | (1.7) | (2.0) |
| Income from continuing operations | $ — | $ — |

(iii) IFRS 12 *Disclosure of Interests in Other Entities* is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose entities and other off-balance sheet vehicles.

(iv) IFRS 13 *Fair Value Measurement* is a new and comprehensive standard that sets out a framework for measuring at fair value and that provides guidance on required disclosures about fair value measurements.

(v) IAS 1 *Presentation of Financial Statements* was amended and the principal change resulting from amendments to this standard is the requirement to present separately other comprehensive items that may be reclassified to income and other comprehensive items that will not be reclassified to income.

(vi) IAS 19 *Employee Benefits (Amended)* involves, among other changes, the immediate recognition of the re-measurement component in other comprehensive income, thereby removing the accounting option previously available in IAS 19 to recognize or to defer recognition of changes in defined benefit obligations and in the fair value of plan assets directly in the consolidated statement of income. IAS 19 also introduces a net interest approach that replaces the expected return on assets and interest costs on the defined benefit obligation with a single net interest component determined by multiplying the net defined benefit liability or asset by the discount rate used to determine the defined benefit obligation. In addition, all past service costs are required to be recognized in profit or loss when the employee benefit plan is amended and no longer spread over any future service period. IAS 19 also allows amounts recorded in other comprehensive income to be recognized either immediately in deficit or as a separate category within equity. The Corporation chose to recognize amounts recorded in other comprehensive income in accumulated other comprehensive income. The adoption of the amended standard had the following impacts on prior periods' figures:

**Consolidated statements of income**

| Increase (decrease) | **2012** | 2011 |
|---|---|---|
| Employee costs | **$ 4.4** | $ 2.8 |
| Financial expenses | **12.3** | 9.8 |
| Deferred income taxes | **(4.5)** | (3.4) |
| Income from continuing operations | **$(12.2)** | $(9.2) |
| Income from continuing operations attributable to: | | |
| Shareholders | **$(11.1)** | $(8.4) |
| Non-controlling interests | **(1.1)** | (0.8) |

**Consolidated statements of comprehensive income**

| Increase (decrease) | **2012** | 2011 |
|---|---|---|
| Net income | **$(12.2)** | $ (9.2) |
| Re-measurement loss | **(18.3)** | (14.2) |
| Deferred income taxes | **4.9** | 3.8 |
| Comprehensive income | **$ 1.2** | $ 1.2 |
| Comprehensive income attributable to: | | |
| Shareholders | **$ 0.7** | $ 0.7 |
| Non-controlling interests | **0.5** | 0.5 |

**Consolidated balance sheets**

| **Increase (decrease)** | **2012** | **2011** | **2010** |
|---|---|---|---|
| Other liabilities | **$ 2.1** | $ 3.7 | $ 5.3 |
| Deferred income taxes liability | **(0.6)** | (1.0) | (1.4) |
| Deficit | **(100.7)** | (87.9) | (37.5) |
| Accumulated other comprehensive loss | **102.2** | 90.1 | 40.4 |
| Non-controlling interests | **–** | (0.5) | (1.0) |

**Recent Accounting Pronouncements**

The Corporation has not yet completed its assessment of the impact of the adoption of these pronouncements on its consolidated financial statements.

*(i)* IFRS 9 – Financial Instruments is required to be applied retrospectively, with early adoption permitted.

IFRS 9 simplifies the measurement and classification of financial assets by reducing the number of measurement categories in IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement, as well as for a new hedge accounting model more closely aligned with risk management activities undertaken by entities.

(ii) IFRIC 21 – Levies is required to be applied retrospectively for periods beginning January 1, 2014.

IFRIC 21 clarifies the timing of accounting for a liability for outflow of resources that is imposed by governments in accordance with legislation, based on the activity that triggers the payment.

**Cautionary Statement regarding Forward-Looking Statements**

This annual report contains forward-looking statements with respect to the Corporation's financial condition, results of operations, business, and certain of its plans and objectives. These forward-looking statements are made pursuant to the "Safe Harbor" provisions of the United States *Private Securities Litigation Reform Act of 1995*. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industries in which the Corporation operates, as well as beliefs and assumptions made by its management. Such statements include, in particular, statements about the Corporation's plans, prospects, financial position and business strategies. Words such as "may," "will," "expect," "continue," "intend," "estimate," "anticipate," "plan," "foresee," "believe" or "seek," or the negatives of these terms or variations of them or similar terminology are intended to identify such forward-looking statements. Although the Corporation believes that the expectations reflected in these forward-looking statements are reasonable, these statements, by their nature, involve risks and uncertainties and are not guarantees of future performance. Such statements are also subject to assumptions concerning, among other things: the Corporation's anticipated business strategies; anticipated trends in its business; anticipated reorganizations of any of its segments or businesses and any related restructuring provisions or impairment charges; and its ability to continue to control costs. The Corporation can give no assurance that these estimates and expectations will prove to have been correct. Actual outcomes and results may, and often do, differ from what is expressed, implied or projected in such forward-looking statements, and such differences may be material. Some important factors that could cause actual results to differ materially from those expressed in these forward-looking statements include, but are not limited to:

- Quebecor Media's ability to continue developing its network and related mobile services;
- general economic, financial or market conditions and variations in the businesses of Quebecor Media's local, regional or national newspaper and broadcasting advertisers;
- the intensity of competitive activity in the industries in which Quebecor Media operates;
- fragmentation of the media landscape;
- new technologies that might change consumer behaviour with respect to Quebecor Media's product suites;
- unanticipated higher capital spending required for developing its network or to address the continued development of competitive alternative technologies or the inability to obtain additional capital to continue the development of Quebecor Media's business;
- Quebecor Media's ability to implement its business and operating strategies successfully and to manage its growth and expansion;
- Quebecor Media's ability to successfully restructure its newspaper operations to optimize their efficiency in the context of the changing newspaper industry;
- disruptions to the network through which Quebecor Media provides its digital cable television, Internet access and telephony services, and its ability to protect such services from piracy;
- labour disputes or strikes;
- changes in Quebecor Media's ability to obtain services and equipment critical to its operations;
- changes in laws and regulations, or in their interpretations, which could result, among other things, in the loss (or reduction in value) of Quebecor Media's licences or markets, or in an increase in competition, compliance costs or capital expenditures;

- Quebecor Media's substantial indebtedness, the tightening of credit markets, and the restrictions on its business imposed by the terms of its debt; and
- interest rate fluctuations that could affect Quebecor Media's interest payment requirements on long-term debt.

The Corporation cautions investors and others that the above list of cautionary statements is not exhaustive. These and other factors are discussed in further detail in the Annual Report on Form 20-F under "Item 3. Key Information – B. Risk Factors." Each of these forward-looking statements speaks only as of the date of this report. The Corporation disclaims any obligation to update these statements unless applicable securities laws require us to do so. The Corporation advises investors and others to consult any documents it may file with or furnish to the U.S. Securities and Exchange Commission, as described under "Item 10. Additional Information – Documents on Display" of this Annual Report.

## ITEM 6 — DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### A- Directors and Senior Management

The following table sets forth certain information concerning our directors and executive officers at March 19, 2014:

| Name and Municipality of Residence | Age | Position |
|---|---|---|
| FRANÇOISE BERTRAND[3]<br>Town of Mount Royal, Québec | 65 | Director, Chairperson of the Board and Chairperson of the Compensation Committee |
| ROBERT DÉPATIE[1]<br>Rosemère, Québec | 55 | Director, President and Chief Executive Officer |
| JEAN LA COUTURE, FCPA, FCA[1][2]<br>Montréal, Québec | 67 | Director and Chairman of the Audit Committee |
| SYLVIE LALANDE<br>Lachute, Québec | 63 | Director |
| PIERRE LAURIN[2][3]<br>Nuns' Island, Québec | 74 | Director |
| A. MICHEL LAVIGNE, FCPA, FCA[1][2][3]<br>Laval, Québec | 63 | Director |
| GENEVIÈVE MARCON<br>Lac Beauport, Québec | 45 | Director |
| THE RIGHT HONOURABLE BRIAN MULRONEY, P.C., C.C., LL.D.<br>Westmount, Québec | 74 | Director and Vice Chairman of the Board |
| NORMAND PROVOST<br>Brossard, Québec | 59 | Director |

| Name and Municipality of Residence | Age | Position |
|---|---|---|
| MANON BROUILLETTE<br>Outremont, Québec | 45 | President and Chief Operating Officer, Videotron Ltd. |
| PIERRE DION<br>Saint-Bruno, Québec | 49 | President and Chief Executive Officer, TVA Group Inc. |
| JULIE TREMBLAY<br>Westmount, Québec | 54 | President and Chief Executive Officer, Sun Media Corporation |
| JEAN-FRANÇOIS PRUNEAU<br>Repentigny, Québec | 43 | Senior Vice President and Chief Financial Officer |
| MARC M. TREMBLAY<br>Westmount, Québec | 53 | Senior Vice President and Chief Legal Officer and Public Affairs |
| J. SERGE SASSEVILLE<br>Montréal, Québec | 55 | Senior Vice President, Corporate and Institutional Affairs |
| ISABELLE LECLERC<br>Montréal, Québec | 45 | Vice President, Human Resources |
| CHLOÉ POIRIER<br>Nuns' Island, Québec | 44 | Vice President and Treasurer |
| DENIS SABOURIN<br>Kirkland, Québec | 53 | Vice President and Corporate Controller |
| CLAUDINE TREMBLAY<br>Montréal, Québec | 60 | Vice President and Secretary |
| DOMINIQUE FORTIN<br>Boucherville, Québec | 51 | Assistant Secretary |

(1) Member of the Executive Committee
(2) Member of the Audit Committee
(3) Member of the Compensation Committee

***Françoise Bertrand**, Director, Chairperson of the Board and Chairperson of the Compensation Committee.* Ms. Bertrand is a Director of Quebecor Media since May 2013 and was appointed as Chairperson of the Board of Quebecor Media on March 12, 2014. Ms. Bertrand has served as Chairperson of the Board of Directors of Quebecor since 2011 and as Director of Quebecor since 2003. She also serves as a Director of Videotron since May 2013. Ms. Bertrand is also Chairperson of the Compensation Committee of Quebecor and a member of the Corporate Governance and Nominating Committee of Quebecor. Ms. Bertrand is President and Chief Executive Officer of the Fédération des chambres de commerce du Québec since 2003. Prior to taking on the role of President and Chief Executive Officer of the Fédération des chambres de commerce du Québec, Françoise Bertrand gained prominence as President of the Canadian Radio-Television and Telecommunications Commission (CRTC) from 1996 to 2001 and as President and Chief Executive Officer of the Société de radio-télévision du Québec (Télé-Québec) from 1988 to 1995. She also served as Dean, Resource Management, at the Université du Québec (UQAM) in Montréal. She is a member of numerous charitable organizations and is an active participant in a number of associations. Ms. Bertrand attended the Directors Education Program provided by McGill University, and certified by the Institute of Corporate Directors. She is an officer of the Order of Canada, a member of *l'Ordre National du Québec* and a *Chevalier de la Légion d'honneur* (France).

***Robert Dépatie**, President and Chief Executive Officer.* On March 12, 2014, Mr. Dépatie was appointed Director of Quebecor, Quebecor Media, Videotron and TVA Group. In May 2013, Mr. Dépatie was promoted President and Chief Executive Officer of Quebecor and Quebecor Media. He was President and Chief Executive Officer of Sun Media Corporation from May 2013 to August 2013. Mr. Dépatie was President and Chief Executive Officer of Videotron from June 2003 to May 2013 and now acts as Chief Executive Officer of Videotron. Mr. Dépatie served as a Director of Videotron from June 2003 until October 2005. He joined Videotron in December 2001 as Senior Vice President, Sales, Marketing and Customer Service. Before that date, Mr. Dépatie held numerous senior positions in the food distribution industry, such as President of Distributions Alimentaires Le Marquis/Planters from 1999 to 2001 and General Manager of Les Aliments Small-Fry (Humpty Dumpty) from 1998 to 1999. From 1988 to 1998, he held various senior positions with H.J. Heinz Canada Ltd., such as Executive Vice-President from 1993 to 1998.

***Jean La Couture**, FCPA, FCA, Director and Chairman of the Audit Committee*. Mr. La Couture has been a Director of Quebecor Media and the Chairman of its Audit Committee since May 5, 2003 and is also a Director and Chairman of the Audit Committee of Quebecor and Videotron. Mr. La Couture was Director of Quebecor World Inc. from December 2007 to December 2008. Mr. La Couture, a Fellow Chartered Professional Accountant, is President of Huis Clos Ltée., a management and mediation firm. He is also President of the *Regroupement des assureurs de personnes à charte du Québec* (RACQ), a position he has held since August 1995. He headed Le Groupe Mallette (an accounting firm) before becoming, from 1990 to 1994, President and Chief Executive Officer of The Guarantee Company of North America. He is Chairman of the Board of Directors of Innergex Renewable Energy Inc., Chairman of the Board of Directors and a member of the Human Resources Committee of Groupe Pomerleau (a Quebec-based construction company) and Director and Chairman of the Risk Management Committee of the *Caisse de dépôt et placement du Québec*.

***Sylvie Lalande,** Director.* Ms. Lalande is a Director of Quebecor Media since May 2013. She has served as a Director of Quebecor since May 2011. She is a Director of TVA Group Inc. since December 2001, and was appointed as Chairperson of the Board on March 10, 2014. Ms. Lalande held several senior positions in the media, marketing, communication marketing and company communications sectors. Until October 2001, she was the Chief Communications Officer of Bell Canada. From 1994 to 1997, she was President and Chief Executive Officer of UBI Consortium, a consortium formed to develop and manage interactive and transactional communication services. From 1987 to 1994, she occupied several senior positions at Group TVA Inc. and at Le Groupe Vidéotron ltée. Ms. Lalande began her career in the radio industry, after which she founded her own consultation firm. In 2006, Ms. Lalande earned a university certificate in corporate governance from the Collège des administrateurs de sociétés. In November 2013, Ms. Lalande was appointed Chair of the Board of the *Collège des administrateurs de sociétés* (CAS) of *Université Laval*.

***Pierre Laurin**, Director and member of the Audit Committee and of the Compensation Committee*. Mr. Laurin is a Director and member of the Audit Committee and of the Compensation Committee of Quebecor Media since May 2013. Mr. Laurin has served as a Director of Quebecor since 1991. He also serves as Chairman of the Corporate Governance and Nominating Committee of Quebecor, as a member of the Compensation Committee and of the Audit Committee of Quebecor. He is also Director and member of the Audit Committee of Videotron since May 2013. Mr. Laurin was Chairman of the Board of Atrium Innovations Inc. from its beginning in 2000 until it was privatised in 2014. For a major part of his career, Pierre Laurin headed HEC Montréal (previously known as l'École des Hautes Études Commerciales) after which he moved over to the position of Vice-President, Planning and Administration, at Aluminium Company of Canada. He was then founding President of SOCCRENT, a venture capital company, and thereafter, President of Merrill Lynch, Quebec. He is an Officer of the Order of Canada and a *Chevalier de l'Ordre du Mérite de la République française*.

***A. Michel Lavigne**, FCPA, FCA, Director and member of the Audit Committee and the Compensation Committee*. Mr. Lavigne has served as a Director and member of the Audit Committee and the Compensation Committee of Quebecor Media since June 30, 2005. Since that date, Mr. Lavigne has also served as a Director and a member of the Audit Committee and the Compensation Committee of TVA Group and as a Director and member of the Audit Committee of Videotron. He also is a Director and member of the Audit Committee and of the Compensation Committee of Quebecor since May 2013. Mr. Lavigne is a Director, a member of the Audit Committee and the Chairman of the Pension Committee of Canada Post, a Director and member of the Audit Committee of Laurentian Bank of Canada, the Chairman of the Board of Directors of Teraxion Inc. and Director and Chairman of the Audit Committee of Primary Energy Recycling Corporation. Until May 2005, he served as President and Chief Executive Officer of Raymond Chabot Grant Thornton in Montréal, Quebec, as Chairman of the Board of Grant Thornton Canada and as a member of the Board of Governors of Grant Thornton International. Mr. Lavigne is a Fellow Chartered Professional Accountant of the *Ordre des comptables professionnels agréés du Québec* and a member of the Canadian Institute of Chartered Accountants since 1973.

***Geneviève Marcon,*** *Director.* Ms. Marcon is a Director of Quebecor Media since May 2013. She has served as a Director of Quebecor since May 2012. Ms. Marcon is President of GM Developpement Inc., a company operating in the real-estate sector as owner, developer and manager of properties. Ms. Marcon is associated with the revitalization of the Saint-Roch neighbourhood in Québec City, where she conducted several restoration and construction projects for the transformation of this neglected neighbourhood into an attractive urban centre. Ms. Marcon, who has a background in industrial relations from *Université Laval*, has also made her mark in the retail business sector. Convinced of her vision for the development of Saint-Roch, she opened the Benjo store in 1995 which has since become a benchmark in the toy sector. Ms. Marcon is a member of the Board of Directors of Quebec International, a regional economic development agency. Recognized for her involvement in the community, Ms. Marcon is active in several social and cultural organizations.

***The Right Honourable Brian Mulroney****, P.C., C.C., LL.D, Director*. Mr. Mulroney has been a Director of Quebecor Media since January 31, 2001. He also serves as Vice Chairman of the Board of Quebecor since November 2009 and was appointed as Vice-Chairman of the Board of Quebecor Media on March 12, 2014. Mr. Mulroney has also served as Chairman of the Board of Directors of Quebecor World Inc. from April 2002 to July 2009. Mr. Mulroney served as Chairman of the Board of Directors of Sun Media Corporation from January 2000 to June 2001. Since 1993, Mr. Mulroney has been a Senior Partner with the law firm Norton Rose Fulbright Canada LLP (formerly Ogilvy Renault LLP) in Montréal, Québec. Prior to that, Mr. Mulroney was the Prime Minister of Canada from 1984 until 1993. Mr. Mulroney practiced law in Montréal and served as President of The Iron Ore Company of Canada before entering politics in 1983. Mr. Mulroney serves as a Director of a number of public corporations, including Barrick Gold Corporation, Wyndham Worldwide Corporation (New Jersey), The Blackstone Group LP (New York) and Lion Capital (London). He is Companion of the Order of Canada as well as *Grand Officier de l'Ordre National du Québec*.

***Normand Provost****, Director*. Mr. Provost has been a Director of Quebecor Media since July 2004 and a Director of Quebecor since May 2013. Mr. Provost has served as Executive Vice President, Private Equity, of the *Caisse de dépôt et placement du Québec*, one of the largest institutional fund managers in Canada and North America, since October 2003. Mr. Provost joined the *Caisse de dépôt et placement du Québec* in 1980 and has held various management positions during his time there. He namely served as President of CDP Capital Americas from 1995 to 2003. In addition to his responsibilities in the investment sector, Mr. Provost served as Chief Operations Officer from April 2009 to March 2012. Mr. Provost is a member of the Executive Committee of the *Caisse de dépôt et placement du Québec* and a director of the *Fondation de l'Entrepreneurship.*

***Manon Brouillette,*** *President and Chief Operating Officer, Videotron Ltd*. In May 2013, Ms. Brouillette was promoted President and Chief Operating Officer of Videotron. From January 2012 to May 2013, she acted as President, Consumer Market. She acted as Executive Vice President, Strategy and Market Development of Videotron from March 2009 to January 2012. From January 2011 to May 2012, she also acted as Vice President and Chief Digital Officer of Quebecor Media. From June 2008 to March 2009, she acted as Senior Vice President, Strategic Development and Market Development of Quebecor Media. She joined Videotron in July 2004 and acted as Vice President, Marketing, from July 2004 to January 2005, as Vice President, New Product Development, from January 2005 to August 2006 and as Senior Vice President, Marketing, Content and New Product Development, from September 2006 to June 2008. Before joining Videotron, Ms. Brouillette was Vice President, Marketing and Communications of the San Francisco Group from April 2003 to February 2004. She was also responsible for the national and regional accounts of the Blitz division of Groupe Cossette Communication Marketing from April 2002 to April 2003. From September 1998 to April 2002, she worked at Publicité Martin inc. Ms. Brouillette holds a Bachelor's degree in communications with a minor in marketing from *Université Laval*.

***Pierre Dion,*** *President and Chief Executive Officer, TVA Group Inc.* Mr. Dion has been President and Chief Executive Officer of TVA Group Inc. since March 2005. He joined TVA Group inc. in September 2004 as Executive Vice President and Chief Operating Officer. Prior to that date, Mr. Dion was at Sélection du Reader's Digest (Canada) during eight years, four of which as President and Chief Executive Officer. From 1990 to 1996, he held various management positions with Le Groupe Vidéotron ltée. Mr. Dion graduated from Bishop's University and from the Executive Business Program at Queen's University in Kingston, Ontario.

***Julie Tremblay****, President and Chief Executive Officer, Sun Media Corporation. .* In September 2013, Ms. Julie Tremblay was promoted President and Chief Executive of Sun Media Corporation. From June 2011 to September 2013, she acted as Chief Operating Officer of Sun Media Corporation. She is also President of Sun News General Partnership since May 2013. Ms. Tremblay held different positions within the Quebecor group of companies since 1989, including the position of Vice President, Human Resources of Quebecor, a position she held over a period of 8 years. Prior to joining Quebecor, she practiced law in a private law firm. She has been a member of the Barreau du Québec since 1984 and holds a Bachelor degree of Arts with a minor in Political Science from McGill University.

***Jean-François Pruneau**, Senior Vice President and Chief Financial Officer*. Mr. Pruneau has served as Vice President, Finance of the Corporation from May 2009 to November 2010 and was then promoted Chief Financial Officer. He also serves as Senior Vice President and Chief Financial Officer of Quebecor and as Vice President of Videotron and Sun Media. From October 2005 to May 2009, Mr. Pruneau served as Treasurer of the Corporation, Sun Media and Videotron. From February 2007 to May 2009, he also served as Treasurer of Quebecor. Prior to that, Mr. Pruneau served as Director, Finance and Assistant Treasurer Corporate Finance of Quebecor Media. Before joining Quebecor Media in May 2001, Mr. Pruneau was Associate Director of BCE Media from 1999 to 2001. From 1997 to 1999, he served as Corporate Finance Officer at Canadian National Railway. He has been a member of the CFA Institute, formerly the Association for Investment Management and Research, since 2000.

***Marc M. Tremblay**, Senior Vice President and Chief Legal Officer and Public Affairs*. Mr. Tremblay was promoted Senior Vice President, Legal Affairs in March 2012 from his previous position as Vice President, Legal Affairs at Quebecor Media, a position he held from March 2007. Prior to that date, Mr. Tremblay practiced law at Ogilvy Renault LLP (now Norton Rose Fulbright Canada LLP) for 22 years. He has been a member of the *Barreau du Québec* since 1983.

***J. Serge Sasseville,** Senior Vice President, Corporate and Institutional Affairs*. Mr. Sasseville was promoted Senior Vice President, Corporate and Institutional Affairs in March 2012 from his previous position as Vice President, Corporate and Institutional Affairs of Quebecor Media, a position he held since November 2008. Mr. Sasseville joined the Quebecor Group in 1987 and has served in many capacities both as a lawyer and manager, including Vice President, Legal Affairs and Secretary of Videotron and its subsidiaries and President, Music Sector of Archambault Group. Mr. Sasseville is a member of the Boards of Directors of Archambault Group and the Quebecor Fund. He is also a member of the Executive Committee and the Vice-Chair of the Board of Directors of CWTA (Canadian Wireless Telecommunications Association) and a member of the Board of Directors of CPAC (Cable Public Affairs Channel). He has been a member of the *Barreau du Québec* since 1981 and practiced law at the law firm Stein, Monast in Québec City from 1981 to 1987.

***Isabelle Leclerc**, Vice President, Human Resources*. Ms. Leclerc was promoted to her current position in June 2011. From 2007 to her appointment, Ms. Leclerc served as Director, Human Resources and, Senior Director, Talent Management. From 2003 to 2007, Ms. Leclerc held several functions within Quebecor World Inc. Prior to joining Quebecor, Ms. Leclerc was a compensation consultant for 10 years with Towers Perrin and then with Aon Consulting Group. She is a member of the North American professional association World@Work. She holds an executive MBA from Landsbridge University.

***Chloé Poirier**, Vice President and Treasurer*. Ms. Poirier was promoted Vice President and Treasurer in June 2013 from her previous position as Treasurer of Quebecor Media, a position she held since July 2009. She also serves as Vice President and Treasurer of Quebecor and Videotron, and as Treasurer of Sun Media. Ms. Poirier joined the Corporation in 2001 as Director, Treasury / Assistant Treasurer, Treasury Operations. Prior to that, she was Analyst, Treasury and Finance with Natrel inc./Agropur from 1997 to 2001 and a trader at the *Caisse de dépôt et placement du Québec* from 1995 to 1997. She is a Chartered Financial Analyst (CFA) and holds a Bachelor degree in Actuarial Science and an MBA from *Université Laval*.

***Denis Sabourin**, Vice President and Corporate Controller*. Mr. Sabourin was appointed Vice President and Corporate Controller of Quebecor Media in March 2004. Prior to that date, he held the position of Senior Manager, Control. Mr. Sabourin is also Vice President and Corporate Controller of Quebecor. Prior to joining Quebecor Media, Mr. Sabourin served as corporate controller of *Compagnie Unimédia* (previously known as Unimédia Inc.) from 1994 to 2001 and as Operating Controller for the Hotel Group *Auberges des Gouverneurs* Inc. from 1990 to 1994. He also spent seven years with Samson Bélair/Deloitte & Touche, Chartered Accountants. Mr. Sabourin has been a member of the Canadian Institute of Chartered Accountants since 1984.

***Claudine Tremblay**, Vice President and Secretary*. Ms. Tremblay was appointed Vice President and Secretary of Quebecor Media on January 1, 2008. She holds the same position within Quebecor, TVA Group, Sun Media and Videotron. Prior to her appointment to her current position, Ms. Tremblay was Senior Director, Corporate Secretariat for Quebecor Media, Quebecor World Inc. and Quebecor from 2003 to December 2007. Prior to joining the Quebecor group of companies as Assistant Secretary in 1987, Ms. Tremblay was Assistant Secretary and Administrative Assistant at National Bank of Canada from 1979 to 1987. She has also been a member of the *Chambre des notaires du Québec* since 1977.

***Dominique Fortin,*** *Assistant Secretary.* Ms. Fortin joined Quebecor Media in March 2013 as Director, Compliance and Assistant Secretary. She is also Assistant Secretary of Quebecor, Videotron, TVA Group and Sun Media Corporation. Before joining Quebecor Media, Ms. Fortin was Director, Legal Affairs of Transat A.T. Inc. from 2009 to 2012. Prior to that, Ms. Fortin practiced law at Ogilvy Renault LLP (now Norton Rose Fulbright Canada LLP), Desjardins Ducharme LLP and Davies Ward Phillips & Vineberg LLP for 20 years. She has been a member of the *Barreau du Québec* since 1985.

***Changes to Board of Directors***

On March 9, 2014, following the end of the period covered by this annual report, Quebecor announced that, following his decision to run for public office in the provincial elections, Pierre Karl Péladeau resigned as Chairman and member of the Boards of Directors of Quebecor Media, Videotron, TVA Group and Sun Media Corporation and as Vice Chairman and member of the Board of Quebecor. If Mr. Péladeau is elected to the Quebec's National Assembly on April 7, 2014, the date of the upcoming provincial election, then, to the extent required by applicable law and regulation, Mr. Péladeau is expected to place his financial interests in the parent corporation Quebecor in a mandate, agency or other structure in accordance with applicable law and regulation.

On March 12, 2014, Ms. Françoise Bertrand was appointed Chairperson of the Board of Directors of Quebecor Media and of Videotron in replacement of Pierre Karl Péladeau and Mr. Brian Mulroney was appointed Vice Chairman of the Board of Quebecor Media. In addition, Mr. Robert Dépatie, the current President and Chief Executive Officer of Quebecor Media, was appointed director of Quebecor, Quebecor Media, TVA Group and Videotron. Also, on March 10, 2014, Ms. Sylvie Lalande was appointed Chairman of the Board of TVA Group, in replacement of Pierre Karl Péladeau.

**B - Compensation**

***Compensation of Directors***

Our Directors who are also employees of Quebecor Media are not entitled to receive any additional compensation for serving as our Directors. From January 1, 2011 to June 30, 2013, each Director was entitled to receive an annual director's fee of $50,000 from Quebecor Media. Directors were also entitled to receive an attendance fee of $2,000 for each meeting of the Board of Directors or committee meeting attended (other than the Audit Committee) and an attendance fee of $3,000 for each Audit Committee meeting attended, each payable quarterly. The Chairman of our Audit Committee received additional fees of $14,000 per year and the Chairman of our Compensation Committee received additional fees of $5,000 per year. Each Compensation Committee member, other than the Chairman, also received additional fees of $2,000 per year. Each Audit Committee member, other than the Chairman, also received additional fees of $5,000 per year. Each Executive Committee member received additional fees of $3,000 per year. Since July 1, 2013, following a restructuring of the Boards of Directors of Quebecor and Quebecor Media, all Directors of Quebecor are also acting as Directors of Quebecor Media. Fees are now borne on a pro rata basis between the two corporations. Since July 1, 2013, each Director is entitled to receive an annual director's fee of $60,000, and an annual attendance fee of $14,000. The Chairman of the Audit Committee receives additional fees of $60,000 per year and the Chairman of the Compensation Committee receives additional fees of $16,000 per year. Each Audit Committee member, other than the Chairman, also receives additional fees of $30,000 per year. Each Compensation Committee member, other than the Chairman, also receives additional fees of $11,000, and each Executive Committee member receives additional fees of $3,000 per year. All of our Directors are reimbursed for travel and other reasonable expenses incurred in attending meetings of the Board of Directors or of one of its committees. Mr. Serge Gouin, who served as Chairman of the Board of Directors of Quebecor Media until May 2013, and Mr. Pierre Karl Péladeau, who serves as Chairman of the Board since then, have both received compensation from us for acting in such capacity.

From January 1 to June 30, 2013, the amount of compensation (including benefits in kind) paid to six of our Directors (other than Pierre Karl Péladeau) for services in all capacities to Quebecor Media and its subsidiaries (other than TVA Group) was $447,681. From July 1 to December 31, 2013, the amount of compensation (including benefits in kind) paid to seven Directors (other than Pierre Karl Péladeau) for services in all capacities to Quebecor Media and its subsidiaries (other than TVA Group) was $271,200. None of our Directors have contracts with us or any of our subsidiaries that provide for benefits upon termination of employment.

***Compensation of Executive Officers***

Compensation of our senior executive officers is composed primarily of base salary and the payment of cash bonuses. Cash bonuses are generally tied to the achievement of financial performance indicators and personal objectives, and they may vary from 15% to 100% of base salary depending upon the level of responsibilities of the senior executive officer. Our executive compensation package is also complemented by long-term incentives in the form of option.

For the financial year ended December 31, 2013, our senior executive officers, as a group, received aggregate compensation of $17 million for services they rendered in all capacities during 2013, which amount includes base salary, bonuses, benefits in kind and deferred compensation paid to such senior executive officers.

***Quebecor Media's Stock Option Plan***

We maintain a stock option plan to attract, retain and motivate our Directors, executive officers and key contributors, as well as those of our subsidiaries. The Compensation Committee is responsible for the administration of this stock option plan and, as such, designates the participants under the stock option plan and determines the number of options granted, the vesting schedule, the expiration date and any other terms and conditions relating to the options.

Under this stock option plan, 6,180,140 common shares of Quebecor Media (representing 6% of all of the outstanding common shares of Quebecor Media) have been set aside for directors, officers, senior employees, and other key employees of Quebecor Media and its subsidiaries. Each option may be exercised within a maximum period of ten years following the date of grant at an exercise price not lower than, as the case may be, the fair market value of the common shares of Quebecor Media at the date of grant, as determined by our Board of Directors (if the common shares of Quebecor Media are not listed on a stock exchange at the time of the grant) or the 5-day weighted average closing price ending on the day preceding the date of the grant of the common shares of Quebecor Media on the stock exchange(s) where such shares are listed at the time of grant. For so long as the shares of Quebecor Media are not listed on a recognized stock exchange, optionees may exercise their vested options during one of the following annual periods: from March 1 to March 30, from June 1 to June 29, from September 1 to September 29 and from December 1 to December 30. Holders of options under the plan have the choice at the time of exercising their options to receive an amount in cash equal to the difference between the fair market value of the common shares, as determined by our Board of Directors, and the exercise price of their vested options or, subject to certain stated conditions, purchase common shares of Quebecor Media at the exercise price. Except under specific circumstances, and unless our Compensation Committee decides otherwise, options vest over a five-year period in accordance with one of the following vesting schedules as determined by our Compensation Committee at the time of grant: (i) equally over five years with the first 20% vesting on the first anniversary of the date of the grant; (ii) equally over four years with the first 25% vesting on the second anniversary of the date of grant; and (iii) equally over three years with the first 33 $^1/_3$% vesting on the third anniversary of the date of grant. Pursuant to the terms of this plan, no optionee may hold options representing more than 5% of the outstanding common shares of Quebecor Media.

During the year ended December 31, 2013, an aggregate total of 921,711 options were granted under this plan to officers and employees of Quebecor Media and its subsidiaries, with a weighted average exercise price of $57.60 per share, as determined by Quebecor Media's Compensation Committee. During the year ended December 31, 2013, a total of 554,309 options were exercised by officers and employees of Quebecor Media and its subsidiaries, for aggregate gross value realized of $8.8 million. The value realized on option exercises represents the difference between the option exercise price and the fair market value of Quebecor Media common shares (as determined as set forth above) at the date of exercise. As of December 31, 2013, an aggregate total of 1,647,309 options were outstanding (of which 186,298 were vested as at that date), with a weighted average exercise price of $52.67 per share, as determined by Quebecor Media's Compensation Committee. For more information on this stock option plan, see Note 23 to our audited consolidated financial statements included under "Item 18. Financial Statements" of this annual report.

***Quebecor Inc.'s Stock Option Plan***

Under a stock option plan established by Quebecor, 13,000,000 Quebecor Class B Shares have been set aside for Directors, officers, senior employees and other key employees of Quebecor and its subsidiaries, including Quebecor Media. The exercise price of each option is equal to the weighted average trading price of Quebecor Class B Shares on the Toronto Stock Exchange over the last five trading days immediately preceding the grant of the option. Each option may be exercised during a period not exceeding ten years from the date granted. Options usually vest as follows: 1/3 after one year, 2/3 after two years, and 100% three years after the original grant. Holders of options under the Quebecor stock option plan have the choice, when they want to exercise their options, to acquire Quebecor Class B Shares at the corresponding option exercise price or to receive a cash payment from Quebecor equivalent to the difference between the market value of the underlying shares and the exercise price of the option. The Board of Directors of Quebecor may, at its discretion, affix different vesting periods at the time of each grant.

During the year ended December 31, 2013, 822,959 options to purchase Quebecor Class B Shares, with a weighted average exercise price of $22.23 per share, were granted to three senior executive officers of Quebecor Media. As of December 31, 2013, a total of 1,070,443 options to purchase Quebecor Class B Shares, with a weighted average exercise price of $21.22 per share, were held by senior executive officers of Quebecor Media for acting in such capacity. The closing sale price of the Quebecor Class B Shares on the Toronto Stock Exchange on December 31, 2013 was $26.44.

***Pension Benefits***

Quebecor Media and its subsidiaries maintain a pension plan for their executive officers. The benefits under the Quebecor Media plan equal 2% of the average salary over the best five consecutive years of salary (including bonuses), multiplied by the number of years of membership in the plan as an executive officer. The pension so calculated is payable at the normal retirement age, which is 65 years of age, or sooner at the election of the executive officer, and, from age 61, without early retirement reduction. In addition, the pension may be deferred, but not beyond the age limit under the provisions of the *Income Tax Act* (Canada), in which case the pension is adjusted to take into account the delay in payment thereof in relation to the normal retirement age. The maximum pension payable under such pension plan is as prescribed by the *Income Tax Act* (Canada) and is based on a maximum salary of $138,500. An executive officer contributes to the plan an amount equals to 5% of his or her salary up to a maximum of $6,925 in respect of 2014. Quebecor Media closed this pension plan to all new employees hired on and after December 27, 2008. New employees are eligible to enroll in a retirement savings plan.

The total amount contributed by Quebecor Media in 2013 to provide the pension benefits was $87.5 millions on a consolidated basis. For a description of the amount set aside or accrued for pension plans and post-retirement benefits by Quebecor Media see Note 29 to our audited consolidated financial statements.

The table below indicates the annual pension benefits that would be payable at the normal retirement age of 65 years:

| | Years of Participation | | | | |
|---|---|---|---|---|---|
| **Compensation** | **10** | **15** | **20** | **25** | **30** |
| $138,500 or more | $27,700 | $41,550 | $55,400 | $69,250 | $83,100 |

***Supplemental Retirement Benefit Plan ("SERP") for Designated Executives***

In addition to the pension plans in force, Quebecor Media and its subsidiaries provide supplemental retirement benefits to certain designated executives. Three senior executive officers of Quebecor Media are participants in a SERP.

One senior executive participates in the Quebecor Media plan and the benefits are equal, for each year of membership under the plan, to 2% of the difference between his average salary (including bonuses) for the best five consecutive years and the maximum salary under the pension plan. The pension is payable for life without reduction from age 61. Upon a beneficiary's death after retirement, the plan provides for the payment of a pension to the eligible surviving spouse which represents 50% of the retiree's pension and payable for up to ten years. The two other senior executive officers participate in other SERP established by Quebecor Media's subsidiaries with benefits slightly less generous then the SERP established by Quebecor Media.

As of December 31, 2013, these three senior executive officers of Quebecor Media had credited service of approximately eleven years or less. The table below indicates the annual pension benefits that would be payable under Quebecor Media's plan at the normal retirement age of 65 years:

| | Years of Credited Service | | | | |
|---|---|---|---|---|---|
| **Compensation** | **10** | **15** | **20** | **25** | **30** |
| $200,000 | $ 12,300 | $ 18,450 | $ 24,600 | $ 30,750 | $ 36,900 |
| $300,000 | $ 32,300 | $ 48,450 | $ 64,600 | $ 80,750 | $ 96,900 |
| $400,000 | $ 52,300 | $ 78,450 | $104,600 | $130,750 | $156,900 |
| $500,000 | $ 72,300 | $108,450 | $144,600 | $180,750 | $216,900 |
| $600,000 | $ 92,300 | $138,450 | $184,600 | $230,750 | $276,900 |
| $800,000 | $132,300 | $198,450 | $264,600 | $330,750 | $396,900 |
| $1,000,000 | $172,300 | $258,450 | $344,600 | $430,750 | $516,900 |
| $1,200,000 | $212,300 | $318,450 | $424,600 | $530,750 | $636,900 |
| $1,400,000 | $252,300 | $378,450 | $504,600 | $630,750 | $756,900 |

## C - Board Practices

In accordance with our charter, our Board of Directors may consist of at least one Director and no more than 20 Directors. Our Board of Directors currently consists of nine Directors. Each Director serves a one-year term and holds office until the next annual general shareholders' meeting or until the election of his or her successor, unless he or she resigns or his or her office becomes vacant by reason of death, removal or other cause. Pursuant to a Consolidated and Amended Shareholders' Agreement, dated as of December 11, 2000, as amended, among Quebecor, certain wholly owned subsidiaries of Quebecor, Capital Communications CDPQ Inc. (now Capital CDPQ) and Quebecor Media (the "**Corporation's Shareholders Agreement**"), our Board of Directors is comprised of nominees of each of Quebecor and of Capital CDPQ. In May 2013, the size of our Board of Directors was increased from eight to nine directors, and our shareholders established that Quebecor would be entitled to nominate seven directors and Capital CDPQ would be entitled to nominate two directors. See "Item 7. Major Shareholders and Related Party Transactions — Major Shareholders" below for a description of the Corporation's Shareholders Agreement.

Reference is made to "A. Directors and Senior Management" above for the current term of office, if applicable, and the period during which our directors and senior management have served in that office.

### *Executive Committee*

The Executive Committee of our Board of Directors is currently composed of three members, namely Messrs. Robert Dépatie, Jean La Couture and A. Michel Lavigne. Mr. Dépatie is the Chairman of our Executive Committee. Subject to the provisions of the Corporation's Shareholders Agreement, the Committee has and may exercise all the powers of the Board of Directors, subject to the restrictions that shall be imposed by the Board of Directors from time to time and by the *Business Corporations Act* (Québec). However, the Committee does not have the power to grant options, which power has already been delegated by the Board of Directors to its Compensation Committee.

### *Audit Committee*

Our Audit Committee is currently composed of three Directors, namely Messrs. Jean La Couture, Pierre Laurin and A. Michel Lavigne. Mr. La Couture is the Chairman of our Audit Committee and our Board of Directors has determined that Mr. La Couture is an "audit committee financial expert" as defined under SEC rules. See "Item 16A — Audit Committee Financial Expert". Our Board of Directors has adopted the mandate of our Audit Committee in light of the *Sarbanes-Oxley Act* of 2002 and related SEC rulemaking. Our Audit Committee assists our Board of Directors in overseeing our financial controls and reporting. Our Audit Committee also oversees our compliance with financial covenants and legal and regulatory requirements governing financial disclosure matters and financial risk management.

The current mandate of our Audit Committee provides, among other things, that our Audit Committee reviews our annual and quarterly financial statements before they are submitted to our Board of Directors, as well as the financial information contained in our annual reports on Form 20-F, our management's discussion and analysis of financial condition and results of operations, our quarterly reports furnished to the SEC under cover of Form 6-K and other documents containing similar information before their public disclosure or filing with regulatory authorities; reviews our accounting policies and practices; and discusses with our independent auditors the scope of their audit, as well as our auditors' recommendations and observations with respect to the audit, our accounting policies and financial reporting, and the responses of our management with respect thereto. Our Audit Committee is also responsible for ensuring that we have in place adequate and effective internal control and management information systems to monitor our financial information and to ensure that our transactions with related parties are made on terms that are fair for us. Our Audit Committee pre-approves all audit services and permitted non-audit services and pre-approves all the fees pertaining to those services that are payable to our independent auditor, and submits the appropriate recommendations to our Board of Directors in connection with these services and fees. Our Audit Committee also reviews the scope of the audit and the results of the examinations conducted by our internal audit department. In addition, our Audit Committee recommends the appointment of our independent auditors, subject to our shareholders' approval. It also reviews and approves our Code of Ethics for the Chief Executive Officer, Chief Financial Officer, controller, principal financial officer and other persons performing similar functions.

***Compensation Committee***

Our Compensation Committee is composed of Ms. Françoise Bertrand and Messrs. Pierre Laurin and A. Michel Lavigne. Ms. Bertrand is the Chair of our Compensation Committee. Our Compensation Committee was formed with the mandate to examine and decide upon the global compensation and benefits policies of us and those of our subsidiaries that do not have a Compensation Committee, and to formulate appropriate recommendations to the Board of Directors, among other things, concerning long-term compensation in the form of stock option grants. Our Compensation Committee is also responsible for the review, on an annual basis, of the compensation of our Directors.

***Liability Insurance***

Quebecor carries liability insurance for the benefit of its Directors and officers, as well as for the Directors and officers of its subsidiaries, including Quebecor Media and our subsidiaries, against certain liabilities incurred by them in such capacity. These policies are subject to customary deductibles and exceptions. The premiums in respect of this insurance are entirely paid by Quebecor, which is then reimbursed by Quebecor Media and its subsidiaries for their ratable portion thereof.

**D - Employees**

At December 31, 2013, we had approximately 15,110 employees on a consolidated basis. At December 31, 2012 and 2011, we had approximately 16,865 and 16,950 employees on a consolidated basis, respectively. A number of our employees work part-time. The following table sets forth certain information relating to our employees in each of our operating segments as of December 31, 2013.

| Operations | Approximate total number of employees | Approximate number of employees under collective agreements | Number of collective agreements |
|---|---|---|---|
| Telecommunications | 6,350 | 3,920 | 5 |
| News Media | 4,240 | 1,445 | 69 |
| Broadcasting | 1,480 | 880 | 13 |
| Leisure and Entertainment | 1,505 | 480 | 9 |
| Interactive Technologies and Communications | 1,075 | — | — |
| Corporate[(1)] | 460 | — | — |
| **Total** | **15,110** | **6,725** | **96** |

(1) Includes Quebecor Media Sales, QMI Agency, QMI Content and QMI Digital

At December 31, 2013, approximately 45% of our employees were represented by collective bargaining agreements. Through our subsidiaries, we are currently a party to 96 collective bargaining agreements:

- Videotron is party to five collective bargaining agreements representing approximately 3,920 unionized employees. Negotiations regarding one of the most important collective bargaining agreements, covering unionized employees in the Montréal region are currently in progress. There are also three collective bargaining agreements covering unionized employees in the Saguenay, Gatineau and Québec regions, with terms running through December 31, 2019, August 31, 2015 and December 31, 2018 respectively. One other collective bargaining agreement, covering approximately 70 employees of our SETTE inc. subsidiary will expire on December 31, 2015.
- Sun Media is party to 67 collective bargaining agreements, representing approximately 1,275 unionized employees. 16 collective bargaining agreements have expired, representing approximately 410 unionized employees, or 32% of its unionized workforce. Negotiations regarding these collective bargaining agreements are either in progress or will be undertaken in 2014. Of the other collective bargaining agreements, 9 will expire in 2014, representing approximately 140 employees or 10% of its unionized workforce and the others to expire on various dates through December 2019.
- TVA Group is party to 13 collective bargaining agreements, representing approximately 880 unionized employees. Of this number, three collective bargaining agreements, representing approximately 660 unionized employees or approximately 75% of its unionized workforce, have expired. On February 16, 2014, TVA Group and the union representing its employees reached an agreement in principle concerning one of the collective agreements that expired on December 31, 2013, covering 68% of the company's unionized permanent employees. This agreement was ratified at a general meeting held on February 26, 2014. Eight collective bargaining agreements representing approximately 180 unionized employees or less than 20% of its unionized workforce will expire in 2014. The other collective bargaining agreements will expire in 2015.
- Of the other 11 collective bargaining agreements, representing approximately 650 unionized employees, one collective bargaining agreement representing approximately 30 unionized employees is expired and a group representing approximately 30 employees has received approval for a new collective agreement in December 2013. Negotiations regarding these collective bargaining agreements will be undertaken in 2014. The other collective bargaining agreements will expire between April 2015 and December 2017.

We currently have no labour disputes nor do we currently anticipate any such labour dispute in the near future.

We can neither predict the outcome of current or future negotiations relating to labour disputes, if any, union representation or renewal of collective bargaining agreements, nor guarantee that we will not experience further work stoppages, strikes or other forms of labour protests pending the outcome of any current or future negotiations. If our unionized workers engage in a strike or any other form of work stoppage, we could experience a significant disruption to our operations, damage to our property and/or interruption to our services, which could adversely affect our business, assets, financial position, results of operations and reputation. Even if we do not experience strikes or other forms of labour protests, the outcome of labour negotiations could adversely affect our business and results of operations. Such could be the case if current or future labour negotiations or contracts were to further restrict our ability to maximize the efficiency of our operations. In addition, our ability to make short-term adjustments to control compensation and benefits costs is limited by the terms of our collective bargaining agreements.

**E - Share Ownership**

Except as disclosed under "Item 7. Major Shareholders and Related Party Transactions — Major Shareholders" of this annual report, none of our equity securities are held by any of our Directors or senior executive officers. For a description of Quebecor Media's stock option plan, see "B. Compensation" above.

## ITEM 7 — MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

### A - Major Shareholders

As of December 31, 2013, Capital CDPQ indirectly held 25,439,134 shares of our Corporation, representing a 24.6% interest in Quebecor Media (excluding dilution from options under Quebecor Media's stock option plan) and Quebecor held, directly and indirectly, 77,812,366 common shares of our Corporation, representing a 75.4% voting and equity interest in us. The primary asset of Quebecor, a communications holding company, is its interest in us. Capital CDPQ is a wholly owned subsidiary of the CDPQ, one of Canada's largest pension fund managers.

To the knowledge of our Directors and officers and according to public information available, the only persons or companies which, as at March 10, 2014, beneficially owned or exercised control or direction over more than 10% of the shares of any class of voting shares of Quebecor were: Pierre Karl Péladeau, Beutel, Goodman & Co. Ltd. and Letko, Brosseau & Associates Inc.

| Name | Number of Class A Shares held | % of Class A Shares held | Number of Class B Shares held | % of Class B Shares held | % of voting rights attached to outstanding Class A and B Shares |
|---|---|---|---|---|---|
| Pierre Karl Péladeau | 34,936,928 | 89.23% | 414,520 | 0.48% | 73.32% |
| Beutel, Goodman & Co. Ltd. | — | — | 19,180,406 | 22.43% | 4.02% |
| Letko, Brosseau & Associates Inc. | — | — | 8,380,156 | 10.41% | 1.87% |

### B - The Corporation's Shareholders Agreement

We entered into a shareholders' agreement, dated October 23, 2000, with Quebecor and certain of its wholly owned subsidiaries, and Capital CDPQ, as consolidated and amended by a shareholders' agreement dated December 11, 2000, which sets forth the rights and obligations of Quebecor and Capital CDPQ as our shareholders. Except as specifically provided in the Corporation's Shareholders Agreement, the rights thereunder apply only to shareholders holding at least 10% of our equity shares, which we refer to as "**QMI Shares**", on a fully-diluted basis.

The Corporation's Shareholders Agreement provides, among other things, for:

(a) standard rights of first refusal with respect to certain transfers of QMI Shares;

(b) standard preemptive rights which permit shareholders to maintain their respective holdings of QMI Shares on a fully diluted basis in the event of issuances of additional QMI Shares or our convertible securities;

(c) rights of representation on our Board of Directors in proportion to shareholdings, with Quebecor initially having five nominees and Capital CDPQ having four nominees to our Board of Directors;

(d) consent rights in certain circumstances with respect to matters relating to us and our non-reporting issuer (public) subsidiaries, including (1) a substantial change in the nature of our business and our subsidiaries taken as a whole, (2) an amendment to our articles or certain of our subsidiaries, (3) the merger or amalgamation of us or certain of our subsidiaries with a person other than an affiliate, (4) the issuance by us or certain of our subsidiaries of shares or of securities convertible into shares except in the event of an initial public offering of QMI Shares, (5) any transaction having a value of more than $75,000,000, other than the sale of goods and services in the normal course of business, and (6) a business acquisition in a business sector unrelated to sectors in which we and certain of our subsidiaries are involved;

(e) standard rights of first refusal in favor of Capital CDPQ with respect to the sale of all or substantially all of the shares or assets of TVA Group or Videotron; and

(f) a non-competition covenant by Quebecor in respect of it and its affiliates pursuant to which Quebecor and its affiliates shall not compete with Quebecor Media and its subsidiaries in their areas of activity so long as Quebecor has "*de jure*" or "*de facto*" control of us, subject to certain limited exceptions.

The Corporation's Shareholders Agreement provides that once we become a reporting issuer and have a 20% public "float" of QMI Shares, certain provisions of the Corporation's Shareholders Agreement will cease to apply, including the consent rights described under subsections (d)(4) and (f) in the description of the Corporation's Shareholders Agreement above.

In a separate letter agreement, dated December 11, 2000, Quebecor and Capital CDPQ agreed, subject to applicable laws, fiduciary obligations and existing agreements, to attempt to apply the same board representation and consent rights as set forth in the Corporation's Shareholders Agreement to our reporting issuer (public) subsidiaries so long as Capital CDPQ holds at least 20% of the QMI Shares on a fully diluted basis or, in the case of TVA Group only, 10%.

In connection with the October 2012 agreement with CDPQ regarding a partial sale of Capital CDPQ's interest in Quebecor Media and the transactions contemplated thereunder, our shareholders agreed to amend the Corporation's Shareholders Agreement and entered into an amending agreement among Quebecor, certain of Quebecor's wholly owned subsidiaries, CDPQ and Capital CDPQ providing for, among other things:

(a) the addition of demand registration rights and piggyback registration rights in favour of Capital CDPQ, effective from and after January 1, 2019;

(b) the addition of exit rights, effective on or after January 1, 2019, including the right of Capital CDPQ to require Quebecor Media to carry out an initial public offering and the right of Capital CDPQ to sell its remaining interest in Quebecor Media to a financial third party, without providing any right of first refusal or first offer to Quebecor or Quebecor Media; and

(c) the addition of consent rights in respect of the declaration or payment of cumulative dividends by Quebecor Media in any financial year exceeding the greater of (i) 25% of its consolidated net earnings in the immediately preceding financial year and (ii) $225 million.

Following the October 2012 transactions with CDPQ, our shareholders, acting by written resolution, increased the size of our Board of Directors from eight to nine directors and established that Quebecor would be entitled to nominate seven directors and Capital CDPQ would be entitled to nominate two directors.

### C - Certain Relationships and Related Party Transactions

***Related Party Transactions***

The following describes transactions in which the Corporation and its directors, executive officers and affiliates are involved. The Corporation believes that each of the transactions described below was on terms no less favourable to Quebecor Media than could have been obtained from independent third parties.

**Operating transactions**

During the year ended December 31, 2013, the Corporation and its subsidiaries made purchases and incurred rent charges with the parent corporation and affiliated companies in the amount of $12.1 million ($14.4 million in 2012 and $11.7 million in 2011), which are included in purchase of goods and services. The Corporation and its subsidiaries made sales to an affiliated corporation in the amount of $3.5 million ($3.8 million in 2012 and $3.2 million in 2011). These transactions were accounted for at the consideration agreed between parties.

**Corporate reorganization**

On June 28, 2012, the CRTC approved the sale of a 2% interest in SUN News by TVA Group to Sun Media Corporation. The transaction closed on June 30, 2012 and, as a result, Sun Media Corporation holds a 51% interest and TVA Group holds a 49% interest in SUN News.

**Management arrangements**

The parent corporation has entered into management arrangements with the Corporation. Under these management arrangements, the parent corporation and the Corporation provide management services to each other on a cost-reimbursement basis. The expenses subject to reimbursement include the salaries of the Corporation's executive officers, who also serve as executive officers of the parent corporation.

In 2013, the Corporation received an amount of $1.8 million, which is included as a reduction in employee costs ($1.7 million in 2012 and $2.0 million in 2011), and incurred management fees of $2.0 million ($1.1 million in 2012 and 2011) with the Corporation's shareholders.

**Tax transactions**

In 2013, the parent corporation transferred $29.0 million of non-capital losses ($43.4 million in 2012 and none in 2011) to the Corporation and its subsidiaries in exchange for a total cash consideration of $6.9 million ($10.2 million in 2012 and none in 2011). This transaction was concluded on terms equivalent to those that prevail on an arm's length basis and was accounted for at the consideration agreed to between the parties. As a result, the Corporation recorded a reduction of $0.9 million in its income tax expense in 2013 ($1.5 million in 2012 and none in 2011).

**D - Interests of Experts and Counsel**

Not applicable.

## ITEM 8 — FINANCIAL INFORMATION

**A - Consolidated Statements and Other Financial Information**

The consolidated balance sheets of Quebecor Media as at December 31, 2013 and 2012, and the consolidated statements of income, comprehensive income, equity and cash flows of Quebecor Media for each of the years in the three-year period ended December 31, 2013, as well as the Report of Independent Registered Public Accounting Firm thereon, are presented in "Item 18. Financial Statements" of this annual report (beginning on page F-1).

**B - Legal Proceedings**

In February 2012, a settlement was reached in legal proceedings against some of our subsidiaries, initiated by another corporation in relation to printing contracts, including the cancellation of printing contracts. The settlement did not have a material impact on our financial statements.

In addition, we and our subsidiaries are involved in a number of other legal proceedings against us which are pending. In the opinion of our management, the outcome of these proceedings is not expected to have a material adverse effect on our results or financial position.

**C - Dividend Policy and Dividends**

***Dividend Policies and Payments***

Our authorized share capital consists of (i) common shares, (ii) Cumulative First Preferred Shares, consisting of Series A Shares, Series B Shares, Series C Shares, Series D Shares, Series F Shares and Series G Shares, and (iii) Preferred Shares, Series E. As of December 31, 2013, our issued and outstanding share capital was as follows:

- 103,251,500 common shares outstanding, of which 77,812,366 were held by Quebecor and 25,439,134 were held by Capital CDPQ; and
- 1,630,000 Cumulative First Preferred Shares, Series G, outstanding, all of which were held by 9101-0835 Québec Inc., an indirect wholly-owned subsidiary of Quebecor Media.

Holders of our common shares are entitled, subject to the rights of the holders of any Preferred Shares, to receive such dividends as our Board of Directors shall determine in its discretion. In 2013, the Board of Directors of Quebecor Media declared and paid aggregate cash dividends on our common shares of $100 million. In 2012, the Board of Directors of Quebecor Media declared and paid aggregate cash dividends on our common shares of $100 million. In 2011, the Board of Directors of Quebecor Media declared and paid aggregate cash dividends on our common shares of $100 million. We currently expect, to the extent permitted by our Articles of Incorporation, the terms of our indebtedness and applicable law, to continue to pay dividends to our shareholders or reduce paid-up capital in the future.

Holders of our Series A Shares are entitled to receive fixed cumulative preferred dividends at a rate of 12.5% per share per annum. The dividends declared on the Series A Shares are payable semi-annually on a cumulative basis on January 14 and July 14 of each year. No dividends may be paid on any shares ranking junior to the Series A Shares unless all dividends which shall have become payable on the Series A Shares have been paid or set aside for payment.

Holders of our Series B Shares are entitled to receive a cumulative cash dividend, when, as and if declared by the Board of Directors. The dividend shall be payable only upon conversion of the Series B Shares into Common shares. Dividends are determined by the Board of Directors in accordance with our Articles of Incorporation.

Holders of our Series C Shares are entitled to receive fixed cumulative preferred dividends at a rate of 11.25% per share per annum. The dividends declared on the Series C Shares are payable semi-annually on a cumulative basis on June 20 and December 20 of each year. No dividends may be paid on any shares ranking junior to the Series C Shares unless all dividends which shall have become payable on the Series C Shares have been paid or set aside for payment.

Holders of our Series D Shares are entitled to receive fixed cumulative preferred dividends at a rate of 11.0% per share per annum. The dividends declared on the Series D Shares are payable semi-annually on a cumulative basis on June 20 and December 20 of each year. No dividends may be paid on any shares ranking junior to the Series D Shares unless all dividends which shall have become payable on the Series D Shares have been paid or set aside for payment.

Holders of our Series E Shares are entitled to receive a maximum non-cumulative preferred monthly dividend at a rate of 1.25% per month, calculated on the redemption price of the Series E Shares when, as and if declared by the Board of Directors. The Series E Shares rank senior to the common shares but junior to the Series A Shares, Series B Shares, Series C Shares and Series D Shares.

Holders of our Series F Shares are entitled to receive fixed cumulative preferred dividends at a rate of 10.85% per annum per share. The dividends declared on the Series F Shares are payable semi-annually on a cumulative basis on January 14 and July 14 of each year. No dividends may be paid on any shares ranking junior to the Series F Shares unless all dividends which shall have become payable on the Series F Shares have been paid or set aside for payment.

Holders of our Series G Shares are entitled to receive fixed cumulative preferred dividends at a rate of 10.85% per annum per share. The dividends declared on the Series G Shares are payable semi-annually on a cumulative basis on June 20 and December 20 of each year. No dividends may be paid on any shares ranking junior to the Series G Shares unless all dividends which shall have become payable on the Series G Shares have been paid or set aside for payment.

**D - Significant Changes**

Except as otherwise disclosed in this annual report (including under “Item 5. Operating and Financial Review and Prospects”), there has been no significant change in our financial position since December 31, 2013.

## ITEM 9 — THE OFFER AND LISTING

**A - Offer and Listing Details**

Not applicable.

**B - Plan of Distribution**

Not applicable.

**C - Markets**

***Outstanding Notes***

On October 11, 2012, we issued and sold CAN$500.0 million aggregate principal amount of our 6 5/8% Senior Notes due 2023 and US$850.0 million aggregate principal amount of our 5 3/4% Senior Notes due 2023 in private placements exempt from the registration requirement of the Securities Act and prospectus requirements of applicable Canadian securities laws. Our 5 3/4% Senior Notes due 2023 and our 6 5/8% Senior Notes due 2023 are unsecured and are due on January 15, 2023, with cash interest payable semi-annually in arrears on June 15 and December 15 of each year. In connection with the issuance of the 5 3/4% Senior Notes due 2023, we agreed to file, within 210 days after the issue date of the notes, an exchange offer registration statement relating to the exchange without novation of these privately placed notes for our new SEC-registered 6 5/8% Senior Notes due 2023 evidencing the same continuing indebtedness and having substantially identical terms. We have also agreed to use our best efforts to cause the registration statement to become effective within 330 days after the issue date of the 5 3/4% Senior Notes due 2023 and to consummate the exchange offer within 360 days after the issue date of the notes. Our 6 5/8% Senior Notes due 2023 were not and will not be registered under the Securities Act or under the laws of any other jurisdiction.

On January 5, 2011, we issued and sold CAN$325.0 million aggregate principal amount of our 7 3/8% Senior Notes due 2021 in private placements exempt from the registration requirement of the Securities Act and prospectus requirements of applicable Canadian securities laws. Our 7 3/8% Senior Notes due 2021 are unsecured and are due on January 15, 2021, with cash interest payable semi-annually in arrears on June 15 and December 15 of each year. Our 7 3/8% Senior Notes due 2021 were not and will not be registered under the Securities Act or under the laws of any other jurisdiction.

On October 5, 2007, we issued and sold US$700.0 million aggregate principal amount of our 7 3/4% Senior Notes due 2016 in a private placement exempt from the registration requirements of the Securities Act. Our 7 3/4% Senior Notes due 2016 are unsecured and are due March 15, 2016, with cash interest payable semi-annually in arrears on June 15 and December 15 of each year. In connection with the private placement of these unregistered notes, we filed a registration statement on Form F-4 with the SEC on November 20, 2007 and completed the registered exchange offer on March 31, 2008. As a result of this exchange offer, our 7 3/4% Senior Notes due 2016 issued on October 7, 2007 have been registered under the Securities Act. In November 2012, we effected an optional partial redemption of $320,000,000 aggregate principal amount of these 7 3/4% Senior Notes due 2016.

There is currently no established trading market for our Senior Notes. There can be no assurance as to the liquidity of any market that may develop for our outstanding notes, the ability of the holders of any such notes to sell them or the prices at which any such sales may be made. We have not and do not presently intend to apply for a listing of our outstanding notes on any exchange or automated dealer quotation system. The record holder of our 7 3/4% Senior Notes due 2016 and our 5 3/4% Senior Notes due 2023 is Cede & Co., a nominee of The Depository Trust Company, and the record holder of our 7 3/8% Senior Notes due 2021 and our 6 5/8% Senior Notes due 2023 is CDS Clearing and Depository Services Inc.

**D - Selling Shareholders**

Not applicable.

**E - Dilution**

Not applicable.

**F - Expenses of the Issuer**

Not applicable.

## ITEM 10 — ADDITIONAL INFORMATION

### A - Share Capital

In addition to our common shares, our authorized share capital is comprised of (i) Cumulative First Preferred Shares, Series A, or Series A Shares; (ii) Cumulative First Preferred Shares, Series B, or Series B Shares; (iii) Cumulative First Preferred Shares, Series C, or Series C Shares; (iv) Cumulative First Preferred Shares, Series D, or Series D Shares; (v) Preferred Shares, Series E, or Series E Shares; (vi) Cumulative First Preferred Shares, Series F, or Series F Shares; and (vii) Cumulative First Preferred Shares, Series G, or Series G Shares.

As of December 31, 2013, there were no issued and outstanding Series A Shares.

As of December 31, 2013, there were no issued and outstanding Series B Shares.

As of December 31, 2013, there were no issued and outstanding Series C Shares.

As of December 31, 2013, there were no issued and outstanding Series D Shares.

As of December 31, 2013, there were no issued and outstanding Series E Shares.

As of December 31, 2013, there were no issued and outstanding Series F Shares.

As of December 31, 2013, there were 1,630,000 of our Series G Shares issued and outstanding, all of which are held by 9101-0835 Québec Inc., one of our indirect wholly-owned subsidiaries. These Series G Shares have been issued in connection with transactions that consolidate tax losses within the Quebecor Media group. The Series G Shares are non-voting shares. Holders of Series G Shares are entitled to a cumulative annual dividend of 10.85% per annum per share. Holders may require us to redeem the Series G Shares at any time at a price of $1,000 per share plus any accumulated and unpaid dividends. In addition, we may, at our option, redeem the Series G Shares at a price of $1,000 per share plus any accumulated and unpaid dividends.

### B - Memorandum and Articles of Association

On January 17, 2013, our Articles of Incorporation and the various Articles of Amendment were consolidated, as permitted by the *Business Corporations Act* (Quebec). These Articles of Consolidation are filed as an exhibit to this annual report. In this description, we refer to our Articles of Consolidation as the "**Articles**". The following is a summary of certain provisions of our Articles and our by-laws.

We were incorporated, in Canada, under Part IA of the *Companies Act* (Quebec) as 9093-9687 Québec Inc. on August 8, 2000 under registration number 1149501992. Since its coming into force on February 14, 2011, we are governed by the *Business Corporations Act* (Quebec). On August 18, 2000, a Certificate of Amendment was filed to change our name to Media Acquisition Inc. Our name was further changed to Quebecor Media on September 26, 2000. Our Articles do not describe our object and purpose.

1. (a) Our by-laws provide that a director must disclose the nature and value of any interest he has in a contract or transaction to which our Corporation is a party. A director must also disclose a contract or transaction to which the Corporation and any of the following are a party:

    a) an associate of the director;

    b) a group of which the director is a director;

    c) a group in which the director or an associate of the director has an interest.

    No director may vote on a resolution to approve, amend or terminate the contract or transaction, or be present during deliberations concerning the approval, amendment or termination of such a contract or transaction unless the contract or transaction:

a) relates primarily to the remuneration of the director or an associate of the director as a director of the Corporation or an affiliate of the Corporation;

b) relates primarily to the remuneration of the director or an associate of the director as an officer, employee or mandatary of the Corporation or an affiliate of the Corporation, if the Corporation is not a reporting issuer;

c) is for the indemnification of the directors in certain circumstances or liability insurance taken out by the Corporation;

d) is with an affiliate of the Corporation, and the sole interest of the director is as a director or officer of the affiliate.

(b) Neither the Articles nor our by-laws contain provisions with respect to directors' power, in the absence of an independent quorum, to determine their remuneration.

(c) Subject to any restriction which may from time to time be included in the Articles or our by-laws, or the terms, rights or restrictions of any of our shares or securities outstanding, our directors may authorize us to borrow money and obtain advances upon the credit of our Corporation, from any bank, corporation, firm, association or person, upon such terms and conditions, in all respects, as they think fit. The directors may authorize the issuance of bonds or other evidences of indebtedness of our Corporation, and may authorize the pledge or sale of the same upon such terms and conditions, in all respects, as they think fit. The directors are also authorized to hypothecate the property, undertaking and assets, movable or immovable, of our Corporation to secure payment for any bonds or other evidences of indebtedness or otherwise give guarantees to secure the payment of loans.

Neither the Articles nor our by-laws contain any provision with respect to (i) the retirement or non-retirement of our directors under an age limit requirement or (ii) the number of shares, if any, required for the qualification of our directors.

2. The rights, preferences and restrictions attaching to our common shares, Cumulative First Preferred Shares (consisting of the Series A Shares, the Series B Shares, the Series C Shares, the Series D Shares, the Series F Shares and the Series G Shares) and our Preferred Shares, Series E are set forth below:

***Common Shares***

(a) *Dividend rights*: Subject to the rights of the holders of our Preferred Shares, each common share shall be entitled to receive such dividends as our Board of Directors shall determine.

(b) *Voting rights*: The holders of our common shares shall be entitled to receive notice of any meeting of our shareholders and to attend and vote on all matters to be voted on by our shareholders, except at meetings at which only the holders of another specified series or class of shares are entitled to vote. At each such meeting, each common share shall entitle the holder thereof to one vote.

(c) *Rights to share in our profits*: Other than as provided in paragraph (a) above (the holders of our common shares are entitled to receive dividends as determined by our Board of Directors) and paragraph (d) below (the holders of our common shares are entitled to participation in our remaining property and assets available for distribution in the event of our liquidation, dissolution or reorganization), none.

(d) *Rights upon liquidation*: In the event of our liquidation, dissolution or reorganization or any other distribution of our assets among our shareholders for the purpose of winding up our affairs, whether voluntarily or involuntarily, the holders of our common shares shall be entitled, subject to the rights of the holders of Preferred Shares, to participate equally, share for share, in our remaining property and assets available for distribution to our shareholders, without preference or distinction.

(e) *Redemption provisions*: None

(f) *Sinking fund provisions*: None

(g) *Liability to capital calls by Quebecor Media*: Our by-laws and the *Business Corporations Act* (Quebec) provide that our directors may, from time to time, accept subscriptions, allot, issue, grant options in respect of or otherwise dispose of the whole or any part of the unissued shares of our share capital on such terms and conditions, for such consideration not contrary to law or to the *Business Corporations Act* (Quebec) and as determined by the Board of Directors. Our directors may, from time to time, make calls upon the shareholders in respect of any moneys unpaid upon their shares.

(h) *Provisions discriminating against existing or prospective holders of common shares as a result of such holder owning a substantial number of shares*: None

For a description of the Corporation's Shareholders Agreement among the holders of our common stock, see "Item 7. Major Shareholders and Related Party Transactions — Major Shareholders" in this annual report.

***Cumulative First Preferred Shares***

Our Board of Directors may issue Cumulative First Preferred Shares at any time and from time to time in one or more series. Unless the Articles otherwise provide, the Cumulative First Preferred Shares of each series shall rank on parity with the Cumulative First Preferred Shares of every other series with respect to priority in the payment of dividends, return of capital and in the distribution of our assets in the event of our liquidation or dissolution. Unless the Articles otherwise provide, the Cumulative First Preferred Shares shall be entitled to priority over our common shares and any other class of our shares, with respect to priority in the payment of dividends, return of capital and in the distribution of our assets in the event of liquidation or dissolution.

As long as there are Cumulative First Preferred Shares outstanding, we shall not, unless consented to by the holders of the Cumulative First Preferred Shares and upon compliance with the provisions of the *Business Corporations Act* (Quebec), (a) create any other class of shares ranking *pari passu* or in priority to any outstanding series of the Cumulative First Preferred Shares, (b) voluntarily liquidate or dissolve our Corporation or execute any decrease of capital involving the distribution of assets on any other shares of our capital stock or (c) repeal, amend or otherwise alter any provisions of the Articles relating to any series of the Cumulative First Preferred Shares.

***Cumulative First Preferred Shares, Series A (Series A Shares)***

(a) *Dividend rights*: The holders of record of the Series A Shares shall be entitled to receive in each fiscal year fixed cumulative preferred dividends at the rate of 12.5% per share per annum. No dividends may be paid on any shares ranking junior to the Series A Shares unless all dividends which shall have become payable on the Series A Shares have been paid or set aside for payment.

(b) *Voting rights*: Holders of Series A Shares shall not, as such, be entitled to receive notice of, or attend or vote at, any meeting of our shareholders unless we shall have failed to pay certain semi-annual dividends on the Series A Shares. In that event and only for so long as the dividend remains in arrears, the holders of Series A Shares shall be entitled to receive notice of, and to attend and vote at, all shareholders' meetings, except meetings at which only holders of another specified series or class of shares are entitled to vote. At each such meeting, each Series A Share shall entitle the holder thereof to one vote.

(c) *Rights to share in our profits*: Except as provided in paragraph (a) above (the holders of Series A Shares are entitled to receive a 12.5% cumulative preferential dividend) and paragraph (d) below (the holders of Series A Shares are entitled to receive, in preference to the holders of common shares, an amount equal to $1,000 per Series A Share and any accumulated and unpaid dividends with respect thereto in the event of our liquidation, dissolution or reorganization), none.

(d) *Rights upon liquidation*: In the event of our liquidation, dissolution or reorganization or any other distribution of our assets among our shareholders for the purpose of winding-up our affairs, whether voluntarily or involuntarily, the holders of Series A Shares shall be entitled to receive, in preference to the holders of common shares, an amount equal to $1,000 per Series A Share and any accumulated and unpaid dividends with respect thereto.

(e) *Redemption provisions*: Holders of Series A Shares may require us to redeem the Series A preferred shares at any time at a price of $1,000 per share plus any accumulated and unpaid dividends with respect thereto. In addition, we may, at our option, redeem the Series A Shares at a price of $1,000 per share plus any accumulated and unpaid dividends with respect thereto.

(f) *Sinking fund provisions*: None.

(g) *Liability to capital calls by us*: Our by-laws and the Business Corporations Act (Quebec) provide that our directors may, from time to time, accept subscriptions, allot, issue, grant options in respect of or otherwise dispose of the whole or any part of the unissued shares of our share capital on such terms and conditions, for such consideration not contrary to law or to the Business Corporations Act (Quebec) and as determined by the Board of Directors. The directors may, from time to time, make calls upon the shareholders in respect of any moneys unpaid upon their shares.

(h) *Provisions discriminating against existing or prospective holders of Series A Shares as a result of such holders owning a substantial number of shares*: None.

***Cumulative First Preferred Shares, Series B (Series B Shares)***

(a) *Dividend rights*: The holders of record of the Series B Shares shall be entitled to receive a single cumulative dividend, payable in cash, in an amount to be determined by our Board of Directors in accordance with the Articles, which dividend, once determined by our Board of Directors, shall be paid on the date of conversion of the Series B Shares into our common shares. No dividends may be paid on any shares ranking junior to the Series B Shares unless all dividends which shall have become payable on the Series B Shares have been paid or set aside for payment.

(b) *Voting rights*: Holders of Series B Shares, as such, shall not be entitled to receive notice of, and to attend or vote at, any meeting of our shareholders, unless we shall have failed to pay the dividend due to such holders. In that event and only for so long as the said dividend remains in arrears, the holders of Series B Shares shall be entitled to receive notice of, and to attend and vote at, all shareholders' meetings, except meetings at which only holders of another specified series or class of shares are entitled to vote. At each such meeting, each Series B Share shall entitle the holder thereof to one vote.

(c) *Rights to share in our profits*: Except as provided in paragraph (a) above (the holders of Series B Shares are entitled to receive the dividend referred to in paragraph (a) above) and paragraph (d) below (the holders of the Series B Shares are entitled to receive, in preference to the holders of common shares, an amount equal to $1.00 per Series B Share and the dividend referred to in paragraph (a) above in the event of liquidation, dissolution or reorganization), none.

(d) *Rights upon liquidation*: In the event of our liquidation, dissolution or reorganization or any other distribution of our assets among our shareholders for the purpose of winding-up our affairs, whether voluntarily or involuntarily, the holders of Series B Shares shall be entitled to receive, in preference to the holders of common shares, an amount equal to $1.00 per Series B Share held and the dividend referred to in paragraph (a) above.

(e) *Redemption provisions*: Holders of Series B Shares may require us to redeem the Series B Shares at any time at a price of $1.00 per share plus the dividend referred to in paragraph (a) above. In addition, we may, at our option, redeem the Series B Shares at a price of $1.00 per share plus the dividend referred to in paragraph (a) above.

(f) *Sinking fund provisions*: None.

(g) *Liability to capital calls by us*: Our by-laws and the Business Corporations Act (Quebec) provide that our directors may, from time to time, accept subscriptions, allot, issue, grant options in respect of or otherwise dispose of the whole or any part of the unissued shares of our share capital on such terms and conditions, for such consideration not contrary to law or to the Business Corporations Act (Quebec) and as determined by the Board of Directors. The directors may, from time to time, make calls upon the shareholders in respect of any moneys unpaid upon their shares.

(h) *Provisions discriminating against existing or prospective holders of Series B Shares as a result of such holders owning a substantial number of shares*: None.

***Cumulative First Preferred Shares, Series C (Series C Shares)***

(a) *Dividend rights*: The holders of record of the Series C Shares shall be entitled to receive in each fiscal year fixed cumulative preferred dividends at the rate of 11.25% per share per annum. No dividends may be paid on any shares ranking junior to the Series C Shares unless all dividends which shall have become payable on the Series C Shares have been paid or set aside for payment.

(b) *Voting rights*: Holders of Series C Shares shall not, as such, be entitled to receive notice of, or attend or vote at, any meeting of our shareholders unless we shall have failed to pay certain dividends on the Series C Shares. In that event and only for so long as the dividend remains in arrears, the holders of Series C Shares shall be entitled to receive notice of, and to attend and vote at, all shareholders' meetings, except meetings at which only holders of another specified series or class of shares are entitled to vote. At each such meeting, each Series C Share shall entitle the holder thereof to one vote.

(c) *Rights to share in our profits*: Except as provided in paragraph (a) above (the holders of Series C Shares are entitled to receive a 11.25% cumulative preferential dividend) and paragraph (d) below (the holders of Series C Shares are entitled to receive, in preference to the holders of common shares, an amount equal to $1,000 per Series C Share and any accumulated and unpaid dividends with respect thereto in the event of our liquidation, dissolution or reorganization), none.

(d) *Rights upon liquidation*: In the event of our liquidation, dissolution or reorganization or any other distribution of our assets among our shareholders for the purpose of winding-up our affairs, whether voluntarily or involuntarily, the holders of Series C Shares shall be entitled to receive, in preference to the holders of common shares, an amount equal to $1,000 per Series C Share and any accumulated and unpaid dividends with respect thereto.

(e) *Redemption provisions*: Holders of Series C Shares may require us to redeem the Series C preferred shares at any time at a price of $1,000 per share plus any accumulated and unpaid dividends with respect thereto. In addition, we may, at its option, redeem the Series C Shares at a price of $1,000 per share plus any accumulated and unpaid dividends with respect thereto.

(f) *Sinking fund provisions*: None.

(g) *Liability to capital calls by us*: Our by-laws and the Business Corporations Act (Quebec) provide that our directors may, from time to time, accept subscriptions, allot, issue, grant options in respect of or otherwise dispose of the whole or any part of the unissued shares of our share capital on such terms and conditions, for such consideration not contrary to law or to the Business Corporations Act (Quebec) and as determined by the Board of Directors. The directors may, from time to time, make calls upon the shareholders in respect of any moneys unpaid upon their shares.

(h) *Provisions discriminating against existing or prospective holders of Series C Shares as a result of such holders owning a substantial number of shares*: None.

***Cumulative First Preferred Shares, Series D (Series D Shares)***

(a) *Dividend rights*: The holders of record of the Series D Shares shall be entitled to receive in each fiscal year fixed cumulative preferred dividends at the rate of 11.0% per share per annum. No dividends may be paid on any shares ranking junior to the *Series* D Shares unless all dividends which shall have become payable on the Series D Shares have been paid or set aside for payment.

(b) *Voting rights*: Holders of Series D Shares shall not, as such, be entitled to receive notice of, or attend or vote at, any meeting of our shareholders unless we shall have failed to pay certain dividends on the Series D Shares. In that event and only for so long as the dividend remains in arrears, the holders of Series D Shares shall be entitled to receive notice of, and to attend and vote at, all shareholders' meetings, except meetings at which only holders of another specified series or class of shares are entitled to vote. At each such meeting, each Series D Share shall entitle the holder thereof to one vote.

(c) *Rights to share in our profits*: Except as provided in paragraph (a) above (the holders of Series D Shares are entitled to receive a 11.0% cumulative preferential dividend) and paragraph (d) below (the holders of Series D Shares are entitled to receive, in preference to the holders of common shares, an amount equal to $1,000 per Series D Share and any accumulated and unpaid dividends with respect thereto in the event of our liquidation, dissolution or reorganization), none.

(d) *Rights upon liquidation*: In the event of our liquidation, dissolution or reorganization or any other distribution of our assets among our shareholders for the purpose of winding-up our affairs, whether voluntarily or involuntarily, the holders of Series D Shares shall be entitled to receive, in preference to the holders of common shares, an amount equal to $1,000 per Series D Share and any accumulated and unpaid dividends with respect thereto.

(e) *Redemption provisions*: Holders of Series D Shares may require us to redeem the Series D preferred shares at any time at a price of $1,000 per share plus any accumulated and unpaid dividends with respect thereto. In addition, we may, at its option, redeem the Series D Shares at a price of $1,000 per share plus any accumulated and unpaid dividends with respect thereto.

(f) *Sinking fund provisions*: None.

(g) *Liability to capital calls by us*: Our by-laws and the *Business Corporations Act* (Quebec) provide that our directors may, from time to time, accept subscriptions, allot, issue, grant options in respect of or otherwise dispose of the whole or any part of the unissued shares of our share capital on such terms and conditions, for such consideration not contrary to law or to the *Business Corporations Act* (Quebec) and as determined by the Board of Directors. The directors may, from time to time, make calls upon the shareholders in respect of any moneys unpaid upon their shares.

(h) *Provisions discriminating against existing or prospective holders of Series D Shares as a result of such holders owning a substantial number of shares*: None.

***Cumulative First Preferred Shares, Series F (Series F Shares)***

(a) *Dividend rights*: The holders of record of the Series F Shares shall be entitled to receive in each fiscal year fixed cumulative semi-annual dividends at the rate of 10.85% per share per annum. No dividends may be paid on any shares ranking junior to the Series F Shares unless all dividends which shall have become payable on the Series F Shares have been paid or set aside for payment.

(b) *Voting rights*: Holders of Series F Shares shall not, as such, be entitled to receive notice of, or attend or vote at, any meeting of our shareholders unless we shall have failed to pay eight semi-annual dividends on the Series F Shares. In that event and only for so long as the dividend remains in arrears, the holders of Series F Shares shall be entitled to receive notice of, and to attend and vote at, all shareholders' meetings, except meetings at which only holders of another specified series or class of shares are entitled to vote. At each such meeting, each Series F Share shall entitle the holder thereof to one vote.

(c) *Rights to share in our profits*: Except as provided in paragraph (a) above (holders of Series F Shares are entitled to receive a 10.85% cumulative preferential semi-annual dividend) and paragraph (d) below (the holders of Series F Shares are entitled to receive, in preference to the holders of common shares, an amount equal to $1,000 per Series F Share and any accumulated and unpaid dividends with respect thereto in the event of our liquidation, dissolution or reorganization), none.

(d) *Rights upon liquidation*: In the event of our liquidation, dissolution or reorganization or any other distribution of our assets among our shareholders for the purpose of winding-up our affairs, whether voluntarily or involuntarily, the holders of Series F Shares shall be entitled to receive, in preference to the holders of common shares, an amount equal to $1,000 per Series F Share and any accumulated and unpaid dividends with respect thereto.

(e) *Redemption provisions*: Holders of Series F Shares may require us to redeem the Series F preferred shares at any time at a price of $1,000 per share plus any accumulated and unpaid dividends with respect thereto. In addition, we may, at our option, redeem the Series F Shares at a price of $1,000 per share plus any accumulated and unpaid dividends with respect thereto.

(f) *Sinking fund provisions*: None.

(g) *Liability to capital calls by Quebecor Media*: Our by-laws and the *Business Corporations Act* (Quebec) provide that our directors may, from time to time, accept subscriptions, allot, issue, grant options in respect of or otherwise dispose of the whole or any part of the unissued shares of our share capital on such terms and conditions, for such consideration not contrary to law or to the *Business Corporations Act* (Quebec) and as determined by the Board of Directors. The directors may, from time to time, make calls upon the shareholders in respect of any moneys unpaid upon their shares.

(h) *Provisions discriminating against existing or prospective holders of Series F Shares as a result of such holders owning a substantial number of shares*: None.

***Cumulative First Preferred Shares, Series G (Series G Shares)***

(a) *Dividend rights*: The holders of record of the Series G Shares shall be entitled to receive in each fiscal year fixed cumulative semi-annual dividends at the rate of 10.85% per share per annum. No dividends may be paid on any shares ranking junior to the Series G Shares unless all dividends which shall have become payable on the Series G Shares have been paid or set aside for payment.

(b) *Voting rights*: Holders of Series G Shares shall not, as such, be entitled to receive notice of, or attend or vote at, any meeting of our shareholders unless we shall have failed to pay eight semi-annual dividends on the Series G Shares. In that event and only for so long as the dividend remains in arrears, the holders of Series G Shares shall be entitled to receive notice of, and to attend and vote at, all shareholders' meetings, except meetings at which only holders of another specified series or class of shares are entitled to vote. At each such meeting, each Series G Share shall entitle the holder thereof to one vote.

(c) *Rights to share in our profits*: Except as provided in paragraph (a) above (holders of Series G Shares are entitled to receive a 10.85% cumulative preferential semi-annual dividend) and paragraph (d) below (the holders of Series G Shares are entitled to receive, in preference to the holders of common shares, an amount equal to $1,000 per Series G Share and any accumulated and unpaid dividends with respect thereto in the event of our liquidation, dissolution or reorganization), none.

(d) *Rights upon liquidation*: In the event of our liquidation, dissolution or reorganization or any other distribution of our assets among our shareholders for the purpose of winding-up our affairs, whether voluntarily or involuntarily, the holders of Series G Shares shall be entitled to receive, in preference to the holders of common shares, an amount equal to $1,000 per Series G Share and any accumulated and unpaid dividends with respect thereto.

(e) *Redemption provisions*: Holders of Series G Shares may require us to redeem the Series G preferred shares at any time at a price of $1,000 per share plus any accumulated and unpaid dividends with respect thereto. In addition, we may, at our option, redeem the Series G Shares at a price of $1,000 per share plus any accumulated and unpaid dividends with respect thereto.

(f) *Sinking fund provisions*: None.

(g) *Liability to capital calls by Quebecor Media*: Our by-laws and the *Business Corporations Act* (Quebec) provide that our directors may, from time to time, accept subscriptions, allot, issue, grant options in respect of or otherwise dispose of the whole or any part of the unissued shares of our share capital on such terms and conditions, for such consideration not contrary to law or to the *Business Corporations Act* (Quebec) and as determined by the Board of Directors. The directors may, from time to time, make calls upon the shareholders in respect of any moneys unpaid upon their shares.

(h) *Provisions discriminating against existing or prospective holders of Series G Shares as a result of such holders owning a substantial number of shares*: None.

***Preferred Shares***

***Preferred Shares, Series E (Series E Shares)***

(a) *Dividend rights*: The holders of record of the Series E Shares shall be entitled to receive a maximum non-cumulative preferential monthly dividend at the rate of 1.25% per share per month, which dividend shall be calculated based on the redemption price (the amount equal to the aggregate consideration for such share). The Series E Shares rank senior to the common shares but junior to the Series A Shares, Series B Shares, Series C Shares and Series D Shares.

(b) *Voting rights*: Holders of Series E Shares shall not, as such, be entitled to receive notice of, or attend or vote at, any meeting of our shareholders.

(c) *Rights to share in our profits*: Except as provided in paragraph (a) above (the holders of Series E Shares are entitled to receive a 1.25% maximum non-cumulative preferential monthly dividend) and paragraph (d) below (the holders of Series E Shares are entitled to receive, in preference to the holders of common shares, but subsequent to the holders of Series A Shares, Series B Shares, Series C Shares and Series D Shares, an amount equal to the redemption price of the Series E Shares and the amount of any declared but unpaid dividends on the Series E Shares referred to in paragraph (a) above), none.

(d) *Rights upon liquidation*: In the event of our liquidation, dissolution or reorganization or any other distribution of our assets among our shareholders for the purpose of winding-up our affairs, whether voluntarily or involuntarily, the holders of Series E Shares shall be entitled to receive, in preference to the holders of common shares, but subsequent to the holders of Series A Shares, Series B Shares, Series C Shares and Series D Shares, an amount equal to the redemption price of the Series E Shares held and the amount of any declared but unpaid dividends on the Series E Shares referred to in paragraph (a) above.

(e) *Redemption provisions*: Holders of Series E Shares may require us to redeem the Series E preferred shares at any time at a price equal to the redemption price plus an amount equal to any dividends declared thereon but unpaid up to the date of redemption. The redemption price shall be equal to the aggregate consideration received for such share.

(f) *Sinking fund provisions*: None.

(g) *Liability to capital calls by Quebecor Media*: Our by-laws and the *Business Corporations Act* (Quebec) provide that our directors may, from time to time, accept subscriptions, allot, issue, grant options in respect of or otherwise dispose of the whole or any part of the unissued shares of our share capital on such terms and conditions, for such consideration not contrary to law or to the *Business Corporations Act* (Quebec) and as determined by the Board of Directors. The directors may, from time to time, make calls upon the shareholders in respect of any moneys unpaid upon their shares.

(h) *Provisions discriminating against existing or prospective holders of Series E Shares*: None.

3. ***Actions necessary to change the rights of shareholders***: For a description of the action necessary to change the rights of holders of our Cumulative First Preferred Shares, see "Cumulative First Preferred Shares" in section 2 above. As regards our Preferred Shares, Series E, we will not, unless consented to by the holders of the Series E Shares and upon compliance with the provisions of the *Business Corporations Act* (Quebec), repeal, amend or otherwise alter any provisions of the Articles relating to the Series E Shares. Under the general provisions of the *Business Corporations Act* (Quebec), (i) our Articles may be amended by the affirmative vote of the holders of two-thirds ( 2/3) of the votes cast by the shareholders at a special meeting, and (ii) our by-laws may be amended by our Boad of Directors and ratified by a majority of the votes cast by the shareholders at the next shareholders meeting. Unless they are rejected by the shareholders at the close of the meeting or not submitted to the shareholders, the amended by-laws are effective as of the date of the resolution of the Board of Directors approving them. However, by-laws amendments relating to procedural matters with respect to shareholders meetings take effect only once they have received shareholders approval.

4. ***Shareholder Meetings***: Our by-laws and the *Business Corporations Act* (Québec) provide that the annual meeting of our shareholders shall be held within fifteen (15) months after the last preceding annual meeting. All shareholders meetings shall be held within the province of Québec at the place and time determined by our Board of Directors and may be called by order of our Board of Directors.

   Our by-laws provide that notice specifying the place, date, time and purpose of any meeting of our shareholders shall be sent to all the shareholders entitled to vote and to each director at least 21 days but not more than 60 days before the meeting by any means providing proof of the date of sending at the addresses indicated in our records.

   Our chairman of the board or, in his absence, our vice-chair of the board, if any, or in his absence, our president and chief executive officer or any other person that may be named by the board shall preside at all meetings of our shareholders. If the person who is to chair the meeting is not present at the meeting within 15 minutes after the time appointed for the meeting, the shareholders present choose one of their own to chair of the board the meeting.

   Our by-laws provide that a quorum of shareholders is present at a shareholders meeting if, at the opening of the meeting, one or several holders of 50% or more of the shares that carry the right to vote at the meeting are present in person or represented by proxy.

5. ***Limitations on right to own securities***: There are regulations related to the ownership and control of Canadian broadcast undertakings as described under "Item 4 — Information on the Corporation — Regulation". There is no other limitation imposed by Canadian law or by the Articles or other constituent documents on the right of nonresidents or foreign owners to hold or vote shares, other than as provided in the Investment Act and the Radiocommunication Act. The Investment Act requires "non-Canadian" (as defined in the Investment Act) individuals, governments, corporations and other entities who wish to acquire control of a "Canadian business" (as defined in the Investment Act) to file either an application for review (when certain asset value thresholds are met) or a post closing notification with the Director of Investments appointed under the Investment Act, unless a specific exemption applies. The Investment Act requires that, when an acquisition of control of a Canadian business by a "non-Canadian" is subject to review, it must be approved by the Minister responsible for the Investment Act on the basis that the Minister is satisfied that the acquisition is "likely to be of net benefit to Canada", having regard to criteria set forth in the Investment Act. Radio licenses may be issued under the Radiocommunication Act to radiocommunication service providers ("**Service Providers**") that meet the eligibility criteria of Canadian ownership and control set forth in the *Canadian Telecommunications Common Carrier Ownership and Control Regulations* ("**CTCCOCR**"). Under the CTCCOCR, the holding corporation of a Service Provider may refuse to accept any subscription for or register the transfer of any of its voting shares unless it receives a declaration that such subscription or transfer would not result in the percentage of the total voting shares of the holding corporation of the Service Provider that are beneficially owned and controlled by non-Canadians exceeding 33 1/3 %.

6. ***Provisions that could have the effect of delaying, deferring or preventing a change of control***: The Articles provide that none of our shares may be transferred without the consent of the directors expressed in a resolution duly adopted by them.

   A register of transfers containing the date and particulars of all transfers of shares of our share capital shall be kept either at our head office or at any other place designated by the Board of Directors.

7. Not applicable.

8. Not applicable.

9. Not applicable.

**C - Material Contracts**

The following is a summary of each material contract, other than contracts entered into in the ordinary course of business, to which we or any of our subsidiaries is a party, for the two years preceding publication of this annual report.

(a) **Indenture relating to CAN$500,000,000 of our 6 5/8% Senior Notes due January 15, 2023, dated as of October 11, 2012, by and between Quebecor Media, and Computershare Trust Company of Canada, as trustee.**

On October 11, 2012, we issued CAN$500,000,000 aggregate principal amount of our 6 5/8% Senior Notes due January 15, 2023 pursuant to an Indenture, dated as of October 11, 2012, by and between Quebecor Media and Computershare Trust Company of Canada, as trustee. These notes are unsecured and mature on January 15, 2023. Interest on these notes is payable in cash semi-annually in arrears on June 15 and December 15 of each year. These notes are not guaranteed by our subsidiaries. These notes are redeemable, at our option, under certain circumstances and at the "make-whole" redemption price set forth in the indenture. This indenture contains customary restrictive covenants with respect to Quebecor Media and certain of its subsidiaries and customary events of default. If an event of default occurs and is continuing, other than our bankruptcy or insolvency, the trustee or the holders of at least 25% in principal amount at maturity of the then-outstanding notes may declare all the notes to be due and payable immediately. The notes issued pursuant to this indenture were not and will not be registered under the Securities Act or under the laws of any other jurisdiction.

(b) **Indenture relating to US$850,000,000 of our 5 3/4% Senior Notes due January 15, 2023 dated as of October 11, 2012, by and between Quebecor Media, and U.S. Bank National Association, as trustee.**

On October 11, 2012, we issued US$850,000,000 aggregate principal amount of our 5 3/4% Senior Notes due January 15, 2023 pursuant to an Indenture dated as of October 11, 2012, by and between Quebecor Media and U.S. Bank National Association, as trustee. These notes are unsecured and mature on January 15, 2023. Interest on these notes is payable in cash semi-annually in arrears on June 15 and December 15 of each year. These notes are not guaranteed by our subsidiaries. These notes are redeemable, at our option, under certain circumstances and at the "make-whole" redemption price set forth in the indenture. The indenture contains customary restrictive covenants with respect to Quebecor Media and certain of its subsidiaries and customary events of default. If an event of default occurs and is continuing, other than our bankruptcy or insolvency, the trustee or the holders of at least 25% in principal amount at maturity of the then-outstanding notes may declare all the notes to be due and payable immediately.

(c) **Indenture relating to CAN$325,000,000 of our 7 3/8% Senior Notes due January 15, 2021, dated as of January 5, 2011, by and between Quebecor Media, and Computershare Trust Company of Canada, as trustee.**

On January 5, 2011, we issued CAN$325,000,000 aggregate principal amount of our 7 3/8% Senior Notes due January 15, 2021 pursuant to an Indenture, dated as of January 5, 2011, by and between Quebecor Media and Computershare Trust Company of Canada, as trustee. These notes are unsecured and mature

on January 15, 2021. Interest on these notes is payable in cash semi-annually in arrears on June 15 and December 15 of each year. These notes are not guaranteed by our subsidiaries. These notes are redeemable, at our option, under certain circumstances and at the redemption prices set forth in this indenture. This indenture contains customary restrictive covenants with respect to Quebecor Media and certain of its subsidiaries and customary events of default. If an event of default occurs and is continuing, other than our bankruptcy or insolvency, the trustee or the holders of at least 25% in principal amount at maturity of the then-outstanding notes may declare all the notes to be due and payable immediately. The notes issued pursuant to this indenture were not and will not be registered under the Securities Act or under the laws of any other jurisdiction.

(d) **Indenture relating to US$700,000,000 of our 7 3/4% Senior Notes due March 15, 2016, dated as of October 5, 2007, by and between Quebecor Media, and U.S. Bank National Association, as trustee.**

On October 5, 2007, we issued US$700,000,000 aggregate principal amount of our 7 3/4% Senior Notes due March 15, 2016 pursuant to an Indenture, dated as of October 5, 2007, by and between Quebecor Media and U.S. Bank National Association, as trustee. These notes are unsecured and mature on March 15, 2016. Interest on these notes is payable in cash semi-annually in arrears on June 15 and December 15 of each year. These notes are not guaranteed by our subsidiaries. These notes are redeemable, at our option, under certain circumstances and at the redemption prices set forth in this indenture. On November 2, 2012, we redeemed and retired US$320,000,000 aggregate principal amount of Quebecor Media's outstanding 7 3/4% Senior Notes due 2016. The indenture contains customary restrictive covenants with respect to Quebecor Media and certain of its subsidiaries and customary events of default. If an event of default occurs and is continuing, other than our bankruptcy or insolvency, the trustee or the holders of at least 25% in principal amount at maturity of the then-outstanding notes may declare all the notes to be due and payable immediately. These notes were issued under a different indenture from, and do not form a single series and are not fungible with, our 7 3/4% Senior Notes due 2016 which we issued in 2006, as described in paragraph (e) below.

(e) **Indenture relating to US$525,000,000 of our 7 3/4% Senior Notes due March 15, 2016, dated as of January 17, 2006, by and between Quebecor Media, and U.S. Bank National Association, as trustee.**

On January 17, 2006, we issued US$525,000,000 aggregate principal amount of our 7 3/4% Senior Notes due March 15, 2016 pursuant to an Indenture, dated as of January 17, 2006, by and between Quebecor Media and U.S. Bank National Association, as trustee. These notes were unsecured, bearing a maturity date of March 15, 2016. On August 30, 2013, Quebecor Media redeemed and retired the entire remaining principal amount outstanding of these 7 3/4% Senior Notes issued on January 17, 2006. Interest on these notes was payable in cash semi-annually in arrears on June 15 and December 15 of each year. These notes were not guaranteed by our subsidiaries. These notes were redeemable, at our option, under certain circumstances and at the redemption prices set forth in this indenture. The indenture contained customary restrictive covenants with respect to Quebecor Media and certain of its subsidiaries and customary events of default. If an event of default occurred and was continuing, other than our bankruptcy or insolvency, the trustee or the holders of at least 25% in principal amount at maturity of the then-outstanding notes could declare all the notes to be due and payable immediately. These notes were issued under a different indenture from, and did not form a single series and were not fungible with, our 7 3/4% Senior Notes due 2016 which we issued in 2007, as described in the previous paragraph.

(f) **Amended and Restated Credit Agreement, dated as of June 14, 2013, as amended, by and among Quebecor Media, as borrower, the financial institutions party thereto from time to time, as lenders, and Bank of America, N.A., as administrative agent.**

Our senior secured credit facilities are comprised of a $300,000,000 revolving credit facility ("Revolving Facility") that matures on January 15, 2017 and a US$350,000,000 term credit facility ("Facility B") that matures on August 17, 2020. Our senior secured credit facilities also provide us with the ability to borrow up to an additional amount of $800,000,000 (minus the equivalent amount in Canadian dollars of Facility B as of August 1, 2013) under an uncommitted incremental facility (or increase to the Revolving Facility or Facility B), subject to absence of default and lenders being willing to fund the incremental amount. We may draw letters of credit under our Revolving Facility. The proceeds of our senior secured credit facilities may be used for our general corporate purposes.

Borrowings under the Revolving Facility bear interest at the Canadian prime rate, the U.S. prime rate, the bankers' acceptance rate or U.S. LIBOR, plus, in each case, an applicable margin. With regard to Canadian prime rate advances and U.S. prime rate advances under the Revolving Facility, the applicable margin is determined by our Leverage Ratio (as defined in our senior secured credit facilities) and ranges from 1.125% when this ratio is less than or equal to 2.75x to 2.00% when this ratio is greater than 4.5x. With regard to bankers' acceptances and letters of credit under the Revolving Facility, the applicable margin ranges from 2.125% when our Leverage Ratio is less than or equal to 2.75x to 3.00% when this ratio is greater than 4.5x. With regard to U.S. LIBOR advances under the Revolving Facility, the applicable margin ranges from 2.125% when our Leverage Ratio is less than or equal to 2.75x to 3.00% when this ratio is greater than 4.5x. Specified commitment fees or drawing fees may also be payable. Borrowings under Facility B bear interest at the U.S. prime rate or U.S. LIBOR, plus, in each case, an applicable margin. With regard to U.S. prime rate advances under Facility B, the applicable margin is 1.5% and with regard to U.S. LIBOR advances under Facility B, the applicable margin is 2.5%. Borrowings under the Revolving Facility are repayable in full on January 15, 2017 and those under Facility B are repayable in full on August 17, 2020.

Borrowings under our senior secured credit facilities and under eligible derivative instruments are secured by a first-ranking hypothec and security agreement (subject to certain permitted encumbrances) on all of our movable property and first-ranking pledges of all of the shares (subject to certain permitted encumbrances) of Videotron.

Our senior secured credit facilities contain customary covenants that restrict and limit our ability to, among other things, enter into merger or amalgamation transactions, grant encumbrances, sell assets, pay dividends or make other distributions, incur indebtedness and enter into related party transactions. In addition, our senior secured credit facilities contain customary financial covenants solely for the benefit of lenders under the Revolving Facility. Our senior secured credit facilities contain customary events of default including the non-payment of principal or interest, the breach of any financial covenant, the failure to perform or observe any other covenant, certain bankruptcy events relating to Quebecor Media and its material subsidiaries (including Videotron), and the occurrence of a change of control.

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

On October 8, 2003, Videotron issued US$335,000,000 aggregate principal amount of 6 7/8% Senior Notes due January 15, 2014 and, on November 19, 2004, Videotron issued an additional US$315,000,000 aggregate principal amount of these notes, pursuant to an Indenture, dated as of October 8, 2003, by and among Videotron, the guarantors party thereto and Wells Fargo Bank Minnesota, N.A. (now Wells Fargo Bank, National Association), as trustee. In March 2012, Videotron redeemed and retired the entire remaining principal amount outstanding of these 6 7/8% Senior Notes due January 15, 2014. These notes were unsecured, bearing a maturity date of January 15, 2014. Interest on these notes was payable in cash semi-annually in arrears on January 15 and July 15 of each year. These notes were guaranteed on a senior unsecured basis by most, but not all, of Videotron's subsidiaries. The notes were redeemable, at Videotron's option, under certain circumstances and at the redemption prices set forth in the indenture. The indenture contained customary restrictive covenants with respect to Videotron and certain of its subsidiaries and customary events of default. If an event of default occurred and was continuing, other than our bankruptcy or insolvency, the trustee or the holders of at least 25% in principal amount at maturity of the then-outstanding notes could declare all the notes to be due and payable immediately.

(h) **Indenture relating to US$175,000,000 of Videotron's 6 3/8% Senior Notes due December 15, 2015, dated as of September 16, 2005, by and among Videotron, the guarantors party thereto, and Wells Fargo Bank, National Association, as trustee.**

On September 16, 2005, Videotron issued US$175,000,000 aggregate principal amount of its 6 3/8% Senior Notes due December 15, 2015, pursuant to an Indenture, dated as of September 16, 2005, by and among Videotron, the guarantors party thereto, and Wells Fargo Bank, National Association, as trustee. These notes are unsecured and mature on December 15, 2015. Interest on these notes is payable in cash semi-annually in arrears on June 15 and December 15 of each year. These notes are guaranteed on a senior unsecured basis by most, but not all, of Videotron's subsidiaries. These notes are redeemable, at Videotron's option, under certain circumstances and at the redemption prices set forth in the indenture. The indenture contains customary restrictive covenants with respect to Videotron and certain of its subsidiaries, and customary events of default. If an event of default occurs and is continuing, other than Videotron's bankruptcy or insolvency, the trustee or the holders of at least 25% in principal amount at maturity of the then-outstanding notes may declare all the notes to be due and payable immediately.

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

On April 15, 2008, Videotron issued US$455,000,000 aggregate principal amount of its 9 1/8% Senior Notes due April 15, 2018, pursuant to an Indenture, dated as of April 15, 2008, by and among Videotron, the guarantors party thereto, and Wells Fargo Bank, National Association, as trustee. On March 5, 2009, Videotron issued an additional US$260,000,000 aggregate principal amount of these 9 1/8% Senior Notes due 2018. These notes, which form a single series and class, are unsecured and mature on April 15, 2018. Interest on these notes is payable in cash semi-annually in arrears on June 15 and December 15 of each year. These notes are guaranteed on a senior unsecured basis by most, but not all, of Videotron's subsidiaries. These notes are redeemable, at Videotron's option, under certain circumstances and at the redemption prices set forth in the indenture. The indenture contains customary restrictive covenants with respect to Videotron and certain of its subsidiaries, and customary events of default. If an event of default occurs and is continuing, other than Videotron's bankruptcy or insolvency, the trustee or the holders of at least 25% in principal amount at maturity of the then-outstanding notes may declare all the notes to be due and payable immediately. On July 2, 2013 Videotron redeemed and retired US$380,000,000 aggregate principal amount of Videotron's outstanding 9 1/8% Senior Notes due 2018.

(j) **Indenture relating to CAN$300,000,000 of Videotron's 7 1/8% Senior Notes due January 15, 2020, dated as of January 13, 2010, as supplemented, by and among Videotron, the guarantors party thereto, and Computershare Trust Company of Canada, as trustee.**

On January 13, 2010, Videotron issued CAN$300,000,000 aggregate principal amount of its 7 1/8% Senior Notes due January 15, 2020, pursuant to an Indenture, dated as of January 13, 2010, by and among Videotron, the guarantors party thereto, and Computershare Trust Company of Canada, as trustee. These notes are unsecured and mature on January 15, 2020. Interest on these notes is payable in cash semi-annually in arrears on June 15 and December 15 of each year. These notes are guaranteed on a senior unsecured basis by most, but not all, of Videotron's subsidiaries. These notes are redeemable, at Videotron's option, under certain circumstances and at the redemption prices set forth in the indenture. The indenture contains customary restrictive covenants with respect to Videotron and certain of its subsidiaries, and customary events of default. If an event of default occurs and is continuing, other than Videotron's bankruptcy or insolvency, the trustee or the holders of at least 25% in principal amount at maturity of the then-outstanding notes may declare all the notes to be due and payable immediately. The notes issued pursuant to this indenture were not and will not be registered under the Securities Act or under the laws of any other jurisdiction.

(k) **Indenture relating to CAN$300,000,000 of Videotron's 6 7/8% Senior Notes due July 15, 2021, dated as of July 5, 2011, as supplemented, by and among Videotron, the guarantors party thereto, and Computershare Trust Company of Canada, as trustee.**

On July 5, 2011, Videotron issued CAN$300,000,000 aggregate principal amount of its 6 7/8% Senior Notes due July 15, 2021, pursuant to an Indenture, dated as of July 5, 2011, by and among Videotron, the guarantors party thereto, and Computershare Trust Company of Canada, as trustee. These notes are

unsecured and mature on July 15, 2021. Interest on these notes is payable in cash semi-annually in arrears on June 15 and December 15 of each year. These notes are guaranteed on a senior unsecured basis by most, but not all, of Videotron's subsidiaries. These notes are redeemable, at Videotron's option, under certain circumstances and at the redemption prices set forth in the indenture. The indenture contains customary restrictive covenants with respect to Videotron and certain of its subsidiaries, and customary events of default. If an event of default occurs and is continuing, other than Videotron's bankruptcy or insolvency, the trustee or the holders of at least 25% in principal amount at maturity of the then-outstanding notes may declare all the notes to be due and payable immediately. The notes issued pursuant to this indenture were not and will not be registered under the Securities Act or under the laws of any other jurisdiction.

(l) **Indenture relating to US$800,000,000 of Videotron's 5% Senior Notes due July 15, 2022, dated as of March 14, 2012, by and among Videotron, the guarantors party thereto, and Wells Fargo Bank, National Association, as trustee**.

On March 14, 2012, Videotron issued US$800,000,000 aggregate principal amount of its 5% Senior Notes due July 15, 2022, pursuant to an Indenture, dated as of March 14, 2012, by and among Videotron, the guarantors party thereto, and Wells Fargo Bank, National Association, as trustee. These notes are unsecured and mature on July 15, 2022. Interest on these notes is payable in cash semi-annually in arrears on January 15 and July 15 of each year. These notes are guaranteed on a senior unsecured basis by most, but not all, of Videotron's subsidiaries. These notes are redeemable, at Videotron's option, under certain circumstances and at the make-whole redemption price set forth in the indenture. This indenture contains customary restrictive covenants with respect to Videotron and certain of its subsidiaries, and customary events of default. If an event of default occurs and is continuing, other than Videotron's bankruptcy or insolvency, the trustee or the holders of at least 25% in principal amount at maturity of the then-outstanding notes may declare all the notes to be due and payable immediately.

(m) **Indenture relating to CAN$400,000,000 of Videotron's 5 5/8% Senior Notes due June 15, 2025, dated as of June 17, 2013, by and among Videotron, the guarantors party thereto, and Computershare Trust Company of Canada, as trustee.**

On June 17, 2013, Videotron issued CAN$400,000,000 aggregate principal amount of its 5 5/8% Senior Notes due June 15, 2025, pursuant to an Indenture, dated as of June 17, 2013, by and among Videotron, the guarantors party thereto, and Computershare Trust Company of Canada, as trustee. These notes are unsecured and mature on June 15, 2025. Interest on these notes is payable in cash semi-annually in arrears on April 15 and October 15 of each year. These notes are guaranteed on a senior unsecured basis by most, but not all, of Videotron's subsidiaries. These notes are redeemable, at Videotron's option, under certain circumstances and at the make-whole redemption price set forth in the indenture. The indenture contains customary restrictive covenants with respect to Videotron and certain of its subsidiaries, and customary events of default. If an event of default occurs and is continuing, other than Videotron's bankruptcy or insolvency, the trustee or the holders of at least 25% in principal amount at maturity of the then-outstanding notes may declare all the notes to be due and payable immediately. The notes issued pursuant to this indenture were not and will not be registered under the Securities Act or under the laws of any other jurisdiction.

(n) **Credit Agreement originally dated as of November 28, 2000, as amended and restated as of July 20, 2011, by and among Videotron, as borrower, the guarantors party thereto, the financial institutions party thereto from time to time, as lenders, and Royal Bank of Canada, as administrative agent, as amended on June 14, 2013.**

Videotron's $650,000,000 senior secured credit facilities provide for a $575,000,000 secured revolving credit facility that matures on July 19, 2018 and a $75,000,000 secured export financing facility providing for a term loan that matures on June 15, 2018. The proceeds of the revolving credit facility can be used for general corporate purposes including, without limitation, to issue letters of credit and to pay dividends to Quebecor Media subject to certain conditions. The proceeds of the term loan were used for payments and reimbursement of payments of export equipment and local services in relation to Videotron's contracts for mobile infrastructure equipment with an affiliate of Nokia Corporation and also for the financing of the Finnvera guarantee fee (Finnvera plc being a specialized financing company owned by the State of Finland which is providing an export buyer credit guarantee in favor of the lenders under the export financing facility covering political and commercial risks).

Advances under Videotron's revolving credit facility bear interest at the Canadian prime rate, the U.S. prime rate (solely under the swingline commitment) or the bankers' acceptance rate plus, in each instance, an applicable margin determined by the Leverage Ratio (as defined in Videotron's credit agreement) of the Relevant Group (as defined in such credit agreement). The applicable margin for Canadian prime rate advances and U.S. prime rate advances ranges from 0.325% when this ratio is less than 1.5x, to 1.625% when this ratio is greater than or equal to 4.5x. The applicable margin for bankers' acceptance advances or letters of credit fees ranges from 1.325% when this ratio is less than 1.5x, to 2.625% when this ratio is greater than or equal to 4.5x. Videotron has also agreed to pay a specified commitment fee. Advances under Videotron's export financing facility bear interest at the bankers' acceptance rate plus a margin at a rate of 0.875%.

The revolving credit facility will be repayable in full on July 19, 2018. Drawdowns under the export financing facility are repayable by way of seventeen equal and consecutive semi-annual payments that commenced on June 15, 2010.

Borrowings under Videotron's senior secured credit facilities and under eligible derivative instruments are secured by a first-ranking hypothec or security interest (subject to certain permitted encumbrances) on all current and future assets of Videotron and of the guarantors under the credit facilities (which include most, but not all of Videotron's subsidiaries), guarantees by such guarantors, pledges of shares by Videotron and such guarantors and other security.

Videotron's senior secured credit facilities contain customary covenants that restrict and limit the ability of Videotron and the members of the VL Group (as defined in the credit agreement to mean Videotron and all of its wholly-owned subsidiaries) to, among other things, enter into merger or amalgamation transactions or liquidate or dissolve, grant encumbrances, sell assets, pay dividends or make other distributions, issue shares of capital stock, incur indebtedness and enter into related party transactions. In addition, Videotron's senior secured credit facilities contain customary financial covenants and customary events of default including the non-payment of principal or interest, the breach of any financial covenant, the failure to perform or observe any other covenant, certain bankruptcy events relating to Videotron or any member of the VL Group (other than an Immaterial Subsidiary, as defined in the credit agreement), and the occurrence of a change of control.

**D - Exchange Controls**

There are currently no laws, decrees, regulations or other legislation in Canada that restrict the export or import of capital, or affect the remittance of dividends, interest or other payments to non-resident holders of the Corporation's securities, other than withholding tax requirements. Canada has no system of exchange controls.

There is no limitation imposed by Canadian law or by the Articles of Incorporation or other charter documents of the Corporation on the right of a non-resident to hold voting shares of the Corporation, other than as provided by the *Investment Canada Act*, as amended (the "**Investment Act**"), as amended by the *North American Free Trade Agreement Implementation Act* (Canada), and the *World Trade Organization (WTO) Agreement Implementation Act*. The Investment Act requires notification and, in certain cases, advance review and approval by the Government of Canada of the acquisition by a "non-Canadian" of "control of a Canadian business", all as defined in the Investment Act. Generally, the threshold for review will be higher in monetary terms for a member of the WTO or NAFTA.

In addition, there are regulations related to the ownership and control of Canadian broadcast undertakings. See "Item 4 — Information on the Corporation — Regulation".

**E - Taxation**

**Certain U.S. Federal Income Tax Considerations**

The following discussion is a summary of certain U.S. federal income tax consequences applicable to the purchase, ownership and disposition of our 7 3/4% Senior Notes due 2016 issued on October 5, 2007 (the "**2007 OID notes**"), our 7 3/8% Senior Notes due 2021 issued on January 5, 2011 (the "**2011 C$ notes**"), our 5 3/4% Senior Notes due 2023 issued on October 11, 2012 (the "**2012 US$ notes**") and our 6 5/8% Senior Notes due 2023 issued on October 11, 2012 (the "**2012 C$ notes**") (and collectively with our 2007 OID notes, 2011 C$ notes and 2012 US$ notes, the "**notes**") by a U.S. Holder (as defined below), but does not purport to be a complete analysis of all potential U.S. federal income tax effects. This summary is based on the Internal Revenue Code of 1986, as amended (the "**Code**"), U.S. Treasury regulations promulgated thereunder, Internal Revenue Service ("**IRS**") rulings and judicial decisions now in effect. All of these are subject to change, possibly with retroactive effect, or different interpretations.

This summary does not address all aspects of U.S. federal income taxation that may be relevant to particular U.S. Holders in light of their specific circumstances (for example, U.S. Holders subject to the alternative minimum tax provisions of the Code or U.S. Holders subject to the 3.8% Medicare tax on net investment income) or to U.S. Holders that may be subject to special rules under U.S. federal income tax law, including:

- dealers in stocks, securities or currencies;
- persons using a mark-to-market accounting method;
- banks and financial institutions;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- tax-exempt organizations;
- persons holding notes as part of a hedging or conversion transaction or a straddle;
- persons deemed to sell notes under the constructive sale provisions of the Code;
- persons who or that are, or may become, subject to the expatriation provisions of the Code;
- persons whose functional currency is not the U.S. dollar; and
- direct, indirect or constructive owners of 10% or more of our outstanding voting shares.

The summary also does not discuss any aspect of state, local or foreign law, or U.S. federal estate and gift tax law as applicable to U.S. Holders. Moreover, this discussion is limited to U.S. Holders who acquire and hold the notes as "capital assets" within the meaning of Section 1221 of the Code (generally, property held for investment). In addition, this summary assumes that the notes are properly characterized as debt that is not contingent debt for U.S. federal income tax purposes.

For purposes of this summary, "**U.S. Holder**" means the beneficial holder of a note who or that for U.S. federal income tax purposes is:

- an individual citizen or resident alien of the United States;
- a corporation or other entity treated as such formed in or under the laws of the United States, any state thereof or the District of Columbia;

- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust, if a court within the United States is able to exercise primary supervision over the administration of such trust and one or more "U.S. persons" (within the meaning of the Code) have the authority to control all substantial decisions of the trust, or if a valid election is in effect to be treated as a U.S. person.

We have not sought and will not seek any rulings from the IRS with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the notes or that any such position will not be sustained.

If a partnership or other entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the notes, the U.S. federal income tax treatment of a partner generally will depend on the status of the partner and the activities of the partnership. Such partner should consult its own tax advisor as to the tax consequences of the partnership purchasing, owning and disposing of the notes.

**To ensure compliance with requirements imposed by the IRS, you are hereby informed that the U.S. tax advice contained herein: (i) is written in connection with the promotion or marketing by Quebecor Media of the transactions or matters addressed herein, and (ii) is not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding U.S. tax penalties. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.**

PROSPECTIVE U.S. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH REGARD TO THE APPLICATION OF THE TAX CONSEQUENCES DESCRIBED BELOW TO THEIR PARTICULAR SITUATIONS AS WELL AS THE APPLICATION OF ANY STATE, LOCAL, FOREIGN OR OTHER TAX LAWS, INCLUDING GIFT AND ESTATE TAX LAWS.

***Interest on the Notes***

***Interest on the 2011 C$ notes, 2012 US$ note and 2012 C$ notes***

Payments of stated interest on the 2011 C$ notes, 2012 US$ notes and our 2012 C$ notes generally will be taxable to a U.S. Holder as ordinary income at the time that such payments are received or accrued, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

Our 2011 C$ notes and our 2012 C$ notes (collectively, the "**C$ notes**") are denominated in Canadian dollars. Interest on these notes will be included in a U.S. Holder's gross income in an amount equal to the U.S. dollar value of the Canadian dollar amount, regardless of whether the Canadian dollars are converted into U.S. dollars. Generally, a U.S. Holder that uses the cash method of tax accounting will determine such U.S. dollar value using the spot rate of exchange on the date of receipt. A cash method U.S. Holder generally will not realize foreign currency gain or loss on the receipt of the interest payment but may have foreign currency gain or loss attributable to the actual disposition of the Canadian dollars received.

Generally, a U.S. Holder of C$ notes that uses the accrual method of tax accounting will determine the U.S. dollar value of accrued interest income using the average rate of exchange for the accrual period (or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the U.S. Holder's taxable year). Alternatively, an accrual basis U.S. Holder may make an election (which must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS) to translate accrued interest income at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year in the case of a partial accrual period) or the spot rate on the date of receipt, if that date is within five business days of the last day of the accrual period. A U.S. Holder that uses the accrual method of accounting for tax purposes will recognize foreign currency gain or loss on the receipt of an interest payment if the exchange rate in effect on the date payment is received differs from the rate applicable to an accrual of that interest. The amount of foreign currency gain or loss to be recognized by such U.S. Holder will be an amount equal to the difference between the U.S. dollar value of the Canadian dollar interest payment (determined on the basis of the spot rate on the date the interest income is received) in respect of the accrual period and the U.S. dollar value of the interest income that has accrued during the accrual period (as determined above). This foreign currency gain or loss will be ordinary income or loss and generally will not be treated as an adjustment to interest income or expense.

Foreign currency gain or loss generally will be U.S. source provided that the residence of a taxpayer is considered to be the United States for purposes of the rules regarding foreign currency gain or loss.

***Interest on the 2007 OID notes***

The 2007 OID notes are treated as issued with original issue discount ("**OID**") in an amount equal to the difference between their "stated redemption price at maturity" (the sum of all payments to be made on the notes other than "qualified stated interest") and their issue price (generally the first price at which a substantial amount of the 2007 OID notes were sold to the public for cash). A U.S. Holder generally must include OID in gross income in advance of the receipt of cash attributable to that income, regardless of the U.S. Holder's regular method of accounting for U.S. federal income tax purposes.

The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or in property (other than debt instruments of the issuer) at least annually at a single fixed rate. Payments of qualified stated interest on a 2007 OID note will be includible in the gross income of a U.S. Holder as ordinary interest income at the time the interest is received or accrued, depending on the U.S. Holder's method of accounting for U.S. tax purposes.

The amount of OID that a U.S. Holder must include in income with respect to a 2007 OID note will generally equal the sum of the "daily portions" of OID with respect to the 2007 OID note for each day during the taxable year or portion of the taxable year on which the U.S. Holder held such note ("accrued OID"). The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. An "accrual period" for a note may be of any length and may vary in length over the term of the 2007 OID note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on the first day or the final day of an accrual period. The amount of OID allocable to any accrual period is an amount equal to the difference between (i) the product of the 2007 OID note's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) and (ii) the amount of any qualified stated interest allocable to the accrual period. Under these rules, a U.S. Holder will generally have to include in income increasingly greater amounts of OID in successive accrual periods.

OID allocable to a final accrual period is the difference between the amount payable at maturity (other than a payment of qualified stated interest) and the adjusted issue price at the beginning of the final accrual period. The "adjusted issue price" of a 2007 OID note at the beginning of any accrual period is equal to its issue price increased by the accrued OID for each prior accrual period and reduced by any payments received on the notes that were not payments of qualified stated interest.

Instead of reporting under a U.S. Holder's normal method of accounting, a U.S. Holder may elect to include in gross income all interest that accrues on a debt security by using the constant yield method applicable to OID, subject to OID, de minimis OID, market discount, de minimis market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium.

U.S. Holders may obtain information regarding the amount of OID, the issue price, the issue date and the yield to maturity by contacting Quebecor Media, 612 St-Jacques Street, Montréal, Quebec, Canada H3C 4M8, Attention: Vice President, Legal Affairs (telephone: (514) 380-1999).

The rules regarding OID are complex. U.S. Holders of 2007 OID notes are urged to consult their own tax advisors regarding the application of these rules to their particular situation.

***Market Discount, Acquisition Premium, and Bond Premium***

***Market Discount***

If a U.S. Holder purchases notes for an amount less than their revised issue price in the case of 2007 OID notes (which generally should be equal to the sum of the issue price of the 2007 OID notes and all OID includible in income by all

holders prior to such Holder's acquisition of the 2007 OID notes (without regard to reduction of OID for acquisition premium), and less any cash payments on the 2007 OID notes other than qualified stated interest), this difference is treated as market discount. Subject to a *de minimis* exception, gain realized on the maturity, sale, exchange or retirement of a market discount note will be treated as ordinary income to the extent of any accrued market discount not previously recognized (including, in the case of a note exchanged for a registered note pursuant to a registration offer, any market discount accrued on the related outstanding note). A U.S. Holder may elect to include market discount in income currently as it accrues, on either a ratable or constant yield method. In that case, such U.S. Holder's tax basis in the notes will increase by such income inclusions. An election to include market discount in income currently, once made, will apply to all market discount obligations acquired by the U.S. Holder during the taxable year of the election and thereafter, and may not be revoked without the consent of the IRS. If a U.S. Holder does not make such an election, in general, all or a portion of the interest expense on any indebtedness incurred or continued in order to purchase or carry notes may be deferred until the maturity of the notes, or certain earlier dispositions. Unless a U.S. Holder elects to accrue market discount under a constant yield method, any market discount will accrue ratably during the period from the date of acquisition of the related note to its maturity date.

In the case of C$ note, market discount is accrued in Canadian dollars, and the amount includible in income by a U.S. Holder upon a sale of a C$ note in respect of accrued market discount will be the U.S. dollar value of the amount accrued. Such U.S. dollar value is generally calculated at the spot rate of exchange on the date the C$ note is sold. Any market discount on a C$ note that is currently includible in income under the election noted above will be translated into U.S. dollars at the average exchange rate for the accrual period or portion of such accrual period within the U.S. Holder's taxable year. In such case, a U.S. Holder generally will recognize foreign currency gain or loss with respect to accrued market discount under the rules similar to those that apply to accrued interest on a note received by an accrual basis U.S. Holder, as described above.

***Acquisition Premium***

In the case of 2007 OID notes, if a U.S. Holder purchases notes for an amount greater than their adjusted issue price but less than or equal to the sum of all amounts (other than qualified stated interest) payable with respect to the notes after the date of acquisition, such U.S. Holder will have purchased the 2007 OID notes with acquisition premium. Under the acquisition premium rules, the amount of OID which must be included in gross income for the 2007 OID notes for any taxable year, or any portion of a taxable year in which the 2007 OID notes are held, generally will be reduced (but not below zero) by the portion of the acquisition premium allocated to the period.

***Bond Premium***

If a U.S. Holder purchases notes for an amount greater than the sum of all amounts (other than qualified stated interest) payable with respect to the notes after the date of acquisition, the U.S. Holder is treated as having purchased the related notes with amortizable bond premium. A U.S. Holder generally will not be required to include OID in income and may elect to amortize the premium from the purchase date to the maturity date of the notes under a constant yield method. Amortizable premium generally may be deducted against interest income on such notes and generally may not be deducted against other income. A U.S. Holder's basis in a note will be reduced by any premium amortization deductions. An election to amortize premium on a constant yield method, once made, generally applies to all debt obligations held or subsequently acquired by such U.S. Holder during the taxable year of the election and thereafter, and may not be revoked without IRS consent. For a U.S. Holder that did not elect to amortize bond premium, the amount of such premium will be included in such U.S. Holder's tax basis upon the sale of a note. In the case of a C$ note, premium is computed in Canadian dollars. At the time amortized bond premium offsets interest income, foreign currency gain or loss (taxable as ordinary income or loss) will be realized on such amortized bond premium based on the difference between the spot rate of exchange on the date or dates such premium is recovered through interest payments on the C$ note and the spot rate of exchange on the date on which the U.S. Holder acquired the C$ note. For a U.S. Holder that did not elect to amortize bond premium, the amount of such premium will be included in such U.S. Holder's tax basis upon the sale of a C$ note.

The market discount, acquisition premium, and bond premium rules are complicated, and U.S. Holders are urged to consult their own tax advisors regarding the tax consequences of owning and disposing of notes with market discount, acquisition premium, or bond premium, including the availability of certain elections.

***Other***

Interest on the notes will constitute income from sources outside the United States and generally, with certain exceptions, will be "passive category income", which is treated separately from other income for purposes of computing the foreign tax credit allowable to a U.S. Holder under the federal income tax laws. Due to the complexity of the foreign tax credit rules, U.S. Holders should consult their own tax advisors with respect to the amount of foreign taxes that may be claimed as a credit.

In certain circumstances we may be obligated to pay amounts in excess of stated interest or principal on the notes or may make payments or redeem the notes in advance of their expected maturity. According to U.S. Treasury regulations, the possibility that any such payments or redemptions will be made will not affect the amount of interest income a U.S. Holder recognizes if there is only a remote chance as of the date the notes were issued that such payments will be made, or if such payments are incidental. We believe the likelihood that we will make any such payments is remote and/or incidental. Therefore, we do not intend to treat the potential payments or redemptions pursuant to the provisions related to changes in Canadian laws or regulations applicable to tax-related withholdings or deductions, any registration rights provisions, or the other redemption and repurchase provisions as part of the yield to maturity of the notes or as affecting the tax treatment of the notes. Our determination that these contingencies are remote and/or incidental is binding on a U.S. Holder unless such holder discloses its contrary position in the manner required by applicable U.S. Treasury regulations. Our determination is not, however, binding on the IRS, and if the IRS were to challenge this determination, a U.S. Holder may be required to accrue income on its notes in excess of interest that would otherwise accrue and to treat as ordinary income rather than capital gain any income realized on the taxable disposition of a note before the resolution of the contingencies. In the event a contingency occurs, it would affect the amount and timing of the income recognized by a U.S. Holder. If we pay additional amounts on the notes, U.S. Holders will be required to recognize such amounts as income.

***Sale, Exchange or Retirement of a Note***

A U.S. Holder generally will recognize gain or loss upon the sale, exchange (other than pursuant to a tax-free transaction), redemption, retirement or other taxable disposition of a note, equal to the difference, if any, between:

- the amount realized (less any portion allocable to the payment of accrued interest or, in the case of 2007 OID notes, OID not previously included in income, which amount will be taxable as ordinary interest income); and
- the U.S. Holder's adjusted tax basis in the note.

Except with respect to gains or losses attributable to changes in exchange rates, as described below, any such gain or loss generally will be capital gain or loss (except as described under "— Market Discount, Acquisition Premium, and Bond Premium" above) and generally will be long-term capital gain or loss if the note has been held or deemed held for more than one year at the time of the disposition. Long-term capital gains of noncorporate U.S. Holders, including individuals, may be taxed at lower rates than items of ordinary income. The ability of a U.S. Holder to offset capital losses against ordinary income is limited. Any capital gain or loss recognized by a U.S. Holder on the sale or other disposition of a note generally will be treated as income from sources within the United States or loss allocable to income from sources within the United States. U.S. Holders should consult their own tax advisors regarding the source of gain attributable to market discount.

A U.S. Holder's adjusted tax basis in a note generally will equal the U.S. Holder's cost therefor, increased by any market discount previously included in income and, in the case of the 2007 OID notes, by any OID previously included in income, and reduced by any payments (other than payments constituting qualified stated interest) received on the notes, any amount treated as a return of pre-issuance accrued interest excluded from income, and the amount of amortized bond premium, if any, previously taken into account with respect to the note. If a U.S. Holder purchases a C$ note with Canadian dollars, the U.S. dollar cost of the C$ note will generally be the U.S. dollar value of the purchase price upon the date of purchase calculated at the spot rate of exchange on that date. The amount realized upon the disposition of a C$ note will generally be the U.S. dollar value of the amount received on the date of the disposition calculated at the spot rate of exchange on that date. However, if the C$ note is traded on an established securities market, a cash basis U.S. Holder (and, if it so elects, an accrual basis U.S. Holder) will determine the U.S. dollar value of the cost of or amount received on

the C$ note, as applicable, by translating the amount paid or received at the spot rate of exchange on the settlement date of the purchase or disposition. The election available to accrual basis U.S. Holders in respect of the purchase and disposition of C$ notes traded on an established securities market must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS.

Gain or loss recognized by a U.S. Holder on the sale, exchange or retirement of a C$ note that is attributable to changes in the rate of exchange between the U.S. dollar and foreign currency generally will be treated as U.S. source ordinary income or loss. Such foreign currency gain or loss will equal the difference between (i) the U.S. dollar value of the U.S. Holder's Canadian dollar purchase price for the C$ note calculated at the spot rate of exchange on the date of the sale, exchange, retirement or other disposition and (ii) the U.S. dollar value of the U.S. Holder's Canadian dollar purchase price for the C$ note calculated at the spot rate of exchange on the date of purchase of the C$ note. If the C$ note is traded on an established securities market, with respect to a cash basis U.S. Holder (and, if it so elects, an accrual basis U.S. Holder), such foreign currency gain or loss will equal the difference between (x) the U.S. dollar value of the U.S. Holder's Canadian dollar purchase price for the C$ note calculated at the spot rate of exchange on the settlement date of the disposition and (y) the U.S. dollar value of the U.S. Holder's Canadian dollar purchase price for the C$ note calculated at the spot rate of exchange on the settlement date of the purchase of the C$ note. Such foreign currency gain or loss is recognized on the sale or retirement of such note only to the extent of total gain or loss recognized on the sale or retirement of such note. Prospective investors should consult their own tax advisors regarding certain foreign currency translation elections that may be available with respect to a sale, exchange, or redemption of the C$ notes.

***Transactions in Foreign Currency***

Foreign currency received as a payment of interest on, or on the sale or retirement of, a C$ note will have a tax basis equal to its U.S. dollar value at the time such interest is received or at the time the note is disposed of or payment is received in consideration of such sale or retirement (as applicable). The amount of gain or loss recognized on a subsequent sale or other disposition of such foreign currency will be equal to the difference between (i) the amount of U.S. dollars, or the fair market value in U.S. dollars of the other currency or property received in such sale or other disposition, and (ii) the tax basis of the recipient in such foreign currency. A U.S. Holder who acquires such note with previously owned foreign currency will recognize ordinary income or loss in an amount equal to the difference, if any, between such U.S. Holder's tax basis in the foreign currency and the U.S. dollar fair market value of the note on the date of acquisition. Such gain or loss generally will be treated as income or loss from sources within the United States for foreign tax credit limitation purposes.

***Reportable Transaction Reporting***

Under certain U.S. Treasury Regulations, U.S. Holders that participate in "reportable transactions" (as defined in the regulations) must attach to their U.S. federal income tax returns a disclosure statement on IRS Form 8886. Under the relevant rules, a U.S. Holder may be required to treat a foreign currency exchange loss from the C$ note as a reportable transaction if this loss exceeds the relevant threshold in the regulations. U.S. Holders should consult their own tax advisors as to the possible obligation to file IRS Form 8886 with respect to the ownership or disposition of the C$ notes, or any related transaction, including without limitation, the disposition of any non-U.S. currency received as interest or as proceeds from the sale, exchange, retirement or other disposition of the C$ notes.

***Information Reporting and Backup Withholding***

In general, information reporting requirements may apply to payments of principal and interest (including OID) on a note and to the proceeds of the sale or other disposition of a note made to U.S. Holders other than certain exempt recipients (such as corporations). A U.S. Holder of the notes may be subject to "backup withholding" with respect to certain "reportable payments," including interest payments and, under certain circumstances, principal payments on the notes or upon the receipt of proceeds upon the sale or other disposition of such notes. These backup withholding rules apply if the U.S. Holder, among other things:

- fails to furnish a social security number or other taxpayer identification number ("**TIN**") certified under penalty of perjury within a reasonable time after the request for the TIN;
- furnishes an incorrect TIN;

- is notified by the IRS that it has failed to report properly interest or dividends; or
- under certain circumstances, fails to provide a certified statement, signed under penalties of perjury, that the TIN furnished is the correct number and that such holder is not subject to backup withholding.

A U.S. Holder that does not provide us with its correct TIN also may be subject to penalties imposed by the IRS. Any amount withheld from a payment to a U.S. Holder under the backup withholding rules is creditable against the U.S. Holder's federal income tax liability, provided that the required information is timely furnished to the IRS. Backup withholding will not apply, however, with respect to payments made to certain exempt U.S. Holders, including corporations and tax-exempt organizations, provided their exemptions from backup withholding are properly established.

In addition, U.S. individuals that hold specified foreign financial assets (including stock and securities of a foreign issuer) are required to report their holdings, along with other information, on their tax returns, with certain exceptions. Holders should consult their own tax advisors to determine the scope of these disclosure responsibilities.

**Certain Canadian Material Federal Income Tax Considerations for Residents of the United States**

The following is a summary of the principal Canadian federal income tax considerations generally applicable to you if you invested, as initial purchaser or through a subsequent investment, in any of our Senior Notes and if you, at all relevant times, for purposes of the *Income Tax Act* (Canada), which we refer to as the "**Tax Act**", are the beneficial owner of the Senior Notes, including entitlements to all payments thereunder, deal at arm's length with, and are not affiliated with, Quebecor Media and hold the Senior Notes as capital property. Generally, the Senior Notes will be considered capital property to a holder provided that the holder does not use or hold and is not deemed to use or hold the Senior Notes in the course of carrying on a business and has not acquired them in a transaction or transactions considered to be an adventure in the nature of trade (a "**Holder**").

The following summary is generally applicable to a Holder who, at all relevant times, for purposes of the Tax Act and the Canada-United States Income Tax Convention (1980), as amended, (i) is not, and is not deemed to be, a resident of Canada (and has never been, or been deemed to be, a resident of Canada), (ii) deals at arm's length with any transferee resident or deemed resident in Canada to whom the Holder disposes of Senior Notes, (iii) does not use or hold, and is not deemed to use or hold the Senior Notes in the course of carrying on a business or part of a business in Canada, (iv) does not receive any payment of interest on the Senior Notes in respect of a debt or other obligation to pay an amount to a person with whom Quebecor Media does not deal at arm's length, and (v) is not a "specified shareholder" and deals at arm's length with each person who is a "specified shareholder" of Quebecor Media for the purposes of the thin capitalization rules in the Tax Act (a "**Non-Resident Holder**").

This summary is not applicable to: (a) a Holder that is a "financial institution", as defined in the Tax Act for purposes of the mark-to-market rules; (b) a Holder that is an "authorized foreign bank", as defined in the Tax Act; (c) a Holder that is a "registered non-resident insurer", as defined in the Tax Act; (d) a Holder that is a non-resident insurer carrying on an insurance business in Canada and elsewhere; (e) a Holder, an interest in which would be a "tax shelter investment", as defined in the Tax Act; (f) a Holder which has made a "functional currency" election under the Tax Act to determine its Canadian tax results in a currency other than Canadian currency; or (g) a Holder that is a "specified financial institution" as defined in the Tax Act. Any such Holder to which this summary does not apply should consult its own tax advisors with respect to the tax consequences of acquiring, holding and disposing of the Senior Notes.

This summary is based on the current provisions of the Tax Act and the regulations thereunder and the current administrative and assessing practices and policies of the Canada Revenue Agency published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act and the regulations thereunder announced by or on behalf of the Minister of Finance of Canada prior to the date hereof (the "**Proposed Amendments**") and assumes that all Proposed Amendments will be enacted in the form proposed. However, no assurance can be given that the Proposed Amendments will be enacted as proposed or at all. This summary does not otherwise take into account or anticipate any changes in law or any administrative or assessing practice, whether by judicial, governmental, regulatory or legislative decision or action, nor does it take into account provincial, territorial or foreign income tax considerations which may differ from the Canadian federal income tax considerations described herein.

THIS SUMMARY IS OF A GENERAL NATURE ONLY AND IS NOT EXHAUSTIVE OF ALL CANADIAN FEDERAL INCOME TAX CONSIDERATIONS THAT MAY BE RELEVANT TO A PARTICULAR HOLDER. THIS SUMMARY IS NOT INTENDED TO BE, AND SHOULD NOT BE INTERPRETED AS, LEGAL OR TAX ADVICE TO ANY PARTICULAR HOLDER, AND NO REPRESENTATION WITH RESPECT TO THE INCOME TAX CONSEQUENCES TO ANY PARTICULAR HOLDER IS MADE. ACCORDINGLY, YOU SHOULD CONSULT YOUR OWN TAX ADVISORS WITH RESPECT TO YOUR PARTICULAR CIRCUMSTANCES.

No Canadian withholding tax will apply to interest (including any amounts deemed to be interest), principal or premium paid or credited by Quebecor Media on the Senior Notes to a Non-Resident Holder, or to the proceeds received by a Non-Resident Holder on a disposition of a Senior Note, including a redemption, payment on maturity, repurchase or purchase for cancellation.

No other taxes on income or gains will be payable under the Tax Act by a Non-Resident Holder on interest (including any amounts deemed to be interest), principal or premium or on the proceeds received by such Non-Resident Holder on the disposition of a Senior Note, including a redemption, payment on maturity, repurchase or purchase for cancellation.

**F - Dividends and Paying Agents**

Not applicable.

**G - Statement By Experts**

Not applicable.

**H - Documents on Display**

We file periodic reports and other information with the SEC. You may read and copy this information at the public reference room of the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549, or obtain copies of this information by mail from the public reference room at prescribed rates. The SEC also maintains an Internet website that contains reports and other information about issuers like us who file electronically with the SEC. The URL of that website is http://www.sec.gov.

In addition, you may obtain a copy of the documents to which we refer you in this annual report without charge upon written or oral request to: Quebecor Media Inc., 612 St-Jacques Street, Montréal, Québec, Canada, H3C 4M8, Attention: Investor Relations. Our telephone number is (514) 380-1999.

**I - Subsidiary Information**

Not applicable.

**ITEM 11 — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We use certain financial instruments, such as interest rate swaps, cross-currency swaps and foreign exchange forward contracts, to manage interest rate and foreign exchange risk exposures. These instruments are used solely to manage the financial risks associated with our obligations and are not used for trading or speculation purposes.

**Foreign currency risk and interest rate risk**

Most of the Corporation’s consolidated revenues and expenses, other than interest expense on U.S. dollar-denominated debt, purchases of set-top boxes, handsets and cable modems and certain capital expenditures, are received or denominated in CAN dollars. A significant portion of the interest, principal and premium, if any, payable on its debt is payable in U.S. dollars. The Corporation and its subsidiaries have entered into transactions to hedge the foreign currency risk exposure on their U.S. dollar-denominated debt obligations outstanding as of December 31, 2013, to hedge their exposure on certain purchases of set-top boxes, handsets, cable modems, and capital expenditures, and to lock-in the value of certain derivative financial instruments through offsetting transactions. Accordingly, the Corporation’s sensitivity to variations in foreign exchange rates is economically limited.

Some of the Corporation's and its subsidiaries' revolving and bank credit facilities bear interest at floating rates based on the following reference rates: (i) Bankers' acceptance rate, (ii) LIBOR, (iii) Canadian prime rate and (iv) U.S. prime rate. The Senior Notes issued by the Corporation and its subsidiaries bear interest at fixed rates. The Corporation and its subsidiaries have entered into cross-currency interest rate swap agreements in order to manage cash flow and risk exposure. As of December 31, 2013, after taking into account the hedging instruments, long-term debt was comprised of 82.6% fixed-rate debt (90.9% in 2012) and 17.4% floating-rate debt (9.1% in 2012).

The estimated sensitivity on interest payments of a 100 basis-point variance in the year-end Canadian Bankers' acceptance rate as of December 31, 2013 is $8.6 million.

**Commodity price risk**

Newsprint, which is the basic raw material used to publish newspapers, has historically been and may continue to be subject to significant price volatility. During 2013, the total newsprint consumption of our newspaper operations was approximately 123,900 metric tonnes. Newsprint represents our single largest raw material expense and one of our News Media segment most significant operating costs. Newsprint expense represented approximately 8.7% ($59.8 million) of our News Media segment's operating expenses for the year ended December 31, 2013. Changes in the price of newsprint could significantly affect our income, and volatile or increased newsprint costs have had, and may in the future have, a material adverse effect on our results of operations.

In order to obtain more favourable pricing, we source substantially all of our newsprint from a single newsprint producer (our "**Newsprint Supplier**"). Pursuant to the terms of our agreement with our Newsprint Supplier, we obtain newsprint at a discount to market prices, receive additional volume rebates if certain thresholds are met and benefit from a ceiling on the unit cost of newsprint. Our agreement with our Newsprint Supplier expires on December 31, 2015 and there can be no assurance that we will be able to renew this agreement or that our Newsprint Supplier will continue to supply newsprint to us on favourable terms or at all after the expiry of our agreement. If we are unable to continue to source newsprint from our Newsprint Supplier on favourable terms, or if we are unable to otherwise source sufficient newsprint on terms acceptable to us, our costs could increase materially, which could materially adversely affect the profitability of our newspaper business and our results of operations. We also rely on our Newsprint Supplier for deliveries of newsprint. The availability of our newsprint supply, and therefore our operations, may be adversely affected by various factors, including labor disruptions affecting our Newsprint Supplier or the cessation of operations of our Newsprint Supplier.

In addition, since our newspaper operations are labour intensive and located across Canada, our newspaper business has a relatively high fixed-cost structure. During periods of economic contraction, our revenue may decrease while certain costs remain fixed, resulting in decreased earnings.

**Credit risk management**

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

In the normal course of business, the Corporation continuously monitors the financial condition of its customers and reviews the credit history of each new customer. As of December 31, 2013, no customer balance represented a significant portion of the Corporation's consolidated trade receivables. The Corporation establishes an allowance for doubtful accounts based on the specific credit risk of its customers and historical trends. The allowance for doubtful accounts amounted to $28.4 million as of December 31, 2013 ($29.6 million as of December 31, 2012). As of December 31, 2013, 9.8% of trade receivables were 90 days past their billing date (9.9% as of December 31, 2012).

The Corporation believes that the diversity of its customer base and its product lines are instrumental in reducing its credit risk, as well as the impact of fluctuations in product-line demand. The Corporation does not believe that it is exposed to an unusual level of customer credit risk.

As a result of their use of derivative financial instruments, the Corporation and its subsidiaries are exposed to the risk of non-performance by a third party. When the Corporation and its subsidiaries enter into derivative contracts, the counterparties (either foreign or Canadian) must have credit ratings at least in accordance with the Corporation's risk management policy and are subject to concentration limits. These credit ratings and concentration limits are monitored on an ongoing basis but at least quarterly.

**Fair value of financial instruments**

See "Item 5 – Operating and Financial Review and Prospects – Additional Information – Financial Instruments and Financial Risks – Fair Value of Financial Instruments" in this annual report.

**Material limitations**

Fair value estimates are made at a specific point in time and are based on relevant market information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

**Principal repayments**

As of December 31, 2013, the aggregate amount of minimum principal payments on long-term debt required in each of the next five years and thereafter, based on borrowing levels as at that date, are as follows:

| **Twelve month period ending December 31,** (in millions) | |
|---|---|
| 2014 | $ 100.2 |
| 2015 | 211.1 |
| 2016 | 412.7 |
| 2017 | 14.5 |
| 2018 | 362.8 |
| 2019 and thereafter | 3,938.9 |
| **Total** | $5,040.2 |

**ITEM 12 — DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

Not applicable.

## PART II

### ITEM 13 — DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

**A - None.**

**B - Not applicable.**

### ITEM 14 — MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

**A - Material Modifications to the Rights of Security Holders**

There have been no material modifications to the rights of security holders.

**B - Use of Proceeds**

Not applicable.

### ITEM 15 — CONTROLS AND PROCEDURES

As at the end of the period covered by this report, Quebecor Media's President and Chief Executive Officer and Quebecor Media's Chief Financial Officer, together with members of Quebecor Media's senior management, have carried out an evaluation of the effectiveness of our disclosure controls and procedures. These are defined (in Rule 13a-15(e) or 15d-15(e) under the *Securities Exchange Act* of 1934, as amended) as controls and procedures designed to ensure that information required to be disclosed in reports filed under the *Securities Exchange Act* is recorded, processed, summarized and reported within specified time periods. As of the date of the evaluation, Quebecor Media's President and Chief Executive Officer and Quebecor Media's Chief Financial Officer concluded that Quebecor Media's disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that the Corporation files or submits under the *Securities Exchange Act* is accumulated and communicated to management, including the Corporation's principal executive and principal financial officer, to allow timely decisions regarding disclosure.

Quebecor Media's management is responsible for establishing and maintaining adequate internal control over financial reporting of the Corporation (as defined by Rules 13a-15(f) and 15d-15(f) under the *Securities Exchange Act* of 1934). Quebecor Media's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with International Financial Reporting Standards (IFRS). Quebecor Media's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of Quebecor Media's assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), and that receipts and expenditures of Quebecor Media are being made only in accordance with authorizations of management and directors of Quebecor Media; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of Quebecor Media's assets that could have a material effect on the consolidated financial statements. Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Quebecor Media's management conducted an evaluation of the effectiveness of internal control over financial reporting based on the original framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that Quebecor Media's internal control over financial reporting was effective as of December 31, 2013.

Pursuant to the *Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010* and related SEC rules, Quebecor Media is not required to include in its annual report an attestation report of Quebecor Media's registered public accounting firm regarding our internal control over financial reporting. Our management's report regarding the effectiveness of our internal control over financial reporting was therefore not subject to attestation procedures by our registered public accounting firm.

There have been no changes in Quebecor Media's internal control over financial reporting (as defined in Rule 13a-15 or 15d-15 under the Exchange Act) that occurred during the period covered by this annual report that have materially affected, or are reasonably likely to materially affect, Quebecor Media's internal control over financial reporting.

## ITEM 16 — [RESERVED]

## ITEM 16A — AUDIT COMMITTEE FINANCIAL EXPERT

Our Board of Directors has determined that Mr. La Couture is an "audit committee financial expert" (as defined in Item 16A of Form 20-F) serving on our Audit Committee. Our Board of Directors has determined that Mr. La Couture is an "independent" director, as defined under SEC rules.

## ITEM 16B — CODE OF ETHICS

We have a Code of Ethics that applies to all directors, officers and employees of Quebecor Media, including our Chief Executive Officer, Chief Financial Officer, principal accounting officer, controller and persons performing similar functions. Our Code of Ethics is included as an exhibit to this annual report on Form 20-F.

## ITEM 16C — PRINCIPAL ACCOUNTANT FEES AND SERVICES

Ernst & Young LLP has served as our independent registered public accounting firm for the fiscal years ended December 31, 2013, 2012 and 2011. The audited consolidated financial statements for each of the fiscal years in the three-year period ended December 31, 2013 are included in this annual report on Form 20-F.

Our Audit Committee establishes the independent auditors' compensation. The Audit Committee adopted a policy relating to the pre-approval of services to be rendered by its independent auditors. The Audit Committee pre-approves all audit services, determines which non-audit services the independent auditors are prohibited from providing, and authorizes permitted non-audit services to be performed by the independent auditors to the extent those services are permitted by the *Sarbanes-Oxley Act* and Canadian law. For each of the years ended December 31, 2013, 2012 and 2011, none of the non-audit services described below were approved by the Audit Committee of our Board of Directors pursuant to the "*de minimis* exception" to the pre-approval requirement for non-audit services. The following table presents the aggregate fees billed for professional services and other services rendered by our independent auditor, Ernst & Young LLP, for the fiscal years ended December 31, 2013, 2012 and 2011.

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Audit Fees[1] | $2,584,782 | $2,810,841 | $2,978,183 |
| Audit related Fees[2] | 585,064 | 245,103 | 229,296 |
| Tax Fees[3] | 60,413 | 74,685 | 50,782 |
| All Other Fees[4] | – | 82,316 | 72,408 |
| Total | $3,230,259 | $3,212,945 | $3,330,669 |

(1) Audit Fees consist of fees approved for the annual audit of the Corporation's consolidated financial statements and quarterly reviews of interim financial statements of the Corporation with the SEC, including required assistance or services that only the external auditor reasonably can provide and accounting consultations on specific issues and translation. It also includes audit and attestation services required by statute or regulation, such as comfort letters and consents, SEC prospectus and registration statements, other filings and other offerings, including annual reports and SEC forms and statutory audits.

(2) Audit related Fees consist of fees billed for assurance and related services that are traditionally performed by the external auditor, and include consultations concerning financial accounting and reporting standards on proposed transactions, due diligence or accounting work related to acquisitions; employee benefit plan audits, and audit or attestation services not required by statute or regulation.

(3) Tax Fees include fees billed for tax compliance services, including the preparation of original and amended tax returns and claims for refunds, tax consultations, such as assistance and representation in connection with tax audits and appeals, tax advice related to mergers, acquisitions and divestitures, transfer pricing, and requests for advance tax rulings or technical interpretations.

(4) All Other Fees include fees billed for forensic accounting and occasional training services, assistance with respect to internal controls over financial reporting and disclosure controls and procedures.

**ITEM 16D — EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Not applicable.

**ITEM 16E — PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

Not applicable.

**ITEM 16F — CHANGES IN REGISTRANT'S CERTIFYING ACCOUNTANT**

Not applicable.

**ITEM 16G — CORPORATE GOVERNANCE**

Not applicable.

## PART III

### ITEM 17 — FINANCIAL STATEMENTS

Not applicable.

### ITEM 18 — FINANCIAL STATEMENTS

Our consolidated balance sheets as at December 31, 2013 and 2012 and the related consolidated statements of income, comprehensive income, equity and cash flows for each of the years in the three-year period ended December 31, 2013, including the notes thereto and together with the report of the Independent Registered Public Accounting Firm, are included beginning on page F-1 of this annual report.

### ITEM 19 — EXHIBITS

### EXHIBITS

The following documents are filed as exhibits to this annual report on Form 20-F:

| Exhibit Number | Description |
|---|---|
| 1.1 | Certificate and Articles of Incorporation of Quebecor Media as of January 17, 2013 (incorporated by reference to Exhibit 1.1 to Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2012, filed on March 20, 2013, Commission file No. 333-13792). |
| 1.2 | By-laws of Quebecor Media (translation) (incorporated by reference to Exhibit 1.3 to Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 22, 2012, Commission file No. 333-13792). |
| 1.3 | By-law number 2004-1 of Quebecor Media (translation) (incorporated by reference to Exhibit 1.7 of Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2004, filed on March 31, 2005, Commission file No. 333-13792). |
| 1.4 | By-law number 2004-2 of Quebecor Media (translation) (incorporated by reference to Exhibit 1.8 of Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2004, filed on March 31, 2005, Commission file No. 333-13792). |
| 1.5 | By-law number 2005-1 of Quebecor Media (translation) (incorporated by reference to Exhibit 1.10 of Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2005, filed on March 31, 2006, Commission file No. 333-13792). |
| 1.6 | By-law number 2007-1 of Quebecor Media (translation) (incorporated by reference to Exhibit 1.12 of Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2006, filed on March 30, 2007, Commission file No. 333-13792). |
| 1.7 | By-law number 2007-2 of Quebecor Media (translation) (incorporated by reference to Exhibit 1.14 of Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2007, filed on March 27, 2008, Commission file No. 333-13792). |
| 1.8 | By-law number 2008-1 of Quebecor Media (translation) (incorporated by reference to Exhibit 1.15 of Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2008, filed on March 12, 2009, Commission file No. 333-13792). |
| 2.1 | Form of 7 3/4% Senior Note due 2016 of Quebecor Media originally issued on January 17, 2006 (incorporated by reference to Exhibit A to Exhibit 2.7 of Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2005, filed on March 29, 2006, Commission file No. 333-13792). |

2.2 7 3/4% Senior Notes Indenture, dated as of January 17, 2006, by and between Quebecor Media, and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 2.8 of Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2005, filed on March 29, 2006, Commission file No. 333-13792).

2.3 Form of 7 3/4% Senior Note due 2016 of Quebecor Media originally issued on October 5, 2007 (incorporated by reference to Exhibit A to Exhibit 4.3 of Quebecor Media's Registration Statement on Form F-4, dated November 20, 2007, Registration Statement No. 333-147551).

2.4 7 3/4% Senior Notes Indenture, dated as of October 5, 2007, by and between Quebecor Media, and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.4 of Quebecor Media's Registration Statement on Form F-4, dated November 20, 2007, Registration Statement No. 333-147551).

2.5 Form of 7 3/8% Senior Notes due January 15, 2021 of Quebecor Media (incorporated by reference to Exhibit A to Exhibit 2.6 of Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2010, filed on March 21, 2011, Commission file No. 333-13792).

2.6 Indenture relating to Quebecor Media's 7 3/8% Senior Notes due January 15, 2021, dated as of January 5, 2011, by and between Quebecor Media and Computershare Trust Company of Canada, as trustee (incorporated by reference to Exhibit 2.6 of Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2010, filed on March 21, 2011, Commission file No. 333-13792).

2.7 Form of 6 5/8% Senior Notes due January 15, 2023 of Quebecor Media (included as Exhibit A to Exhibit 2.8 below).

2.8 Indenture, relating to Quebecor Media's 6 5/8% Senior Notes due January 15, 2023, dated as of October 11, 2012, by and between Quebecor Media, and Computershare Trust Company of Canada, as trustee (incorporated by reference to Exhibit 2.8 to Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2012, filed on March 20, 2013, Commission file No. 333-13792).

2.9 Form of 5 3/4% Senior Notes due January 15, 2023 of Quebecor Media (included as Exhibit A to Exhibit 2.10 below).

2.10 Indenture, relating to Quebecor Media's 5 3/4% Senior Notes due January 15, 2023, dated as of October 11, 2012, by and between Quebecor Media, and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 2.10 to Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2012, filed on March 20, 2013, Commission file No. 333-13792).

2.11 Form of 6 3/8% Senior Notes due December 15, 2015 of Videotron (incorporated by reference to Exhibit A to Exhibit 4.3 to Videotron's Registration Statement on Form F-4, dated October 14, 2005, Registration Statement No. 333-128998).

2.12 Form of Notation of Guarantee by the subsidiary guarantors of Videotron's 6 3/8% Senior Notes due 2015 (incorporated by reference to Exhibit E to Exhibit 4.3 to Videotron's Registration Statement on Form F-4, dated October 14, 2005, Registration Statement No. 333-128998).

2.13 Indenture relating to Videotron 6 3/8% Senior Notes, dated as of September 16, 2005, by and among Videotron Ltd., the subsidiary guarantors signatory thereto, and Wells Fargo, National Association, as trustee (incorporated by reference to Exhibit 4.3 of Videotron's Registration Statement on Form F-4, dated October 14, 2005, Registration Statement No. 333-128998).

2.14 Supplemental Indenture, dated as of April 15, 2008, by and among Videotron, Videotron US Inc., as guarantor, and Wells Fargo Bank, National Association, as trustee, to the Indenture dated as of September 16, 2005 (incorporated by reference to Exhibit 2.10 of Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2008, filed on March 6, 2009, Commission file No. 033-51000).

2.15 Supplemental Indenture, dated as of September 29, 2010, by and among Videotron Ltd., 9227-2590 Québec inc., as guarantor, and Wells Fargo Bank, National Association, as trustee, to the Indenture dated as of September 16, 2005 (incorporated by reference to Exhibit 2.14 to Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2010, filed on March 21, 2011, Commission file No. 033-51000).

2.16 Supplemental Indenture, dated as of December 22, 2010, by and among Videotron Ltd., Videotron G.P., Videotron L.P. and 9230-7677 Québec inc., as guarantors, and Wells Fargo Bank, National Association, as trustee, to the Indenture dated as of September 16, 2005 (incorporated by reference to Exhibit 2.15 to Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2010, filed on March 21, 2011, Commission file No. 033-51000).

2.17 Supplemental Indenture, dated as of May 2, 2011, by and among Videotron Ltd., Jobboom inc., as guarantor, and Wells Fargo Bank, National Association, as trustee, to the Indenture dated as of September 16, 2005 (incorporated by reference to Exhibit 2.19 to Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 21, 2012, Commission file No. 033-51000).

2.18 Form of 9 1/8% Senior Notes due April 15, 2018 of Videotron (incorporated by reference to Exhibit A to Exhibit 2.14 of Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2008, filed on March 6, 2009, Commission file No. 033-51000).

2.19 Form of Notation of Guarantee by the subsidiary guarantors of the 9 1/8% Senior Notes of Videotron due April 15, 2018 of Videotron Ltd. (incorporated by reference to Exhibit E to Exhibit 2.13 of Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2008, filed on March 6, 2009, Commission file No. 033-51000).

2.20 Indenture, dated as of April 15, 2008, by and among Videotron Ltd., the subsidiary guarantors signatory thereto and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 2.14 of Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2008, filed on March 6, 2009, Commission file No. 033-51000).

2.21 Supplemental Indenture, dated as of March 5, 2009, by and among Videotron Ltd., Le SuperClub Vidéotron Ltée, CF Cable TV Inc., Videotron US Inc. and 9193-2926 Québec inc., as guarantors, and Wells Fargo Bank, National Association, as trustee, to the Indenture dated as of April 15, 2008 (incorporated by reference to Exhibit 2.16 to Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2009, filed on March 16, 2010).

2.22 Supplemental Indenture, dated as of September 29, 2010, by and among Videotron Ltd., 9227-2590 Québec inc., as guarantor, and Wells Fargo Bank, National Association, as trustee, to the Indenture dated as of April 15, 2008 (incorporated by reference to Exhibit 2.21 to Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2010, filed on March 21, 2011, Commission file No. 033-51000).

2.23 Supplemental Indenture, dated as of December 22, 2010, by and among Videotron Ltd., Videotron G.P., Videotron L.P. and 9230-7677 Québec inc., as guarantors, and Wells Fargo Bank, National Association, as trustee, to the Indenture dated as of April 15, 2008 (incorporated by reference to Exhibit 2.22 to Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2010, filed on March 21, 2011, Commission file No. 033-51000).

2.24 Supplemental Indenture, dated as of May 2, 2011, by and among Videotron Ltd., Jobboom inc., as guarantor, and Wells Fargo Bank, National Association, as trustee, to the Indenture dated as of April 15, 2008 (incorporated by reference to Exhibit 2.29 to Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 21, 2012).

2.25 Form of 7 1/8% Senior Notes due January 15, 2020 of Videotron (incorporated by reference to Exhibit A to Exhibit 2.17 to Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2009, filed on March 16, 2010).

2.26 Form of Notation of Guarantee by the subsidiary guarantors of the 7 1/8% Senior Notes due January 15, 2020 of Videotron (incorporated by reference to Exhibit E to Exhibit 2.17 to Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2009, filed on March 16, 2010).

2.27 Indenture relating to Videotron 7 1/8% Senior Notes, dated as of January 13, 2010, by and among Videotron Ltd., the subsidiary guarantors signatory thereto and Computershare Trust Company of Canada, as trustee (incorporated by reference to Exhibit 2.17 to Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2009, filed on March 16, 2010, Commission file No. 033-51000).

2.28 Supplemental Indenture, dated as of September 29, 2010, by and among Videotron Ltd., 9227-2590 Québec inc., as guarantor, and Computershare Trust Company of Canada, as trustee, to the Indenture dated as of January 13, 2010 (incorporated by reference to Exhibit 2.24 to Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2010, filed on March 21, 2011, Commission file No. 033-51000).

2.29 Supplemental Indenture, dated as of December 22, 2010, by and among Videotron Ltd., Videotron G.P., Videotron L.P. and 9230-7677 Québec inc., as guarantors, and Computershare Trust Company of Canada, as trustee, to the Indenture dated as of January 13, 2010 (incorporated by reference to Exhibit 2.25 to Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2010, filed on March 21, 2011, Commission file No. 033-51000).

2.30 Supplemental Indenture, dated as of May 2, 2011, by and among Videotron Ltd., Jobboom inc., as guarantor, and Computershare Trust Company of Canada, as trustee, to the Indenture dated as of January 13, 2010 (incorporated by reference to Exhibit 2.37 to Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 21, 2012, Commission file No. 033-51000).

2.31 Form of 6 7/8% Senior Notes due July 15, 2021 of Videotron Ltd. (incorporated by reference to Exhibit A to Exhibit 2.42 to Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 21, 2012, Commission file No. 033-51000).

2.32 Form of Notation of Guarantee of the subsidiary guarantors of the 6 7/8% Senior Notes due July 15, 2021 of Videotron Ltd. (incorporated by reference to Exhibit E to Exhibit 2.42 to Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 21, 2012, Commission file No. 033-51000).

2.33 Indenture, dated as of July 5, 2011, by and among Videotron Ltd., the subsidiary guarantors signatory thereto and Computershare Trust Company of Canada, as trustee (incorporated by reference to Exhibit 2.42 to Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 21, 2012, Commission file No. 033-51000).

2.34 Form of 5% Senior Notes due July 15, 2022 of Videotron (incorporated by reference to Exhibit A to Exhibit 2.47 to Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 21, 2012, Commission file No. 033-51000).

2.35 Form of Notation of Guarantee by the subsidiary guarantors of the 5% Senior Notes due July 15, 2022 of Videotron Ltd. (incorporated by reference to Exhibit E to Exhibit 2.47 to Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 21, 2012, Commission file No. 033-51000).

2.36 Indenture, dated as of March 14, 2012, by and among Videotron Ltd., the subsidiary guarantors signatory thereto and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 2.47 to Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 21, 2012, Commission file No. 033-51000).

2.37 Form of 5 5/8% Senior Notes due June 15, 2025 of Videotron Ltd. (incorporated by reference to Exhibit A to Exhibit 2.39).

2.38 Form of Notation of Guarantee of the subsidiary guarantors of the 5 5/8% Senior Notes due June 15, 2025 of Videotron Ltd. (incorporated by reference to Exhibit E to Exhibit 2.39).

2.39 Indenture, dated as of June 17, 2013, by and among Videotron Ltd., the subsidiary guarantors party thereto, and Computershare Trust Company of Canada, as trustee.

3.1 Shareholders' Agreement dated December 11, 2000 by and among Quebecor Inc., Capital Communications CDPQ inc. (now known as Capital d'Amérique CDPQ inc.) and Quebecor Media, together with a summary thereof in the English-language (incorporated by reference to Exhibit 9.1 to Quebecor Media's Registration Statement on Form F-4, dated September 5, 2001, Registration Statement No. 333-13792).

3.2 Letter Agreement dated December 11, 2000 between Quebecor Inc. and Capital Communications CDPQ inc. (now known as Capital d'Amérique CDPQ inc.) (translation) (incorporated by reference to Exhibit 9.2 to Quebecor Media's Registration Statement on Form F-4, dated September 5, 2001 Registration Statement 333-13792).

3.3 Written resolution adopted by the Shareholders of Quebecor Media on May 25, 2011 relating to the decrease in the size of the Board of Directors of Quebecor Media (translation) (incorporated by reference to Exhibit 3.5 to Quebecor Media'a Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 22, 2012, Commission file No. 333-13792).

3.4 Amendment Agreement, dated as of October 11, 2012, amending the Shareholders' Agreement dated December 11, 2000 by and among Quebecor Inc., Capital Communications CDPQ inc. (now known as Capital d'Amérique CDPQ inc.) and Quebecor Media (incorporated by reference to Exhibit 3.4 to Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2012, filed on March 20, 2013, Commission file No. 333-13792).

4.1 First Amendment to the Amended and Restated Credit Agreement, dated as of August 1, 2013, amending the Amended and Restated Credit Agreement, dated as of June 14, 2013, by and among Quebecor Media, as Borrower, the financial institutions party thereto from time to time, as Lenders, and Bank of America, N.A., as Administrative Agent.

4.2 Amended and Restated Credit Agreement, dated as of June 14, 2013, by and among Quebecor Media, as Borrower, the financial institutions party thereto from time to time, as Lenders, and Bank of America, N.A., as Administrative Agent.

4.3 First Amending Agreement, dated as of June 14, 2013, amending the Amended and Restated Credit Agreement, dated as of July 20, 2011, by and among Videotron, Royal Bank of Canada, as administrative agent, and the financial institutions signatory thereto and acknowledged by Le SuperClub Videotron, Videotron Infrastructures Inc., Videotron US Inc., 9227-2590 Québec Inc., 9230-7677 Québec Inc., Videotron G.P., Videotron L.P. and 8487782 Canada Inc. as guarantors.

4.4 Credit Agreement, dated as of April 7, 2006, by and between Société Générale (Canada), as lender, and Quebecor Media, as borrower (incorporated by reference to Exhibit 10.3 of Quebecor Media's Registration Statement on Form F-4, dated November 20, 2007, Registration Statement No. 333-147551).

4.5 First Amending Agreement, dated as of December 7, 2007, amending the Credit Agreement dated as of April 7, 2006 among Quebecor Media, as borrower, and Société Générale (Canada), as lender (incorporated by reference to Exhibit 4.4 of Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2009, filed on March 16, 2010, Commission file No. 333-13792).

4.6 Amended and Restated Credit Agreement, dated as of July 20, 2011, by and among Videotron, Royal Bank of Canada, as administrative agent, and the financial institutions signatory thereto and acknowledged by Le SuperClub Videotron, Videotron Infrastructures Inc., Jobboom Inc., Videotron US Inc., 9227-2590 Québec Inc., 9230-7677 Québec Inc., Videotron G.P., and Videotron L.P., as guarantors (incorporated by reference to Exhibit 4.1 to Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 21, 2012, Commission file No. 033-51000).

4.7 Form of Guarantee of the Guarantors of the Credit Agreement (incorporated by reference to Schedule D of Exhibit 4.1 to Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 21, 2012, Commission file No. 033-51000).

4.8 Form of Share Pledge of the shares of Videotron Ltd. and the Guarantors of the Credit Agreement (incorporated by reference to Schedule E of Exhibit 4.1 to Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 21, 2012, Commission file No. 033-51000).

7.1 Statement regarding calculation of ratio of earnings to fixed charges.

8.1 Subsidiaries of Quebecor Media.

11.1 Code of Ethics (incorporated by reference to Exhibit 11.1 to Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2012, filed on March 20, 2013, Commission file No. 333-13792).

12.1 Certification of Robert Dépatie, President and Chief Executive Officer of Quebecor Media, pursuant to 15 U.S.C. Section 78 (m)(a), as adopted pursuant to Section 302 of the *Sarbanes-Oxley Act* of 2002.

12.2 Certification of Jean-François Pruneau, Senior Vice President and Chief Financial Officer of Quebecor Media, pursuant to 15 U.S.C. Section 78(m)(a), as adopted pursuant to Section 302 of the *Sarbanes-Oxley Act* of 2002.

13.1 Certification of Robert Dépatie, President and Chief Executive Officer of Quebecor Media, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act* of 2002.

13.2 Certification of Jean-François Pruneau, Senior Vice President and Chief Financial Officer of Quebecor Media, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act* of 2002.

**SIGNATURE**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

**QUEBECOR MEDIA INC.**

By: /s/ Jean-François Pruneau
Name: Jean-François Pruneau
Title: Senior Vice President and Chief Financial Officer

Dated: March 20, 2014

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

**Years ended December 31, 2013, 2012 and 2011**

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and to the shareholders of
Quebecor Media Inc.

We have audited the accompanying consolidated balance sheets of Quebecor Media Inc. and its subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2013. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. We were not engaged to perform an audit of the Corporation's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Quebecor Media Inc. and its subsidiaries at December 31, 2013 and 2012, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Montréal, Canada

/s/ Ernst & Young LLP[1]

March 12, 2014

[1] CPA auditor, CA, public accountancy permit no. A107913

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF INCOME**

Years ended December 31, 2013, 2012 and 2011
(in millions of Canadian dollars)

| | Note | 2013 | 2012 (restated, note 1 (b)) | 2011 (restated, note 1 (b)) |
|---|---|---|---|---|
| **Revenues** | 2 | **$4,277.2** | $4,248.9 | $4,094.7 |
| Employee costs | 3 | **994.9** | 1,023.2 | 973.7 |
| Purchase of goods and services | 3 | **1,823.4** | 1,843.6 | 1,808.4 |
| Amortization | | **662.2** | 594.9 | 507.5 |
| Financial expenses | 4 | **362.8** | 337.5 | 319.6 |
| Loss (gain) on valuation and translation of financial instruments | 5 | **244.4** | (136.9) | (52.0) |
| Restructuring of operations, impairment of assets and other special items | 6 | **29.9** | 28.5 | 29.3 |
| Impairment of goodwill and intangible assets | 7 | **281.3** | 186.0 | — |
| Loss on debt refinancing | 9 | **18.9** | 6.3 | 4.0 |
| **(Loss) income before income taxes** | | **(140.6)** | 365.8 | 504.2 |
| Income taxes | 11 | **31.1** | 130.4 | 141.4 |
| **(Loss) income from continuing operations** | | **(171.7)** | 235.4 | 362.8 |
| Income (loss) from discontinued operations | 8 | **19.3** | (3.7) | 14.8 |
| Net (loss) income | | **$ (152.4)** | $ 231.7 | $ 377.6 |
| **(Loss) income from continuing operations attributable to** | | | | |
| Shareholders | | **$ (178.9)** | $ 238.3 | $ 350.8 |
| Non-controlling interests | | **7.2** | (2.9) | 12.0 |
| **Net (loss) income attributable to** | | | | |
| Shareholders | | **$ (159.6)** | $ 234.6 | $ 365.6 |
| Non-controlling interests | | **7.2** | (2.9) | 12.0 |

See accompanying notes to consolidated financial statements.

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

Years ended December 31, 2013, 2012 and 2011
(in millions of Canadian dollars)

| | Note | 2013 | 2012 (restated, note 1 (b)) | 2011 (restated, note 1 (b)) |
|---|---|---|---|---|
| **Net (loss) income** | | **$(152.4)** | $ 231.7 | $ 377.6 |
| Other comprehensive income (loss): | | | | |
| Items that may be reclassified to income: | | | | |
| Gain (loss) on translation of net investments in foreign operations | | **4.4** | (1.4) | 1.6 |
| Cash flows hedges: | | | | |
| (Loss) gain on valuation of derivative financial instruments | | **(45.1)** | 33.1 | (9.5) |
| Deferred income taxes | | **(1.2)** | 2.9 | (2.0) |
| Items that will not be reclassified to income: | | | | |
| Defined benefit plans: | | | | |
| Re-measurement gain (loss) | 29 | **141.6** | (18.0) | (76.8) |
| Deferred income taxes | | **(37.4)** | 4.7 | 20.2 |
| Reclassification to income: | | | | |
| (Gain) loss related to cash flows hedges | 9 | **(14.5)** | (15.3) | 0.8 |
| Deferred income taxes | | **1.1** | 0.5 | (0.2) |
| | | **48.9** | 6.5 | (65.9) |
| **Comprehensive (loss) income** | | **$(103.5)** | $ 238.2 | $ 311.7 |
| **Comprehensive (loss) income attributable to** | | | | |
| Shareholders | | **$(123.3)** | $ 242.3 | $ 306.6 |
| Non-controlling interests | | **19.8** | (4.1) | 5.1 |

See accompanying notes to consolidated financial statements.

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF EQUITY**

Years ended December 31, 2013, 2012 and 2011
(in millions of Canadian dollars)

| | Equity attributable to shareholders | | | | | |
|---|---|---|---|---|---|---|
| | Capital stock (note 22) | Contributed surplus | Deficit | Accumulated other comprehensive income (loss) (note 24) | Equity attributable to non-controlling interests | Total equity |
| Balance as of December 31, 2010, as previously reported | $1,752.4 | $ 3,176.6 | $(2,270.2) | $ 24.6 | $ 131.8 | $ 2,815.2 |
| Changes in accounting policies (note 1 (b)) | — | — | 37.5 | (40.4) | (1.0) | (3.9) |
| Balance as of December 31, 2010, as restated | 1,752.4 | 3,176.6 | (2,232.7) | (15.8) | 130.8 | 2,811.3 |
| Net income | — | — | 365.6 | — | 12.0 | 377.6 |
| Other comprehensive loss | — | — | — | (59.0) | (6.9) | (65.9) |
| Issuance of shares of a subsidiary | — | — | — | — | 1.0 | 1.0 |
| Dividends | — | — | (100.0) | — | (1.2) | (101.2) |
| Balance as of December 31, 2011 | 1,752.4 | 3,176.6 | (1,967.1) | (74.8) | 135.7 | 3,022.8 |
| Net income (loss) | — | — | 234.6 | — | (2.9) | 231.7 |
| Other comprehensive income (loss) | — | — | — | 7.7 | (1.2) | 6.5 |
| Acquisition of non-controlling interests | — | (0.3) | — | — | 0.3 | — |
| Reclassification of stated capital (note 22) | 3,175.0 | (3,175.0) | — | — | — | — |
| Repurchase of shares (note 22) | (811.3) | — | (188.8) | — | — | (1,000.1) |
| Dividends | — | — | (100.0) | — | (0.5) | (100.5) |
| Balance as of December 31, 2012 | 4,116.1 | 1.3 | (2,021.3) | (67.1) | 131.4 | 2,160.4 |
| Net (loss) income | — | — | (159.6) | — | 7.2 | (152.4) |
| Other comprehensive income | — | — | — | 36.3 | 12.6 | 48.9 |
| Dividends | — | — | (100.0) | — | (0.4) | (100.4) |
| Business acquisition | — | — | — | — | 0.3 | 0.3 |
| **Balance as of December 31, 2013** | **$4,116.1** | **$ 1.3** | **$(2,280.9)** | **$ (30.8)** | **$ 151.1** | **$ 1,956.8** |

See accompanying notes to consolidated financial statements.

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years ended December 31, 2013, 2012 and 2011
(in millions of Canadian dollars)

| | Note | 2013 | 2012 (restated, note 1 (b)) | 2011 (restated, note 1 (b)) |
|---|---|---|---|---|
| **Cash flows related to operating activities** | | | | |
| (Loss) income from continuing operations | | **$(171.7)** | $ 235.4 | $ 362.8 |
| Adjustments for: | | | | |
| Amortization of property, plant and equipment | 14 | **520.8** | 456.3 | 387.3 |
| Amortization of intangible assets | 15 | **141.4** | 138.6 | 120.2 |
| Loss (gain) on valuation and translation of financial instruments | 5 | **244.4** | (136.9) | (52.0) |
| Gain on disposal of assets | 6 | **—** | (12.9) | **—** |
| Impairment of assets | 6 | **3.2** | 7.5 | 1.5 |
| Impairment of goodwill and intangible assets | 7 | **281.3** | 186.0 | **—** |
| Loss on debt refinancing | 9 | **18.9** | 6.3 | 4.0 |
| Amortization of financing costs and long-term debt discount | 4 | **11.9** | 14.3 | 12.8 |
| Deferred income taxes | 11 | **(64.3)** | 73.4 | 159.1 |
| Other | | **(0.6)** | 4.5 | (3.5) |
| | | **985.3** | 972.5 | 992.2 |
| Net change in non-cash balances related to operating activities | | **(52.9)** | 150.6 | (128.7) |
| Cash flows provided by continuing operating activities | | **932.4** | 1,123.1 | 863.5 |
| **Cash flows related to investing activities** | | | | |
| Business acquisitions | 10 | **(15.0)** | (2.0) | (55.7) |
| Business disposals | 8 | **59.2** | 0.8 | **—** |
| Additions to property, plant and equipment | 14 | **(585.7)** | (709.9) | (779.4) |
| Additions to intangible assets | 15 | **(66.1)** | (93.9) | (91.1) |
| Proceeds from disposals of assets | 6 | **19.5** | 29.4 | 12.0 |
| Acquisition of tax deductions from the parent corporation | 28 | **(6.9)** | (10.2) | **—** |
| Other | | **1.7** | (1.4) | (1.7) |
| Cash flows used in continuing investing activities | | **(593.3)** | (787.2) | (915.9) |
| **Cash flows related to financing activities** | | | | |
| Net change in bank indebtedness | | **—** | (4.0) | (0.9) |
| Net change under revolving facilities | | **—** | (19.7) | 1.7 |
| Issuance of long-term debt, net of financing fees | 20 | **752.6** | 2,102.1 | 685.8 |
| Repayments of long-term debt | 9 | **(722.8)** | (1,202.3) | (487.1) |
| Settlement of hedging contracts | 9 | **(29.7)** | (43.6) | (160.2) |
| Repurchase of Common Shares | 22 | **—** | (1,000.1) | **—** |
| Dividends | | **(100.0)** | (100.0) | (100.0) |
| Dividends paid to non-controlling interests | | **(0.4)** | (0.5) | (1.2) |
| Other | | **—** | 0.1 | 1.0 |
| Cash flows used in continuing financing activities | | **(100.3)** | (268.0) | (60.9) |
| **Net change in cash and cash equivalents from continuing operations** | | **$ 238.8** | $ 67.9 | $(113.3) |

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)**

Years ended December 31, 2013, 2012 and 2011
(in millions of Canadian dollars)

| | Note | 2013 | 2012 (restated, note 1 (b)) | 2011 (restated, note 1 (b)) |
|---|---|---|---|---|
| **Net change in cash and cash equivalents from continuing operations** | | **$ 238.8** | $ 67.9 | $(113.3) |
| Cash flows provided by discontinued operations | 8 | **7.9** | 17.3 | 15.5 |
| Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies | | **1.2** | — | 0.1 |
| Cash and cash equivalents at beginning of year | | **228.7** | 143.5 | 241.2 |
| **Cash and cash equivalents at end of year** | | **$ 476.6** | $ 228.7 | $ 143.5 |
| **Additional information on the consolidated statements of cash flows** | | | | |
| **Cash and cash equivalents consist of** | | | | |
| Cash | | **$ 207.3** | $ 76.0 | $ 27.0 |
| Cash equivalents | | **269.3** | 152.7 | 116.5 |
| | | **$ 476.6** | $ 228.7 | $ 143.5 |
| **Changes in non-cash balances related to operating activities (excluding the effect of business acquisitions and disposals)** | | | | |
| Accounts receivable | | **$ 4.8** | $ 22.9 | $ (13.8) |
| Inventories | | **15.5** | 24.8 | (38.1) |
| Accounts payable, accrued charges and provisions | | **(102.5)** | 92.3 | (18.0) |
| Income taxes | | **51.5** | 53.0 | (51.2) |
| Stock-based compensation | | **3.1** | (8.0) | (14.8) |
| Deferred revenues | | **(8.7)** | (8.9) | 22.9 |
| Defined benefit plans | | **(20.6)** | (7.3) | (17.3) |
| Other | | **4.0** | (18.2) | 1.6 |
| | | **$ (52.9)** | $ 150.6 | $(128.7) |
| **Non-cash investing activities** | | | | |
| Net change in additions to property, plant and equipment and intangible assets financed with accounts payable | | **$ 2.2** | $ 52.8 | $ (26.7) |
| **Interest and taxes reflected as operating activities** | | | | |
| Cash interest payments | | **$ 336.8** | $ 301.3 | $ 309.9 |
| Cash income tax payments (net of refunds) | | **49.6** | 6.6 | 30.7 |

See accompanying notes to consolidated financial statements.

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**

December 31, 2013 and 2012
(in millions of Canadian dollars)

| | Note | 2013 | 2012 (restated, note 1 (b)) |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | **$ 476.6** | $ 228.7 |
| Accounts receivable | 12 | **565.7** | 578.0 |
| Income taxes | | **18.0** | 10.6 |
| Amounts receivable from parent corporation | | **6.7** | 11.5 |
| Inventories | 13 | **239.4** | 255.5 |
| Prepaid expenses | | **47.9** | 37.5 |
| Assets held for sale | 8 | **76.9** | — |
| | | **1,431.2** | 1,121.8 |
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | **3,398.4** | 3,353.2 |
| Intangible assets | 15 | **808.8** | 956.7 |
| Goodwill | 16 | **3,061.5** | 3,371.6 |
| Derivative financial instruments | 27 | **142.1** | 35.7 |
| Deferred income taxes | 11 | **26.6** | 19.7 |
| Other assets | 17 | **101.7** | 102.1 |
| | | **7,539.1** | 7,839.0 |
| **Total assets** | | **$8,970.3** | $8,960.8 |

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS (continued)**

December 31, 2013 and 2012
(in millions of Canadian dollars)

| | Note | 2013 | 2012 (restated, note 1 (b)) |
|---|---|---|---|
| **Liabilities and equity** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued charges | 18 | **$ 693.2** | $ 784.9 |
| Provisions | 19 | **39.4** | 45.9 |
| Deferred revenue | | **288.8** | 289.0 |
| Income taxes | | **89.2** | 33.9 |
| Derivative financial instruments | 27 | **116.2** | 28.5 |
| Current portion of long-term debt | 20 | **100.2** | 21.3 |
| Liabilities held for sale | 8 | **9.0** | — |
| | | **1,336.0** | 1,203.5 |
| **Non-current liabilities** | | | |
| Long-term debt | 20 | **4,875.8** | 4,407.4 |
| Derivative financial instruments | 27 | **77.3** | 270.1 |
| Other liabilities | 21 | **155.8** | 329.5 |
| Deferred income taxes | 11 | **568.6** | 589.9 |
| | | **5,677.5** | 5,596.9 |
| **Equity** | | | |
| Capital stock | 22 | **4,116.1** | 4,116.1 |
| Contributed surplus | | **1.3** | 1.3 |
| Deficit | | **(2,280.9)** | (2,021.3) |
| Accumulated other comprehensive loss | 24 | **(30.8)** | (67.1) |
| Equity attributable to shareholders | | **1,805.7** | 2,029.0 |
| Non-controlling interests | | **151.1** | 131.4 |
| | | **1,956.8** | 2,160.4 |
| Commitments and contingencies | 19, 25 | | |
| Guarantees | 26 | | |
| Subsequent event | 31 | | |
| **Total liabilities and equity** | | **$ 8,970.3** | $ 8,960.8 |

See accompanying notes to consolidated financial statements.

On March 12, 2014, the Board of Directors approved the consolidated financial statements for the years ended December 31, 2013, 2012 and 2011.

On behalf of the Board of Directors,

/s/ **Françoise Bertrand,** Chairperson of the Board /s/ **Jean La Couture,** Director

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
**SEGMENTED INFORMATION**

Years ended December 31, 2013, 2012 and 2011
(in millions of Canadian dollars)

Quebecor Media Inc. ("Quebecor Media" or the "Corporation") is incorporated under the laws of Québec and is a subsidiary of Quebecor Inc. ("Quebecor" or the "parent corporation"). The Corporation's head office and registered office is located at 612 rue Saint-Jacques, Montréal (Québec), Canada. The percentages of voting rights and of equity in its major subsidiaries are as follows:

| | % voting | % equity |
|---|---|---|
| Videotron Ltd. | 100.0% | 100.0% |
| Sun Media Corporation | 100.0% | 100.0% |
| Quebecor Media Printing Inc. | 100.0% | 100.0% |
| TVA Group Inc. | 99.9% | 51.4% |
| Archambault Group Inc. | 100.0% | 100.0% |
| Nurun Inc. | 100.0% | 100.0% |

The Corporation is operating, through its subsidiaries, in the following industry segments: Telecommunications, News Media, Broadcasting, Leisure and Entertainment, and Interactive Technologies and Communications. The Telecommunications segment offers television distribution, Internet, business solutions, cable and mobile telephony services in Canada and operates in the rental of movies and televisual products through its video-on-demand service. The News Media segment produces proprietary news content in Canada for all of Quebecor Media's platforms. Its operations include the printing, publishing and distribution of daily newspapers, weekly newspapers and commercial inserts in Canada, and the operation of Internet sites in Canada, including French- and English-language portals and specialized sites. The Broadcasting segment operates general-interest television networks, specialized television networks, magazine publishing, movie distribution businesses in Canada and out-of-home advertising. The Leisure and Entertainment segment combines book publishing and distribution, retail sales of CDs, books, DVDs, Blu-ray discs, console games, musical instruments and magazines in Canada, movie and console game rentals in Canada, online sales of downloadable music and books, music streaming service, music production and distribution in Canada, video game development, operation of a Quebec Major Junior Hockey League team, and sporting and cultural events management. The Interactive Technologies and Communications segment offers e-commerce solutions through a combination of strategies, technology integration, IP solutions and creativity on the Internet and is active in Canada, the United States, Europe and Asia.

In 2013, the Corporation changed its organizational structure, resulting in the transfer of its home entertainment store chain Le SuperClub Vidéotron ltée, from the Telecommunications segment to the Leisure and Entertainment segment, and in the transfer of its out-of-home advertising business from the News Media segment to the Broadcasting segment. Accordingly, prior period figures in the Corporation's segmented information were reclassified to reflect this change.

These segments are managed separately since they all require specific market strategies. The accounting policies of each segment are the same as the accounting policies used for the consolidated financial statements. Segment income includes income from sales to third parties and inter-segment sales. Transactions between segments are measured at exchange amounts between the parties.

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
**SEGMENTED INFORMATION (continued)**

Years ended December 31, 2013, 2012 and 2011
(in million of Canadian dollars)

| | Telecommunications | News Media | Broadcasting | Leisure and Entertainment | Interactive Technologies and Communications | Head office and Intersegments | Total 2013 |
|---|---|---|---|---|---|---|---|
| Revenues | $ 2,711.8 | $784.2 | $ 458.9 | $ 298.9 | $ 139.2 | $ (115.8) | $4,277.2 |
| Employee costs | 370.5 | 266.0 | 141.6 | 58.9 | 91.2 | 66.7 | 994.9 |
| Purchase of goods and services | 1,056.5 | 420.5 | 271.9 | 223.4 | 33.6 | (182.5) | 1,823.4 |
| Adjusted operating income[1] | 1,284.8 | 97.7 | 45.4 | 16.6 | 14.4 | — | 1,458.9 |
| Amortization | | | | | | | 662.2 |
| Financial expenses | | | | | | | 362.8 |
| Loss on valuation and translation of financial instruments | | | | | | | 244.4 |
| Restructuring of operations, impairment of assets and other special items | | | | | | | 29.9 |
| Impairment of goodwill and intangible assets | | | | | | | 281.3 |
| Loss on debt refinancing | | | | | | | 18.9 |
| **Loss before income taxes** | | | | | | | $ (140.6) |
| Additions to property, plant and equipment | $ 546.8 | $ 10.0 | $ 21.7 | $ 3.0 | $ 1.7 | $ 2.5 | $ 585.7 |
| Additions to intangible assets | 51.6 | 7.4 | 3.1 | 4.4 | 0.2 | (0.6) | 66.1 |

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
**SEGMENTED INFORMATION (continued)**

Years ended December 31, 2013, 2012 and 2011
(in million of Canadian dollars)

| | Telecommunications | News Media | Broadcasting | Leisure and Entertainment | Interactive Technologies and Communications | Head office and Intersegments | Total 2012 (restated, note 1 (b)) |
|---|---|---|---|---|---|---|---|
| Revenues | $ 2,597.8 | $875.5 | $ 457.6 | $ 311.6 | $ 145.5 | $ (139.1) | $4,248.9 |
| Employee costs | 359.3 | 312.7 | 153.8 | 58.2 | 89.3 | 49.9 | 1,023.2 |
| Purchase of goods and services | 1,034.8 | 457.7 | 270.4 | 228.3 | 46.4 | (194.0) | 1,843.6 |
| Adjusted operating income[1] | 1,203.7 | 105.1 | 33.4 | 25.1 | 9.8 | 5.0 | 1,382.1 |
| Amortization | | | | | | | 594.9 |
| Financial expenses | | | | | | | 337.5 |
| Gain on valuation and translation of financial instruments | | | | | | | (136.9) |
| Restructuring of operations, impairment of assets and other special items | | | | | | | 28.5 |
| Impairment of goodwill and intangible assets | | | | | | | 186.0 |
| Loss on debt refinancing | | | | | | | 6.3 |
| Income before income taxes | | | | | | | $ 365.8 |
| Additions to property, plant and equipment | $ 669.5 | $ 5.7 | $ 22.2 | $ 6.4 | $ 4.2 | $ 1.9 | $ 709.9 |
| Additions to intangible assets | 75.9 | 11.6 | 3.6 | 5.0 | — | (2.2) | 93.9 |

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
**SEGMENTED INFORMATION (continued)**

Years ended December 31, 2013, 2012 and 2011
(in million of Canadian dollars)

| | Telecommunications | News Media | Broadcasting | Leisure and Entertainment | Interactive Technologies and Communications | Head office and Intersegments | Total 2011 (restated, note 1 (b)) |
|---|---|---|---|---|---|---|---|
| Revenues | $ 2,389.3 | $933.9 | $ 436.3 | $ 334.5 | $ 120.9 | $ (120.2) | $4,094.7 |
| Employee costs | 320.4 | 327.9 | 143.9 | 57.8 | 78.7 | 45.0 | 973.7 |
| Purchase of goods and services | 995.3 | 463.5 | 245.1 | 238.4 | 34.3 | (168.2) | 1,808.4 |
| Adjusted operating income[1] | 1,073.6 | 142.5 | 47.3 | 38.3 | 7.9 | 3.0 | 1,312.6 |
| Amortization | | | | | | | 507.5 |
| Financial expenses | | | | | | | 319.6 |
| Gain on valuation and translation of financial instruments | | | | | | | (52.0) |
| Restructuring of operations, impairment of assets and other special items | | | | | | | 29.3 |
| Loss on debt refinancing | | | | | | | 4.0 |
| Income before income taxes | | | | | | | $ 504.2 |
| Additions to property, plant and equipment | $ 725.1 | $ 12.4 | $ 30.5 | $ 6.5 | $ 4.3 | $ 0.6 | $ 779.4 |
| Additions to intangible assets | 70.7 | 10.8 | 5.8 | 3.8 | — | — | 91.1 |

[1] The Chief Executive Officer uses adjusted operating income as the measure of profit to assess the performance of each segment. Adjusted operating income is referred as a non-International Financial Reporting Standards ("IFRS") measure and is defined as net (loss) income before amortization, financial expenses, loss (gain) on valuation and translation of financial instruments, restructuring of operations, impairment of assets and other special items, impairment of goodwill and intangible assets, loss on debt refinancing, income taxes and income (loss) from discontinued operations.

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Years ended December 31, 2013, 2012 and 2011
(tabular amounts in millions of Canadian dollars, except for option data)

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of presentation

The consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments (note 1(k)), the liability related to stock-based compensation (note 1(u)) and the net defined benefit liability (note 1(v)), and are presented in Canadian dollars ("CAN dollars"), which is the currency of the primary economic environment in which the Corporation and its subsidiaries operate ("functional currency").

Comparative figures for the years ended December 31, 2012 and 2011 have been restated to conform to the presentation adopted for the year ended December 31, 2013.

### (b) Changes in accounting policies

On January 1, 2013, the Corporation adopted retrospectively the following standards. Unless otherwise indicated, the adoption of these new standards did not have a material impact on prior period comparative figures.

(i) IFRS 10 *Consolidated Financial Statements* replaces SIC 12 *Consolidation – Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements* and provides additional guidance regarding the concept of control as the determining factor in whether an entity should be included in the consolidated financial statements of the parent corporation.

(ii) IFRS 11 *Joint Arrangements* replaces IAS 31 *Interests in Joint Ventures* with guidance that focuses on the rights and obligations of the arrangement, rather than its legal form. It also withdraws the option to proportionately consolidate an entity's interest in joint ventures. The new standard requires that such interests be recognized using the equity method. The following table summarizes the adjustments that were recorded in the consolidated statements of income for the prior period comparative figures:

| Increase (decrease) | 2012 | 2011 |
|---|---|---|
| Revenues | $(4.2) | $(9.2) |
| Purchase of goods and services | (2.5) | (7.2) |
| Financial expenses | (1.7) | (2.0) |
| Income from continuing operations | $— | $— |

(iii) IFRS 12 *Disclosure of Interests in Other Entities* is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose entities and other off-balance sheet vehicles.

(iv) IFRS 13 *Fair Value Measurement* is a new and comprehensive standard that sets out a framework for measuring at fair value and that provides guidance on required disclosures about fair value measurements.

(v) IAS 1 *Presentation of Financial Statements* was amended and the principal change resulting from amendments to this standard is the requirement to present separately other comprehensive items that may be reclassified to income and other comprehensive items that will not be reclassified to income.

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Years ended December 31, 2013, 2012 and 2011
(tabular amounts in millions of Canadian dollars, except for option data)

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Changes in accounting policies (continued)

(vi) IAS 19 *Employee Benefits (Amended)* involves, among other changes, the immediate recognition of the re-measurement component in other comprehensive income, thereby removing the accounting option previously available in IAS 19 to recognize or to defer recognition of changes in defined benefit obligations and in the fair value of plan assets directly in the consolidated statement of income. IAS 19 also introduces a net interest approach that replaces the expected return on assets and interest costs on the defined benefit obligation with a single net interest component determined by multiplying the net defined benefit liability or asset by the discount rate used to determine the defined benefit obligation. In addition, all past service costs are required to be recognized in profit or loss when the employee benefit plan is amended and no longer spread over any future service period. IAS 19 also allows amounts recorded in other comprehensive income to be recognized either immediately in deficit or as a separate category within equity. The Corporation chose to recognize amounts recorded in other comprehensive income in accumulated other comprehensive income. The adoption of the amended standard had the following impacts on prior periods figures:

**Consolidated statements of income**

| Increase (decrease) | 2012 | 2011 |
|---|---|---|
| Employee costs | $ 4.4 | $ 2.8 |
| Financial expenses | 12.3 | 9.8 |
| Deferred income taxes | (4.5) | (3.4) |
| Income from continuing operations | $(12.2) | $(9.2) |
| | | |
| Income from continuing operations attributable to: | | |
| Shareholders | $(11.1) | $(8.4) |
| Non-controlling interests | (1.1) | (0.8) |

**Consolidated statements of comprehensive income**

| Increase (decrease) | 2012 | 2011 |
|---|---|---|
| Net income | $(12.2) | $ (9.2) |
| Re-measurement loss | (18.3) | (14.2) |
| Deferred income taxes | 4.9 | 3.8 |
| Comprehensive income | $ 1.2 | $ 1.2 |
| | | |
| Comprehensive income attributable to: | | |
| Shareholders | $ 0.7 | $ 0.7 |
| Non-controlling interests | 0.5 | 0.5 |

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Years ended December 31, 2013, 2012 and 2011
(tabular amounts in millions of Canadian dollars, except for option data)

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Changes in accounting policies (continued)

(vi) IAS 19 *Employee Benefits (Amended)* (continued)

**Consolidated balance sheets**

| Increase (decrease) | 2012 | 2011 | 2010 |
|---|---|---|---|
| Other liabilities | $ 2.1 | $ 3.7 | $ 5.3 |
| Deferred income taxes liability | (0.6) | (1.0) | (1.4) |
| Deficit | (100.7) | (87.9) | (37.5) |
| Accumulated other comprehensive loss | 102.2 | 90.1 | 40.4 |
| Non-controlling interests | — | (0.5) | (1.0) |

### (c) Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries. Intercompany transactions and balances are eliminated on consolidation.

A subsidiary is an entity controlled by the Corporation. Control is achieved when the Corporation is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Non-controlling interests in the net assets and results of consolidated subsidiaries are identified separately from the parent's ownership interest in them. Non-controlling interests in the equity of a subsidiary consist of the amount of non-controlling interests calculated at the date of the original business combination and their share of changes in equity since that date. Changes in non-controlling interests in a subsidiary that do not result in a loss of control by the Corporation are accounted for as equity transactions.

### (d) Business combinations

A business combination is accounted for by the acquisition method. The cost of an acquisition is measured at the fair value of the consideration given in exchange for control of the business acquired at the acquisition date. This consideration can be comprised of cash, assets transferred, financial instruments issued, or future contingent payments. The identifiable assets and liabilities of the business acquired are recognized at their fair value at the acquisition date. Results of operations of a business acquired are included in the Corporation's consolidated financial statements from the date of the business acquisition. Business acquisition and integration costs are expensed as incurred.

Non-controlling interests in an entity acquired are presented in the consolidated balance sheet within equity, separately from the equity attributable to shareholders and are initially measured at fair value.

### (e) Foreign currency translation

Financial statements of foreign operations are translated using the rate in effect at the balance sheet date for assets and liabilities, and using the average exchange rates during the period for revenues and expenses. Adjustments arising from foreign currency translation since January 1, 2010 are recorded in other comprehensive income.

Foreign currency transactions are translated to the functional currency by applying the exchange rate prevailing at the date of the transactions. Translation gains and losses on assets and liabilities denominated in a foreign currency are included in financial expenses, or in gain or loss on valuation and translation of financial instruments, unless hedge accounting is used.

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Years ended December 31, 2013, 2012 and 2011
(tabular amounts in millions of Canadian dollars, except for option data)

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Revenue recognition

The Corporation recognizes operating revenues when the following criteria are met:

- the amount of revenue can be measured reliably;
- the receipt of economic benefits associated with the transaction is probable;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably;
- the stage of completion can be measured reliably where services have been rendered; and
- significant risks and rewards of ownership, including effective control, have been transferred to the buyer where goods have been sold.

The portion of revenue that is unearned is recorded under "Deferred revenue" when customers are invoiced.

Revenue recognition policies for each of the Corporation's main segments are as follows:

Telecommunications

The Telecommunications segment provides services under arrangements with multiple deliverables, for which there are two separate accounting units: one for subscriber services (cable television, Internet, cable telephony or mobile telephony, including connection costs and rental of equipment); the other for equipment sales to subscribers. Components of multiple deliverable arrangements are separately accounted for, provided the delivered elements have stand-alone value to the customer and the fair value of any undelivered elements can be objectively and reliably determined. Arrangement consideration is allocated among the separate accounting units based on their relative fair values.

Cable connection revenues are deferred and recognized as revenues over the estimated average period that subscribers are expected to remain connected to the network. The incremental and direct costs related to cable connection costs, in an amount not exceeding the revenue, are deferred and recognized as an operating expense over the same period. The excess of those costs over the related revenues is recognized immediately in income. Operating revenues from cable and other services, such as Internet access, cable and mobile telephony, are recognized when services are rendered. Promotional offers and rebates are accounted for as a reduction in the service revenue to which they relate. Revenues from equipment sales to subscribers and their costs are recognized in income when the equipment is delivered. Promotional offers related to equipment, with the exclusion of mobile devices, are accounted for as a reduction of related equipment sales on delivery while promotional offers related to the sale of mobile devices are accounted for as a reduction of related equipment sales on activation. Operating revenues related to service contracts are recognized in income over the life of the specific contracts on a straight-line basis over the period in which the services are provided.

News Media

Revenues derived from circulation are recognized when the publication is delivered, net of provisions for estimated returns based on the segment's historical rate of returns. Advertising revenues are also recognized when the publication is delivered. Website advertising is recognized when advertisements are placed on websites. Revenues from the distribution of publications and products are recognized upon delivery, net of provisions for estimated returns.

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
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Years ended December 31, 2013, 2012 and 2011
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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Revenue recognition (continued)

Broadcasting

Revenues derived from the sale of advertising airtime are recognized when the advertisement has been broadcast on television. Revenues derived from subscriptions to specialty television channels are recognized on a monthly basis at the time service is rendered. Circulation revenues derived from publishing activities are recognized when the publication is delivered, net of provisions for estimated returns based on the segment's historical rate of returns. Revenues from advertising related to publishing activities are also recognized when the publication is delivered. Website advertising is recognized when advertisements are placed on websites.

Revenues derived from the distribution of televisual products and movies and from television program rights are recognized over the broadcasting period.

Revenues generated from the distribution of DVD and Blu-ray discs are recognized at the time of their delivery, less a provision for estimated returns, or are accounted for based on a percentage of retail sales.

Leisure and Entertainment

Revenues derived from music distribution, book publishing and distribution activities are recognized on delivery of the products, net of provisions for estimated returns based on the segment's historical rate of returns.

### (g) Impairment of assets

For the purposes of assessing impairment, assets are grouped in cash-generating units ("CGUs"), which represent the lowest levels for which there are separately identifiable cash inflows generated by those assets. The Corporation reviews at each balance sheet date whether events or circumstances have occurred to indicate that the carrying amounts of its long-lived assets with finite useful lives may be less than their recoverable amounts. Goodwill, other intangible assets having an indefinite useful life, and intangible assets not yet available for use are tested for impairment each financial year, as well as whenever there is an indication that the carrying amount of the asset, or the CGU to which an asset has been allocated, exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use of the asset or the CGU. Fair value less costs to sell represents the amount an entity could obtain at the valuation date from the asset's disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. The value in use represents the present value of the future cash flows expected to be derived from the asset or the CGU.

An impairment loss is recognized in the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount. When the recoverable amount of a CGU to which goodwill has been allocated is lower than the CGU's carrying amount, the related goodwill is first impaired. Any excess amount of impairment is recognized and attributed to assets in the CGU, prorated to the carrying amount of each asset in the CGU.

An impairment loss recognized in prior periods for long-lived assets with finite useful lives and intangible assets having an indefinite useful life, other than goodwill, can be reversed through the consolidated statement of income to the extent that the resulting carrying value does not exceed the carrying value that would have been the result if no impairment losses had been previously recognized.

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Barter transactions

In the normal course of operations, the News Media and the Broadcasting segments principally offer advertising in exchange for goods and services. Revenues thus earned and expenses incurred are accounted for on the basis of the fair value of the goods and services provided.

For the year ended December 31, 2013, the Corporation recorded $15.2 million of barter advertising revenues ($16.9 million in 2012 and $15.5 million in 2011).

### (i) Income taxes

Current income taxes are recognized with respect to amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in income in the period that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be subsequently reduced, if necessary, to an amount that is more likely than not to be realized. A deferred tax expense or benefit is recognized in other comprehensive income or otherwise directly in equity to the extent that it relates to items that are recognized in other comprehensive income or directly in equity in the same or a different period.

In the course of the Corporation's operations, there are a number of uncertain tax positions due to the complexity of certain transactions and due to the fact that related tax interpretations and legislation are continually changing. When a tax position is uncertain, the Corporation recognizes an income tax benefit or reduces an income tax liability only when it is probable that the tax benefit will be realized in the future or that the income tax liability is no longer probable.

### (j) Leases

Assets under leasing agreements are classified at the inception of the lease as (i) finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee, or as (ii) operating leases for all other leases. All of the Corporation's current leases are classified as operating leases.

Operating lease rentals are recognized in the consolidated statement of income on a straight-line basis over the period of the lease. Any lessee incentives are deferred and then recognized evenly over the lease term.

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Years ended December 31, 2013, 2012 and 2011
(tabular amounts in millions of Canadian dollars, except for option data)

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (k) Financial instruments

Classification, recognition and measurement

Financial instruments are classified as held for trading, available for sale, held to maturity, loans and receivables, or as other financial liabilities, and measurement in subsequent periods depends on their classification. The Corporation has classified its financial instruments (except derivative financial instruments) as follows:

| Held for trading | Loans and receivables | Available for sale | Other liabilities |
|---|---|---|---|
| • Cash and cash equivalents<br>• Bank indebtedness | • Accounts receivable<br>• Amounts receivable from parent corporation<br>• Loans and other long-term receivables included in "Other assets" | • Other portfolio investments included in "Other assets" | • Accounts payable and accrued charges<br>• Provisions<br>• Long-term debt<br>• Other long-term financial liabilities included in "Other liabilities" |

Financial instruments held-for-trading are measured at fair value with changes recognized in income as a gain or loss on valuation and translation of financial instruments. Available-for-sale portfolio investments are measured at fair value or at cost in the case of equity investments that do not have a quoted market price in an active market and where fair value is insufficiently reliable, and changes in fair value are recorded in other comprehensive income. Financial assets classified as loans and receivables and financial liabilities classified as other liabilities are initially measured at fair value and subsequently measured at amortized cost, using the effective interest rate method of amortization. Liabilities recognized as a result of contingent consideration arising from a business acquisition and included in other liabilities, are initially recorded at their acquisition-date fair value and re-measured at fair value in subsequent periods. These changes in fair value are recorded in income as other special items.

Derivative financial instruments and hedge accounting

The Corporation uses various derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates and interest rates. The Corporation does not hold or use any derivative financial instruments for speculative purposes. Under hedge accounting, the Corporation documents all hedging relationships between hedging items and hedged items, as well as its strategy for using hedges and its risk management objective. It also designates its derivative financial instruments as either fair value hedges or cash flow hedges when they qualify for hedge accounting. The Corporation assesses the effectiveness of derivative financial instruments when the hedge is put in place and on an ongoing basis.

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Years ended December 31, 2013, 2012 and 2011
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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (k) Financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)

The Corporation generally enters into the following types of derivative financial instruments:

- The Corporation uses foreign exchange forward contracts to hedge foreign currency rate exposure on anticipated equipment or inventory purchases in a foreign currency. The Corporation also uses foreign exchange forward contracts in combination with cross-currency interest rate swaps to hedge foreign currency rate exposure on interest and principal payments on long-term debt. These foreign exchange forward contracts are designated as cash flow hedges.
- The Corporation uses cross-currency interest rate swaps to hedge (i) foreign currency rate exposure on interest and principal payments on foreign currency denominated debt and/or (ii) fair value exposure on certain debt resulting from changes in interest rates. The cross-currency interest rate swaps that set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting an interest rate from a floating rate to a floating rate or from a fixed rate to a fixed rate, are designated as cash flow hedges. The cross-currency interest rate swaps are designated as fair value hedges when they set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting the interest rate from a fixed rate to a floating rate.
- The Corporation uses interest rate swaps to manage fair value exposure on certain debt resulting from changes in interest rates. These swap agreements require a periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. These interest rate swaps are designated as fair value hedges when they convert the interest rate from a fixed rate to a floating rate, or as cash flow hedges when they convert the interest rate from a floating rate to a fixed rate.

Under hedge accounting, the Corporation applies the following accounting policies:

- For derivative financial instruments designated as fair value hedges, changes in the fair value of the hedging derivative recorded in income are substantially offset by changes in the fair value of the hedged item to the extent that the hedging relationship is effective. When a fair value hedge is discontinued, the carrying value of the hedged item is no longer adjusted and the cumulative fair value adjustments to the carrying value of the hedged item are amortized to income over the remaining term of the original hedging relationship.
- For derivative financial instruments designated as cash flow hedges, the effective portion of a hedge is reported in other comprehensive income until it is recognized in income during the same period in which the hedged item affects income, while the ineffective portion is immediately recognized in income. When a cash flow hedge is discontinued, the amounts previously recognized in accumulated other comprehensive income are reclassified to income when the variability in the cash flows of the hedged item affects income.

Any change in the fair value of these derivative financial instruments recorded in income is included in gain or loss on valuation and translation of financial instruments. Interest expense on hedged long-term debt is reported at the hedged interest and foreign currency rates.

Derivative financial instruments that do not qualify for hedge accounting, including derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts, such as early settlement options on long term-debt, are reported on a fair value basis in the consolidated balance sheets. Any change in the fair value of these derivative financial instruments is recorded in income as a gain or loss on valuation and translation of financial instruments.

Early settlement options are not considered closely related to their debt contract and are accordingly accounted for separately from the debt when the corresponding option exercise price is not approximately equal to the amortized cost of the debt.

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Years ended December 31, 2013, 2012 and 2011
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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (l) Financing fees

Financing fees related to long-term debt are capitalized in reduction of long-term debt and amortized using the effective interest rate method.

### (m) Tax credits and government assistance

The Corporation has access to several government programs designed to support production and distribution of televisual products and movies, as well as music products, magazine and book publishing in Canada. In addition, the Corporation receives tax credits mainly related to its research and development activities, publishing activities and digital activities. Government financial assistance is accounted for as revenue or as a reduction in related costs, whether capitalized and amortized or expensed, in the year the costs are incurred and when management has reasonable assurance that the conditions of the government programs are met.

### (n) Cash and cash equivalents

Cash and cash equivalents include highly liquid investments purchased three months or less from maturity and are recorded at fair value. These highly liquid investments consisted mainly of Bankers' acceptances and term deposits.

### (o) Trade receivables

Trade receivables are stated at their nominal value, less an allowance for doubtful accounts and an allowance for sales returns. The Corporation establishes an allowance for doubtful accounts based on the specific credit risk of its customers and historical trends. Individual trade receivables are written off when management deems them not collectible.

### (p) Inventories

Inventories are valued at the lower of cost, determined by the first-in, first-out method or the weighted-average cost method, and net realizable value. Net realizable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. When the circumstances that previously caused inventories to be written down below cost no longer exist, the amount of the write-down is reversed. Work in progress is valued at the prorated billing value of the work completed.

In particular, Broadcasting segment inventories, which primarily are comprised of programs and broadcast and distribution rights, are accounted for as follows:

(i) Programs produced and productions in progress

Programs produced and productions in progress related to broadcasting activities are accounted for at the lesser of cost and net realizable value. Cost includes direct charges for goods and services and the share of labour and general expenses related to each production. The cost of each program is charged to operating expenses when the program is broadcast.

(ii) Broadcast rights

Broadcast rights are essentially contractual rights allowing the limited or unlimited broadcast of televisual products or movies. The Broadcasting segment records the broadcast rights acquired as inventory and the obligations incurred under a license agreement as a liability when the broadcast period begins and all of the following conditions have been met: (a) the cost of each program, movies or series is known or can be reasonably determined; (b) the programs, movies or series have been accepted or the live event is broadcast in accordance with the conditions of the broadcast license agreement; (c) the programs, movies or series are available for first showing or telecast or the live event is broadcast.

Amounts paid for broadcast rights before all of the above conditions are met are recorded as prepaid broadcast rights.

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p) Inventories (continued)

(ii) Broadcast rights (continued)

Broadcast rights are classified as short or long term, based on management's estimate of the broadcast period. These rights are charged to operating expenses when televisual products and movies are broadcast over the contract period, using a method based on future revenues and the estimated number of showings. Broadcast rights payable are classified as current or long-term liabilities based on the payment terms included in the license.

(iii) Distribution rights

Distribution rights include costs to acquire distribution rights for televisual products and movies and other operating costs incurred that generate future economic benefits. The Broadcasting segment records an inventory and a liability for the distribution rights and obligations incurred under a license agreement when (a) the cost of the license is known or can be reasonably estimated, (b) the televisual product and movie has been accepted in accordance with the conditions of the license agreement, and (c) the televisual product or movie is available for distribution.

Amounts paid for distribution rights before all of the above conditions are met are recorded as prepaid distribution rights. Distribution rights are charged to operating expenses using the individual film forecast computation method based on actual revenues realized over total revenues expected.

Estimates of future revenues used to determine net realizable values of inventories related to the broadcasting or distribution of television products and movies, are examined periodically by Broadcasting segment management and revised as necessary. The carrying value of programs produced and productions in progress, broadcast rights and distribution rights is reduced to net realizable value, as necessary, based on this assessment.

### (q) Long-term investments

Investments in companies subject to significant influence are accounted for using the equity method. Under the equity method, the share of the results of operations of the associated corporation is recorded in the consolidated statement of income. Carrying values of investments are reduced to estimated fair values if there is objective evidence that the investment is impaired.

### (r) Property, plant and equipment

Property, plant and equipment are stated at cost. Cost represents the acquisition costs, net of government grants and investment tax credits, or construction costs, including preparation, installation and testing costs. In the case of projects to construct cable and mobile networks, the cost includes equipment, direct labour and related overhead costs. Projects under development may also be comprised of advance payments made to suppliers for equipment under construction.

Borrowing costs are also included in the cost of property, plant and equipment when the development of the asset commenced after January 1, 2010. Future expenditures, such as maintenance and repairs, are expensed as incurred.

Amortization is calculated on a straight-line basis over the following estimated useful lives:

| Assets | Estimated useful life |
|---|---|
| Buildings and leasehold improvements | 10 to 40 years |
| Machinery and equipment | 3 to 20 years |
| Telecommunication networks | 3 to 20 years |

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (r) Property, plant and equipment (continued)

Amortization methods, residual values, and the useful lives of significant property, plant and equipment are reviewed at each financial year-end. Any change is accounted for prospectively as a change in accounting estimate.

Leasehold improvements are amortized over the shorter of the term of the lease and economic life.

The Corporation does not record any decommissioning obligations in connection with its cable distribution networks. The Corporation expects to renew all of its agreements with utility companies to access their support structures in the future, making the retirement date so far into the future that the present value of the restoration costs is insignificant for these assets. A decommissioning obligation is however recorded for the rental of sites related to the advanced mobile network.

Videotron Ltd. ("Videotron") and Rogers Communications Partnership are engaged in an agreement to build out and operate a shared Long Term Evolution mobile network in the province of Québec and in the Ottawa region.

### (s) Goodwill and intangible assets

Goodwill

For all business acquisitions entered into since January 1, 2010, goodwill initially arising from a business acquisition is measured and recognized as the excess of the fair value of the consideration paid over the fair value of the recognized identifiable assets acquired and liabilities assumed. When the Corporation acquires less than 100% of the equity interests in the business acquired at the acquisition date, goodwill attributable to the non-controlling interests is also recognized at fair value.

For business acquisitions that occurred prior to January 1, 2010, goodwill represented the excess of the cost of acquisition over the Corporation's interest in the fair value of the identifiable assets and liabilities of the business acquired at the date of acquisition. No goodwill attributable to non-controlling interests was recognized for these business acquisitions.

Goodwill is allocated as at the date of a business acquisition to a CGU for purposes of impairment testing (note 1(g)). The allocation is made to the CGU or group of CGUs expected to benefit from the synergies of the business acquisition.

Intangible assets

Broadcasting licenses and mastheads have indefinite useful lives. In particular, given the low cost of renewal of broadcasting licenses, management believes it is economically compelling to renew the licenses and to comply with all rules and conditions attached to those licenses.

Internally generated intangible assets are mainly comprised of internal costs in connection with the development of software to be used internally or for providing services to customers. These costs are capitalized when the development stage of the software application begins and costs incurred prior to that stage are recognized as expenses.

Borrowing costs directly attributable to the acquisition, construction or production of an intangible asset that commenced after January 1, 2010 are also included as part of the cost of that asset during the development phase.

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (s) Goodwill and intangible assets (continued)

Intangible assets (continued)

Intangible assets with finite useful lives are amortized over their useful lives using the straight-line method over the following periods:

| Assets | Estimated useful life |
|---|---|
| Advanced mobile services ("AWS") spectrum licenses[1] | 10 years |
| Software | 3 to 7 years |
| Customer relationships | 3 to 10 years |
| Non-competition agreements and other | 3 to 5 years |

[1] The useful life represents the initial term of the licenses issued by Industry Canada.

Amortization methods, residual values, and the useful lives of significant intangible assets are reviewed at each financial year-end. Any change is accounted for prospectively as a change in accounting estimate.

### (t) Provisions

Provisions are recognized when (i) the Corporation has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and when (ii) the amount of the obligation can be reliably estimated. Restructuring costs, comprised primarily of termination benefits, are recognized when a detailed plan for the restructuring exists and a valid expectation has been raised in those affected, that the plan will be carried out.

Provisions are reviewed at each balance sheet date and changes in estimates are reflected in the consolidated statement of income in the reporting period in which changes occur.

### (u) Stock-based compensation

Stock-based awards to employees that call for settlement in cash or other assets at the option of the employee are accounted for at fair value and classified as a liability. The compensation cost is recognized in expenses over the vesting period. Changes in the fair value of stock-based awards between the grant date and the measurement date result in a change in the liability and compensation cost.

Estimates of the fair value of stock option awards are determined by applying an option-pricing model, taking into account the terms and conditions of the grant. Key assumptions are described in note 23.

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (v) Pension plans and postretirement benefits

The Corporation offers defined contribution pension plans and defined benefit pension plans to some of its employees.

(i) Defined contribution pension plans

Under its defined contribution pension plans, the Corporation pays fixed contributions to participating employees' pension plans and has no legal or constructive obligation to pay any further amounts. Obligations for contributions to defined contribution pension plans are recognized as employee benefits in the consolidated statements of income when the contributions become due.

(ii) Defined benefit pension plans and postretirement plans

Defined benefit pension plan costs are determined using actuarial methods and are accounted for using the projected unit credit method, which incorporates management's best estimates of future salary levels, other cost escalations, retirement ages of employees, and other actuarial factors. Defined benefit pension costs, recognized in the consolidated statements of income as employee costs, mainly include the following:

- service costs provided in exchange for employee services rendered during the period;
- prior service costs recognized at the earlier of (a) when the employee benefit plan is amended or (b) when restructuring costs are recognized;
- curtailment or settlement gain or loss.

Interest on net defined benefit liability or asset, recognized in the consolidated statements of income as financial expenses, is determined by multiplying the net defined benefit liability or asset by the discount rate used to determine the defined benefit obligation.

Re-measurements of the net defined benefit liability or asset are recognized immediately in other comprehensive income and in accumulated other comprehensive income. Re-measurements are comprised of the following:

- actuarial gains and losses arising from changes in financial and demographic actuarial assumptions used to determine the defined benefit obligation or from experience adjustments on liabilities;
- the difference between actual return on plan assets and interest income on plan assets calculated as part of the interest on net defined benefit liability or asset;
- changes in the net benefit asset limit or the minimum funding liability.

Recognition of a net benefit asset is limited under certain circumstances to the amount recoverable, which is primarily based on the present value of future contributions to the plan, to extent to which the Corporation can unilaterally reduce those future contributions. In addition, an adjustment to the net benefit asset or the net benefit liability can be recorded to reflect a minimum funding liability in a certain number of the Corporation's pension plans.

The Corporation also offers health, life and dental insurance plans to some of its retired employees. The cost of postretirement benefits is determined using an accounting methodology similar to that for defined benefit pension plans. The benefits related to these plans are funded by the Corporation as they become due.

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (w) Use of estimates and judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities, related amounts of revenues and expenses, and disclosure of contingent assets and liabilities. Although these estimates are based on management's best judgment and information available at the time of the assessment date, actual results could differ from these estimates.

The following significant areas represent management's most difficult, subjective or complex estimates:

(i) Recoverable amount of an asset or a CGU

When an impairment test is performed on an asset or a CGU, management estimates the recoverable amount of the asset or CGU based on its fair value less costs to sell or its value in use. These estimates are based on valuation models requiring the use of a number of assumptions such as pre-tax discount rate (WACC) and perpetual growth rate. These assumptions have a significant impact on the results of impairment tests and on the impairment charge, as the case may be, recorded in the consolidated statement of income. A description of key assumptions used in the goodwill impairment tests and a sensitivity analysis of recoverable amounts are presented in note 16.

(ii) Fair value of derivative financial instruments, including embedded derivatives not closely related to the host contract

Derivative financial instrument must be accounted for at their fair value, which is estimated using valuation models based on a number of assumptions such as future cash flows, period-end swap rates, foreign exchange rates, and credit default premium. Also, the fair value of embedded derivatives related to early settlement option on debt is determined with option pricing models using market inputs, including volatility, discount factors and underlying instruments adjusted implicit interest rate and credit premium. The assumptions used in the valuation models have a significant impact on the gain or loss on valuation and translation of financial instruments recorded in the consolidated statement of income, the gain or loss on valuation of financial instruments recorded in the consolidated statement of comprehensive income, and the carrying value of derivative financial instruments in the consolidated balance sheet. A description of valuation models used and sensitivity analysis on key assumptions are presented in note 27.

(iii) Costs and obligations related to pension and postretirement benefit plans

Estimates of costs and obligations related to pension and postretirement benefit obligations are based on a number of assumptions, such as the discount rate, the rate of increase in compensation, the retirement age of employees, health care costs, and other actuarial factors. Certain of these assumptions may have a significant impact on employee costs and financial expenses recorded in the consolidated statement of income, the re-measurement gain or loss on defined benefit plans recorded in the consolidated statement of comprehensive income, and on the carrying value of other assets or other liabilities in the consolidated balance sheet. Key assumptions and sensitivity analysis on discount rate are presented in note 29.

(iv) Provisions

The recognition of provisions requires management to estimate expenditure required to settle a present obligation or to transfer it to third parties at the date of assessment. An assessment of the probable outcomes of legal proceedings or other contingency is also required. A description of the main provisions, including management expectations on the potential effect on the consolidated financial statements of the possible outcomes of legal disputes, is presented in note 19.

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (w) Use of estimates and judgments (continued)

The following areas represent management's most significant judgments, apart from those involving estimates:

(i) Determination of useful life periods for the amortization of assets with finite useful lives

For each class of assets with finite useful lives, management has to determine over which period the Corporation will consume the assets' future economic benefits. The determination of a useful life period involves judgment and has an impact on the amortization charge recorded in the consolidated statements of income.

(ii) Determination of CGUs for the purpose of impairment test

The determination of CGUs requires judgment when determining the lowest level for which there are separately identifiable cash inflows generated by the group of assets. In identifying assets to group in CGUs, the Corporation considers, among other factors, offering bundled services, sharing telecommunication or broadcasting networks infrastructure, integration of media assets, geographical proximity, similarity on exposure to market risk, and materiality. The determination of CGUs could affect the results of impairment tests and, as the case may be, the impairment charge recorded in the consolidated statement of income.

(iii) Determination if early settlement options are not closely related to their debt contract

Early settlement options are not considered closely related to their debt contract when the corresponding option exercise price is not approximately equal to the amortized cost of the debt. Judgment is required to determine if an option exercise price is not approximately equal to the amortized cost of the debt. This determination may have a significant impact on the amount of gains or losses on valuation and translation of financial instruments recorded in the consolidated statement of income.

(iv) Interpretation of laws and regulations

Interpretation of laws and regulation, including tax regulations, requires judgment from management that could have an impact on the recognition of provisions for legal litigation and income taxes in the consolidated financial statements.

### (x) Recent accounting pronouncements

The Corporation has not yet completed its assessment of the impact of the adoption of these pronouncements on its consolidated financial statements.

(i) *IFRS 9 – Financial Instruments* is required to be applied retrospectively, with early adoption permitted.

IFRS 9 simplifies the measurement and classification of financial assets by reducing the number of measurement categories in IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement, as well as for a new hedge accounting model more closely aligned with risk management activities undertaken by entities.

(ii) *IFRIC 21 – Levies* is required to be applied retrospectively for periods beginning January 1, 2014.

IFRIC 21 clarifies the timing of accounting for a liability for outflow of resources that is imposed by governments in accordance with legislation, based on the activity that triggers the payment.

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
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## 2. REVENUES

The breakdown of revenues between services rendered and product sales is as follows:

| | **2013** | 2012 (restated, note 1 (b)) | 2011 (restated, note 1 (b)) |
|---|---|---|---|
| Services rendered | **$3,665.6** | $3,623.2 | $3,444.2 |
| Product sales | **611.6** | 625.7 | 650.5 |
| | **$4,277.2** | $4,248.9 | $4,094.7 |

## 3. EMPLOYEE COSTS AND PURCHASE OF GOODS AND SERVICES

The main components are as follows:

| | **2013** | 2012 (restated, note 1 (b)) | 2011 (restated, note 1 (b)) |
|---|---|---|---|
| Employee costs | **$1,117.7** | $1,147.3 | $1,093.8 |
| Less: Employee costs capitalized to property, plant and equipment and intangible assets | **(122.8)** | (124.1) | (120.1) |
| | **994.9** | 1,023.2 | 973.7 |
| Purchase of goods and services | | | |
| Royalties, rights and creation costs | **662.2** | 662.5 | 624.7 |
| Cost of retail products | **304.9** | 302.9 | 335.8 |
| Marketing, circulation and distribution expenses | **176.0** | 196.8 | 170.6 |
| Service and printing contracts | **200.6** | 214.3 | 201.2 |
| Paper, ink and printing supplies | **95.6** | 105.6 | 105.5 |
| Other | **384.1** | 361.5 | 370.6 |
| | **1,823.4** | 1,843.6 | 1,808.4 |
| | **$2,818.3** | $2,866.8 | $2,782.1 |

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Years ended December 31, 2013, 2012 and 2011
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## 4. FINANCIAL EXPENSES

| | 2013 | 2012 (restated, note 1 (b)) | 2011 (restated, note 1 (b)) |
|---|---|---|---|
| Interest on long-term debt | **$340.5** | $ 311.7 | $ 303.2 |
| Amortization of financing costs and long-term debt discount | **11.9** | 14.3 | 12.8 |
| Interest on net defined benefit liability | **12.3** | 12.3 | 9.8 |
| Loss on foreign currency translation on current monetary items | **2.3** | 3.2 | 1.6 |
| Other | **(4.2)** | (4.0) | (7.8) |
| | **$362.8** | $ 337.5 | $ 319.6 |

## 5. LOSS (GAIN) ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Loss (gain) on embedded derivatives and derivative financial instruments for which hedge accounting is not used | **$173.2** | $(197.5) | $(55.2) |
| Loss on reversal of embedded derivatives upon debt redemption | **72.9** | 61.4 | 2.6 |
| Gain on the ineffective portion of cash flow hedges | **(1.7)** | (1.1) | — |
| Loss on the ineffective portion of fair value hedges | **—** | 0.3 | 0.6 |
| | **$244.4** | $(136.9) | $(52.0) |

## 6. RESTRUCTURING OF OPERATIONS, IMPAIRMENT OF ASSETS AND OTHER SPECIAL ITEMS

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Restructuring of operations | **$25.8** | $ 32.4 | $26.5 |
| Impairment of assets | **3.2** | 7.5 | 1.5 |
| Gain on disposal of assets | **—** | (12.9) | — |
| Other | **0.9** | 1.5 | 1.3 |
| | **$29.9** | $ 28.5 | $29.3 |

Telecommunications

In 2013, the Telecommunications segment recorded a charge for other special items of $0.9 million (none in 2012 and $0.6 million in 2011).

In 2012 and 2011, Videotron also recorded costs of $0.5 million and $14.8 million, respectively, for the migration of its pre-existing Mobile Virtual Network Operator subscribers to its mobile network.

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
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## 6. RESTRUCTURING OF OPERATIONS, IMPAIRMENT OF ASSETS AND OTHER SPECIAL ITEMS (continued)

News Media

In recent years, the News Media segment has implemented various restructuring initiatives to reduce operating costs. As a result of these initiatives, restructuring costs of $9.2 million, mainly for the reduction of positions, were recorded in 2013 ($30.9 million in 2012 and $10.1 million in 2011).

As part of these restructuring initiatives, an impairment charge of $7.5 million and $0.8 million related to tangible and intangible assets was recorded respectively in 2012 and in 2011.

In December 2013, the Corporation decided to cease, effective January 2014, its door-to-door distribution of flyers and weekly newspapers in the province of Québec. Accordingly, the News Media segment recorded restructuring costs of $8.3 million.

Broadcasting

In 2013, the Broadcasting segment recorded a charge for restructuring costs of $2.9 million ($0.1 million in 2012 and $0.8 million in 2011) relating to the elimination of positions and an impairment charge on assets of $2.1 million (none in 2012 and in 2011).

In 2012, the Broadcasting segment disposed of its interests in two specialized channels, The Cave and mysteryTV, for a total cash consideration of $21.0 million, resulting in a gain of $12.9 million.

In 2011, the Broadcasting segment recorded an impairment charge on certain equipment and broadcasting rights of $0.7 million related to the termination of the operations of its general-interest television station, Sun TV and a charge for other special items of $0.2 million.

Other segments

In 2013, other segments recorded a charge for restructuring costs, impairment of assets and other special items of $6.5 million ($2.4 million in 2012 and $1.3 million in 2011).

## 7. IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

News Media and Leisure and Entertainment

During the third quarter of 2013, the Corporation performed impairment tests on the News Media, Music and Book CGUs which continued to be negatively affected by the digital transformation and weak market conditions in their respective industries. The Corporation concluded that the recoverable amount based either on a value in use or a fair value less costs of disposal was less than the carrying amount of these CGUs. Accordingly, the following impairment charges were recorded:

- The News Media segment recorded a goodwill impairment charge of $229.0 million ($145.0 million in 2012), of which $24.5 million ($15.5 million in 2012) is presented as part of discontinued operations (note 8). An impairment charge of $56.0 million on mastheads and customer relationships ($30.0 million in 2012) was also recorded.
- The Leisure and Entertainment segment recorded a goodwill impairment charge of $8.9 million for the Music CGU ($12.0 million in 2012) and of $11.9 million for the Book CGU (none in 2012).

Broadcasting

As a result of new tariffs adopted in 2012 with respect to business contributions for costs related to waste recovery services provided by Québec municipalities, the Corporation reviewed its business plan for the magazine publishing activities and performed an impairment test on the Publishing CGU included in the Broadcasting segment. Accordingly, the Corporation recorded a goodwill impairment charge of $14.5 million during the first quarter of 2012.

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## 8. DISCONTINUED OPERATIONS

The Corporation carried out the following transactions in 2013:

- On June 1, 2013, the Corporation sold its specialized Web site *Jobboom* for a cash consideration of $52.1 million, net of cash disposed of $5.4 million.
- On November 29, 2013, the Corporation also sold its specialized Web site *Réseau Contact* for a cash consideration of $7.1 million, net of cash disposed of $0.4 million.
- On December 5, 2013, the Corporation announced the closing of a transaction whereby it will sell its 74 Québec weeklies for a cash consideration of $75.0 million. This transaction is subject to approval by regulatory authorities, specifically the Competition Bureau. While the transaction is under review, the Corporation will continue publishing the weeklies.

The results of operations and cash flows related to these businesses, as well as the gain of $37.6 million on the sale of *Jobboom* and *Réseau Contact*, were reclassified as discontinued operations in the consolidated statements of income and cash flows as follows:

**Consolidated statements of income**

| | **2013** | 2012 | 2011 |
|---|---|---|---|
| Revenues | **$ 88.4** | $102.0 | $105.3 |
| Employee costs | **34.7** | 38.2 | 40.5 |
| Purchase of goods and services | **40.9** | 46.7 | 46.0 |
| Amortization | **2.6** | 2.7 | 1.8 |
| Financial expenses | **—** | (0.5) | (0.3) |
| Restructuring of operations | **1.7** | 1.0 | 0.9 |
| Impairment of goodwill | **24.5** | 15.5 | — |
| **(Loss) income before income taxes** | **(16.0)** | (1.6) | 16.4 |
| Income taxes | **2.3** | 2.1 | 1.6 |
| Gain on disposal of businesses | **(37.6)** | — | — |
| **Income (loss) from discontinued operations** | **$ 19.3** | $ (3.7) | $ 14.8 |

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## 8. DISCONTINUED OPERATIONS (continued)

**Consolidated statements of cash flows**

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Cash flows related to operating activities | **$ 8.7** | $19.0 | $17.3 |
| Cash flows related to investing activities | **(0.9)** | (1.7) | (1.8) |
| **Cash flows provided by discontinued operations** | **$ 7.9** | $17.3 | $15.5 |

On December 31, 2013, the assets and liabilities related to the Québec weeklies have been classified as assets and liabilities held for sale in the consolidated balance sheet and their components are as follows:

| | 2013 |
|---|---|
| Current assets | **$ 9.0** |
| Property, plant and equipment | **1.7** |
| Intangible assets | **17.6** |
| Goodwill | **48.6** |
| Assets held for sale | **76.9** |
| Liabilities held for sale | **(9.0)** |
| **Net assets held for sale** | **$ 67.9** |

## 9. LOSS ON DEBT REFINANCING

2013

- In July 2013, Videotron redeemed US$380.0 million in aggregate principal amount of its issued and outstanding 9.125% Senior Notes due April 2018 and settled its related hedging contracts for a total cash consideration of $399.6 million.
- In August 2013, the Corporation redeemed US$26 5.0 million in aggregate principal amount of its issued and outstanding 7.75% Senior Notes due March 2016 and settled its related hedging contracts for a total cash consideration of $306.1 million.

These transactions resulted in a total loss of $18.9 million (before income taxes) in 2013, including a gain of $14.5 million previously reported in other comprehensive income.

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## 9. LOSS ON DEBT REFINANCING (continued)

2012

- In March 2012, Videotron redeemed all of its 6.875% Senior Notes due January 2014 in an aggregate principal amount of US$395.0 million for a cash consideration of $394.1 million.
- In March and April 2012, Quebecor Media redeemed US$260.0 million in aggregate principal amount of its 7.75% Senior Notes due March 2016 and settled hedging contracts for a total cash consideration of $304.9 million.
- In November 2012, Quebecor Media redeemed US$320.0 million in aggregate principal amount of its 7.75% Senior Notes due March 2016 for a cash consideration of $327.1 million.
- In December 2012, Quebecor Media prepaid the balance outstanding under its term loan "B" credit facility for a cash consideration of $153.9 million. The related hedging contracts were settled for a consideration of $28.5 million in January 2013.

These transactions resulted in a total loss of $6.3 million (before income taxes) in 2012, including a gain of $15.3 million previously reported in other comprehensive income.

2011

- On February 15, 2011, Sun Media Corporation redeemed all of its 7.625% Senior Notes in an aggregate principal amount of US$205.0 million and settled its related hedging contracts, representing a total cash consideration of $308.2 million.
- On July 18, 2011, Videotron redeemed US$255.0 million in aggregate principal amount of its issued and outstanding 6.875% Senior Notes due in 2014 and settled its related hedging contracts, representing a total cash consideration of $303.1 million.

These transactions resulted in a total loss of $4.0 million (before income taxes) in 2011, including a loss of $0.8 million previously reported in other comprehensive income.

## 10. BUSINESS ACQUISITIONS

2013

- In May 2013, the Leisure and Entertainment segment acquired a Québec City sporting and cultural event management company.
- In July 2013, the Broadcasting segment acquired a magazine publisher and a book publisher in the Province of Québec.

2012

- In May 2012, the News Media segment acquired two community publications in the Province of Québec.

2011

- In February 2011, the News Media segment acquired 15 community publications in the Province of Québec. The assets acquired were mainly comprised of goodwill of $28.7 million and intangible assets of $15.7 million.
- In August 2011, the Interactive Technologies and Communications segment acquired a digital agency in the United States for a cash consideration and contingent amounts subject to the achievement of specific targets in the future. The assets acquired were mainly comprised of goodwill of $7.8 million and intangible assets of $11.3 million.
- Other businesses, principally in the Leisure and Entertainment segment, were also acquired by the Corporation during the year ended December 31, 2011.

(tabular amounts in millions of Canadian dollars, except for option data)

## 10. BUSINESS ACQUISITIONS (continued)

The fair value of identifiable assets and liabilities related to business acquisitions in 2011 are summarized as follows:

| | 2011 |
|---|---|
| **Assets acquired** | |
| Non-cash current assets | $ 2.0 |
| Property, plant and equipment | 0.9 |
| Intangible assets | 31.4 |
| Goodwill | 37.1 |
| | 71.4 |
| **Liabilities assumed** | |
| Non-cash current liabilities | (1.3) |
| Deferred income taxes | (3.1) |
| | (4.4) |
| **Net assets acquired at fair value** | $67.0 |
| | |
| **Consideration** | |
| Cash | $55.7 |
| Contingent liability | 11.3 |
| | $67.0 |

The pro forma revenues and net income in 2013, 2012 and 2011 would not be significantly different than actual figures if all business acquisitions had occurred at the beginning of each related year.

The amount of goodwill that is deductible for tax purposes is none in 2013 ($0.6 million in 2012 and $29.2 million in 2011).

## 11. INCOME TAXES

Income tax expenses are as follows:

| | **2013** | 2012 (restated, note 1 (b)) | 2011 (restated, note 1 (b)) |
|---|---|---|---|
| Current | **$ 95.4** | $ 57.0 | $ (17.7) |
| Deferred | **(64.3)** | 73.4 | 159.1 |
| | **$ 31.1** | $ 130.4 | $ 141.4 |

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
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## 11. INCOME TAXES (continued)

The following table reconciles income taxes at the Corporation's domestic statutory tax rate of 26.9% in 2013 (26.9% in 2012 and 28.4% in 2011), and income taxes in the consolidated statements of income:

| | **2013** | 2012 (restated, note 1 (b)) | 2011 (restated, note 1 (b)) |
|---|---|---|---|
| Income taxes at domestic statutory tax rate | **$(37.7)** | $ 98.4 | $ 143.2 |
| (Reduction) increase resulting from: | | | |
| Effect of provincial tax rate differences | **(0.2)** | (0.5) | (0.4) |
| Effect of non-deductible charges, non-taxable income and differences between current and future tax rates | **2.1** | (4.3) | (9.1) |
| Change in benefit arising from the recognition of current and prior year tax losses | **5.8** | (7.3) | (0.8) |
| Effect of tax consolidation transactions with the parent corporation | **(0.9)** | (1.5) | — |
| Non-deductible impairment of goodwill | **60.6** | 42.0 | — |
| Other | **1.4** | 3.6 | 8.5 |
| **Income taxes** | **$ 31.1** | $ 130.4 | $ 141.4 |

The significant items comprising the Corporation's net deferred income tax liability and their impact on the deferred income tax expense are as follows:

| | Consolidated balance sheets | | Consolidated income statements | | |
|---|---|---|---|---|---|
| | **2013** | 2012 (restated, note 1 (b)) | **2013** | 2012 (restated, note 1 (b)) | 2011 (restated, note 1 (b)) |
| Loss carryforwards | **$ 14.9** | $ 22.9 | **$ 14.9** | $ 44.2 | $ (33.3) |
| Accounts payable, accrued charges, provisions and deferred revenue | **7.3** | 8.7 | **1.4** | 2.8 | 7.7 |
| Defined benefit plans | **24.0** | 63.0 | **1.6** | 1.1 | 9.1 |
| Property, plant and equipment | **(427.7)** | (412.1) | **15.6** | 11.5 | 51.9 |
| Goodwill, intangible assets and other assets | **(93.4)** | (108.1) | **(18.9)** | 1.8 | 6.3 |
| Long-term debt and derivative financial instruments | **17.9** | (48.8) | **(66.8)** | 18.3 | 17.8 |
| Benefits from a general partnership | **(87.4)** | (101.4) | **(14.0)** | (7.2) | 108.6 |
| Other | **2.4** | 5.6 | **1.9** | 0.9 | (9.0) |
| | **$(542.0)** | $(570.2) | **$(64.3)** | $ 73.4 | $ 159.1 |

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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## 11. INCOME TAXES (continued)

Changes in the net deferred income tax liability are as follows:

| | Note | 2013 | 2012 (restated, note 1 (b)) |
|---|---|---|---|
| Balance as of beginning of the year | | **$(570.2)** | $(513.1) |
| Recognized in statements of income | | **64.3** | (73.4) |
| Recognized in other comprehensive income | | **(37.5)** | 8.1 |
| Business acquisitions and disposals | | **(4.2)** | — |
| Acquisition of tax deductions | 28 | **6.9** | 10.2 |
| Other | | **(1.3)** | (2.0) |
| **Balance as of the end of the year** | | **$(542.0)** | $(570.2) |
| Deferred income tax asset | | **$ 26.6** | $ 19.7 |
| Deferred income tax liability | | **(568.6)** | (589.9) |
| | | **$(542.0)** | $(570.2) |

As of December 31, 2013, the Corporation had loss carryforwards for income tax purposes of $62.7 million available to reduce future taxable income, including $36.0 million that will expire between 2028 and 2033, and $26.7 million that can be carried forward indefinitely. Of these losses, an amount of $14.6 million has not been recognized. The Corporation also had capital losses of $865.3 million that can be carried forward indefinitely and applied only against future capital gains, of which none were recognized.

The Corporation has not recognized a deferred income tax liability for the undistributed earnings of its foreign subsidiaries in the current or prior years since the Corporation does not expect to sell or repatriate funds from those investments, in which case the undistributed earnings might become taxable.

There are no income tax consequences attached to the payment of dividends in 2013, 2012 or 2011 by the Corporation to its shareholders.

## 12. ACCOUNTS RECEIVABLE

| | Note | 2013 | 2012 |
|---|---|---|---|
| Trade | 27(c) | **$492.4** | $523.1 |
| Other | | **73.3** | 54.9 |
| | | **$565.7** | $578.0 |

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
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## 13. INVENTORIES

| | 2013 | 2012 |
|---|---|---|
| Raw materials and supplies | **$ 26.7** | $ 30.1 |
| Work in progress | **11.4** | 14.2 |
| Finished goods | **140.8** | 146.5 |
| Programs, broadcast and distribution rights | **60.5** | 64.7 |
| | **$239.4** | $255.5 |

Cost of inventories included in purchase of goods and services amounted to $830.2 million in 2013 ($872.7 million in 2012 and $891.6 million in 2011). Write-downs of inventories totalling $5.5 million were recognized in purchase of goods and services in 2013 ($6.8 million in 2012 and $17.6 million in 2011).

## 14. PROPERTY, PLANT AND EQUIPMENT

For the years ended December 31, 2013 and 2012, changes in the net carrying amount of property, plant and equipment are as follows:

| | Land, buildings and leasehold improvements | Machinery and equipment | Telecommunications networks | Projects under development | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance as of December 31, 2011 | $ 438.0 | $1,097.7 | $ 3,963.7 | $ 73.0 | $5,572.4 |
| Additions | 43.6 | 207.6 | 389.7 | 69.0 | 709.9 |
| Net change in additions financed with accounts payable | 0.6 | — | (47.4) | 0.5 | (46.3) |
| Reclassification | 1.9 | 32.1 | 57.9 | (91.9) | — |
| Retirement, disposals and other | (7.4) | (90.8) | (82.1) | — | (180.3) |
| Balance as of December 31, 2012 | 476.7 | 1,246.6 | 4,281.8 | 50.6 | 6,055.7 |
| Additions | 27.3 | 184.1 | 293.8 | 80.5 | 585.7 |
| Net change in additions financed with accounts payable | — | (2.8) | (5.0) | 3.0 | (4.8) |
| Reclassification | 0.3 | 20.8 | 51.0 | (72.1) | — |
| Retirement, disposals and other | (0.4) | (17.5) | (66.7) | — | (84.6) |
| Reclassification to assets held for sale | — | (3.6) | — | — | (3.6) |
| **Balance as of December 31, 2013** | **$ 503.9** | **$1,427.6** | **$ 4,554.9** | **$ 62.0** | **$6,548.4** |

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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## 14. PROPERTY, PLANT AND EQUIPMENT (continued)

| | Land, buildings and leasehold improvements | Machinery and equipment | Telecommunications networks | Projects under development | Total |
|---|---|---|---|---|---|
| **Accumulated amortization and impairment losses** | | | | | |
| Balance as of December 31, 2011 | $ 156.4 | $ 456.5 | $ 1,803.5 | $ — | $2,416.4 |
| Amortization | 17.1 | 143.1 | 296.1 | — | 456.3 |
| Retirement, disposals and other | (6.1) | (81.5) | (82.6) | — | (170.2) |
| Balance as of December 31, 2012 | 167.4 | 518.1 | 2,017.0 | — | 2,702.5 |
| Amortization | 18.1 | 180.4 | 322.3 | — | 520.8 |
| Retirement, disposals and other | 3.4 | (9.1) | (65.7) | — | (71.4) |
| Reclassification to assets held for sale | — | (1.9) | — | — | (1.9) |
| **Balance as of December 31, 2013** | **$ 188.9** | **$ 687.5** | **$ 2,273.6** | **$ —** | **$3,150.0** |
| **Net carrying amount** | | | | | |
| As of December 31, 2012 | $ 309.3 | $ 728.5 | $ 2,264.8 | $ 50.6 | $3,353.2 |
| **As of December 31, 2013** | **$ 315.0** | **$ 740.1** | **$ 2,281.3** | **$ 62.0** | **$3,398.4** |

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## 15. INTANGIBLE ASSETS

For the years ended December 31, 2013 and 2012, changes in the net carrying amount of intangible assets are as follows:

| | AWS spectrum licenses[1] | Software | Customer relationships and other | Broadcasting licenses | Mastheads | Projects under development | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Balance as of December 31, 2011 | $ 555.2 | $ 450.3 | $ 219.7 | $ 103.4 | $ 110.8 | $ 33.0 | $1,472.4 |
| Additions | — | 61.0 | 4.6 | — | — | 28.3 | 93.9 |
| Net change in additions financed with accounts payable | — | (6.4) | — | — | — | (0.1) | (6.5) |
| Reclassification | — | 34.1 | — | — | — | (34.1) | — |
| Retirement, disposals and other | — | 4.0 | 0.6 | (0.4) | — | 0.2 | 4.4 |
| Balance as of December 31, 2012 | 555.2 | 543.0 | 224.9 | 103.0 | 110.8 | 27.3 | 1,564.2 |
| Additions | — | 41.5 | 4.0 | — | — | 20.6 | 66.1 |
| Net change in additions financed with accounts payable | — | 2.4 | — | — | — | 0.2 | 2.6 |
| Reclassification | — | 32.4 | — | — | — | (32.4) | — |
| Retirement, disposals and other | — | (36.5) | (3.6) | — | (0.5) | — | (40.6) |
| Reclassification to assets held for sale | — | — | (16.4) | — | (7.0) | — | (23.4) |
| **Balance as of December 31, 2013** | **$ 555.2** | **$ 582.8** | **$ 208.9** | **$ 103.0** | **$ 103.3** | **$ 15.7** | **$1,568.9** |

[1] Videotron has the option, effective as of January 1, 2014, to sell its unused AWS spectrum licence in the Toronto region to Rogers Communications Partnership for a price of $180.0 million. The spectrum licence was purchased at a cost of $96.4 million in 2008.

The cost of internally generated intangible assets, mainly composed of software, was $375.7 million as of December 31, 2013 ($358.4 million as of December 31, 2012). For the year ended December 31, 2013, the Corporation recorded additions of internally generated intangible assets of $47.6 million ($52.9 million in 2012 and $58.3 million in 2011).

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
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## 15. INTANGIBLE ASSETS (continued)

| | AWS spectrum licenses | Software | Customer relationships and other | Broadcasting licenses | Mastheads | Projects under development | Total |
|---|---|---|---|---|---|---|---|
| **Accumulated amortization and impairment losses** | | | | | | | |
| Balance as of December 31, 2011 | $ 67.1 | $ 213.1 | $ 102.2 | $ 0.8 | $ 48.2 | $ — | $431.4 |
| Amortization | 55.6 | 61.2 | 21.8 | — | — | — | 138.6 |
| Impairment (notes 6 and 7) | — | — | 18.0 | — | 16.6 | — | 34.6 |
| Retirement, disposals and other | — | 1.9 | 1.0 | — | — | — | 2.9 |
| Balance as of December 31, 2012 | 122.7 | 276.2 | 143.0 | 0.8 | 64.8 | — | 607.5 |
| Amortization | 55.6 | 67.4 | 18.4 | — | — | — | 141.4 |
| Impairment (note 7) | — | — | 28.1 | — | 27.9 | — | 56.0 |
| Retirement, disposals and other | — | (32.8) | (6.2) | — | — | — | (39.0) |
| Reclassification to assets held for sale | — | — | (5.8) | — | — | — | (5.8) |
| **Balance as of December 31, 2013** | **$ 178.3** | **$ 310.8** | **$ 177.5** | **$ 0.8** | **$ 92.7** | **$ —** | **$760.1** |
| **Net carrying amount** | | | | | | | |
| As of December 31, 2012 | $ 432.5 | $ 266.8 | $ 81.9 | $ 102.2 | $ 46.0 | $ 27.3 | $956.7 |
| **As of December 31, 2013** | **$ 376.9** | **$ 272.0** | **$ 31.4** | **$ 102.2** | **$ 10.6** | **$ 15.7** | **$808.8** |

The accumulated amortization and impairment losses of internally generated intangible assets, mainly composed of software, was $195.6 million as of December 31, 2013 ($161.5 million as of December 31, 2012). For the year ended December 31, 2013, the Corporation recorded $53.9 million of amortization for its internally generated intangible assets ($41.2 million in 2012 and $29.3 million in 2011).

The net carrying value of internally generated intangible assets was $180.1 million as of December 31, 2013 ($196.9 million as of December 31, 2012).

Broadcasting licenses are allocated to the Broadcasting group of CGUs and mastheads are allocated to the News Media group of CGUs.

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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## 16. GOODWILL

For the years ended December 31, 2013 and 2012, changes in the net carrying amount of goodwill are as follows:

| | |
|---|---|
| **Cost** | |
| Balance as of December 31, 2011 | $6,993.9 |
| Business acquisitions | 0.6 |
| Other | (1.3) |
| Balance as of December 31, 2012 | 6,993.2 |
| Business acquisitions | 5.7 |
| Business disposals | (19.5) |
| Other | 2.1 |
| Reclassification to assets held for sale | (118.6) |
| **Balance as of December 31, 2013** | **$6,862.9** |
| **Accumulated amortization and impairment losses** | |
| Balance as of December 31, 2011 | $3,450.1 |
| Impairment loss (note 7) | 171.5 |
| Balance as of December 31, 2012 | 3,621.6 |
| Impairment loss (note 7) | 249.8 |
| Reclassification to assets held for sale | (70.0) |
| **Balance as of December 31, 2013** | **$3,801.4** |
| **Net carrying amount** | |
| As of December 31, 2012 | $3,371.6 |
| **As of December 31, 2013** | **$3,061.5** |

The net carrying amount of goodwill as of December 31, 2013 and 2012 is allocated to the following significant groups of CGUs:

| Industry segment | Group of CGUs | 2013 | 2012 |
|---|---|---|---|
| Telecommunications | Telecommunications | **$2,570.3** | $2,570.3 |
| | Specialized websites | **—** | 19.5 |
| News Media | News Media | **405.0** | 682.6 |
| Broadcasting | Broadcasting | **3.6** | 3.1 |
| | Publishing | **41.5** | 37.3 |
| Leisure and Entertainment | Book publishing and distribution | **4.4** | 16.3 |
| | Music and entertainment events | **1.0** | 8.9 |
| Interactive Technologies and Communications | Interactive Technologies and Communications | **35.7** | 33.6 |
| **Total** | | **$3,061.5** | $3,371.6 |

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## 16. GOODWILL (continued)

Recoverable amounts

Recoverable amounts of CGUs were determined based on a value in use or a fair value less costs of disposal with respect to the impairment tests performed. The Corporation uses the discounted cash flow method to estimate the recoverable amount, consisting of future cash flows derived primarily from the most recent budget and three-year strategic plan approved by the Corporation's management and presented to the Board of Directors. These forecasts considered each CGU's past operating performance and market share as well as economic trends, along with specific and market industry trends and corporate strategies. A perpetual growth rate is used for cash flows beyond this three-year period. The discount rate used by the Corporation is a pre-tax rate derived from the weighted average cost of capital pertaining to each CGU, which reflects the current market assessment of (i) the time value of money, and (ii) the risk specific to the assets for which the future cash flow estimates have not been risk-adjusted. The perpetual growth rate was determined with regard to the specific markets in which the CGUs participate. The following key assumptions were used to determine recoverable amounts in the most recent impairment tests performed:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| **Group of CGUs** | **Pre-tax discount rate (WACC)** | **Perpetual growth rate** | Pre-tax discount rate (WACC) | Perpetual growth rate |
| Telecommunications: | | | | |
| Telecommunications[1] | **9.0%** | **3.0%** | 9.0% | 3.0% |
| Specialized websites | **—** | **—** | 17.9 | 2.0 |
| News Media | **12.7** | **0.0** | 12.9 | 0.0 |
| Broadcasting: | | | | |
| Broadcasting[1] | **11.3** | **1.0** | 11.3 | 1.0 |
| Publishing | **16.4** | **1.0** | 16.3 | 1.0 |
| Leisure and Entertainment: | | | | |
| Book publishing and distribution | **15.4** | **0.5** | 14.0 | 1.0 |
| Music | **14.5** | **0.5** | 14.9 | 0.5 |
| Interactive Technologies and Communications[1] | **17.1** | **4.0** | 17.1 | 4.0 |

[1] As allowed by IAS 36, *Impairment of assets*, recoverable amounts calculated in the 2012 annual impairment test were used in the tests performed in 2013 for these groups of CGUs. Accordingly, pre-tax discount rates and perpetual growth rates are the same in 2013 and 2012.

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## 16. GOODWILL (continued)

Sensitivity of recoverable amounts

The following table presents, for each principal group of CGUs, the change in the discount rate or in the perpetual growth rate used for the tests performed that would have been required in order for the recoverable amount to equal the carrying value of the CGU as of the most recent impairment tests in 2013:

| Group of CGUs[1] | Incremental increase in pre-tax discount rate (WACC) | Incremental decrease in perpetual growth rate |
|---|---|---|
| Telecommunications[2] | 4.1% | 4.3% |
| Broadcasting: | | |
| Broadcasting[2] | 3.4 | 4.1 |
| Publishing | 1.4 | 1.9 |
| Interactive Technologies and Communications[2] | 3.9 | 5.2 |

1 No sensitivity tests were performed for the News Media CGU and Book publishing and distribution CGU since impairment charges were recorded as a result of the latest impairment tests on these CGUs (note 7).

2 Since recoverable amounts calculated in the 2012 annual impairment test were used in the tests performed in 2013 for these groups of CGUs, sensitivity tests are the same than the ones disclosed in 2012.

## 17. OTHER ASSETS

| | Note | 2013 | 2012 |
|---|---|---|---|
| Programs, broadcast and distribution rights | | **$ 32.0** | $ 33.6 |
| Deferred connection costs | | **31.6** | 38.2 |
| Defined benefit plans | 29 | **11.4** | — |
| Other | | **26.7** | 30.3 |
| | | **$101.7** | $102.1 |

## 18. ACCOUNTS PAYABLE AND ACCRUED CHARGES

| | 2013 | 2012 |
|---|---|---|
| Trade and accruals | **$496.5** | $577.6 |
| Salaries and employee benefits | **146.9** | 160.6 |
| Interest payable | **37.6** | 33.6 |
| Stock-based compensation | **12.2** | 13.1 |
| | **$693.2** | $784.9 |

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## 19. PROVISIONS AND CONTINGENCIES

| | Restructuring of operations | Contingencies, legal disputes and other | Total |
|---|---|---|---|
| Balance as of December 31, 2012 | $ 34.6 | $ 15.0 | $ 49.6 |
| Net change in income | 25.8 | 3.0 | 28.8 |
| Payments | (34.9) | (2.0) | (36.9) |
| Other | — | 1.5 | 1.5 |
| **Balance as of December 31, 2013** | **$ 25.5** | **$ 17.5** | **$ 43.0** |
| **Current portion** | **$ 25.5** | **$ 13.9** | **$ 39.4** |
| **Non-current portion** | **—** | **3.6** | **3.6** |

The recognition of provisions, in terms of both timing and amounts, requires the exercise of judgment based on relevant circumstances and events that can be subject to change over time. Provisions are primarily comprised of the following:

Restructuring of operations

Provisions for restructuring activities primarily cover severance payments related to initiatives to eliminate positions in the News Media segment.

Contingencies and legal disputes

There are a number of legal proceedings against the Corporation and its subsidiaries that are pending. In the opinion of the management of the Corporation and its subsidiaries, the outcome of those proceedings is not expected to have a material adverse effect on the Corporation's results or on its financial position. Management of the Corporation, after taking legal advice, has established provisions for specific claims or actions considering the facts of each case. The Corporation cannot determine when and if a payment related to these provisions will be made.

Other

Other provisions are mainly related to contingent liability on business acquisition and decommissioning obligation.

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## 20. LONG-TERM DEBT

| | Effective interest rate as of December 31, 2013 | 2013 | 2012 |
|---|---|---|---|
| **Quebecor Media** | | | |
| Bank credit facilities (i) | 3.25% | **$ 371.9** | $ — |
| Other credit facility (ii) | 1.74% | **21.2** | 31.9 |
| Senior Notes (iii) (note 9) | (iii) | **2,133.1** | 2,303.7 |
| | | **2,526.2** | 2,335.6 |
| **Videotron** (iv) | | | |
| Bank credit facilities (v) | 2.78% | **48.2** | 58.9 |
| Senior Notes (iii) (note 9) | (iii) | **2,390.3** | 2,274.1 |
| | | **2,438.5** | 2,333.0 |
| **TVA Group Inc.** (iv) | | | |
| Bank credit facilities (vi) | 5.54% | **75.0** | 75.0 |
| **Other** | | **0.5** | — |
| **Total long-term debt** | | **5,040.2** | 4,743.6 |
| Adjustments related to embedded derivatives | | **(8.9)** | (254.5) |
| Financing fees, net of amortization | | **(55.3)** | (60.4) |
| | | **(64.2)** | (314.9) |
| | | **4,976.0** | 4,428.7 |
| **Less current portion** | | **(100.2)** | (21.3) |
| | | **$4,875.8** | $4,407.4 |

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
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## 20. LONG-TERM DEBT (continued)

**(i)** The bank credit facilities of Quebecor Media are comprised of (a) a US$350.0 million Senior Secured Term loan "B" facility issued in August 2013, bearing interest at U.S. London Interbank Offered Rate ("LIBOR"), subject to a LIBOR floor of 0.75%, plus a premium of 2.50% and (b) a $300.0 million revolving credit facility, bearing interest at Bankers' acceptance rate, LIBOR, Canadian prime rate or U.S. prime rate, plus a premium determined by a leverage ratio, and maturing in January 2017. The Term loan B facility provides for quarterly amortization payments totaling 1.00% per annum of the original principal amount, with the balance payable on August 17, 2020. These credit facilities contain covenants such as maintaining certain financial ratios, limitations on the Corporation's ability to incur additional indebtedness, pay dividends and make other distributions. They are collateralized by liens on all of the movable property and assets of the Corporation (primarily shares of its subsidiaries), now owned or hereafter acquired. As of December 31, 2013, the credit facilities of the Corporation were secured by assets with a carrying value of $4,668.4 million ($4,425.0 million in 2012). As of December 31, 2013 and 2012, no amount was drawn on the revolving credit facility, while the balance of the term loan "B" was $371.9 million (none in 2012).

**(ii)** The long-term credit facility for the CAN dollar equivalent of €59.4 million, bears interest at Bankers' acceptance rate, plus a premium, and matures in July 2015. The facility is secured by all the property and assets of the Corporation, now owned and hereafter acquired. This facility mostly contains the same covenants as the revolving credit facility described in (i).

**(iii)** The Senior Notes are unsecured and contain certain restrictions on the respective issuers, including limitations on their ability to incur additional indebtedness, pay dividends or make other distributions. Some notes are redeemable at the option of the issuer, in whole or in part, at a price based on a make-whole formula during the first five years of the term of the notes and at a decreasing premium thereafter, while the remaining notes are redeemable at a price based on a make-whole formula at any time prior to maturity. The notes issued by Videotron are guaranteed by specific subsidiaries of Videotron. The following table summarizes the terms of the outstanding Senior Notes as of December 31, 2013:

| Principal amount | Annual nominal interest rate | Effective interest rate (after discount or premium at issuance) | Maturity date | Interest payable every 6 months on |
|---|---|---|---|---|
| **Quebecor Media** | | | | |
| US$ 380.0 | 7.750% | 8.810% | March 15, 2016 | June and December 15 |
| $ 325.0[1] | 7.375% | 7.375% | January 15, 2021 | June and December 15 |
| US$ 850.0[2] | 5.750% | 5.750% | January 15, 2023 | June and December 15 |
| $ 500.0[2] | 6.625% | 6.625% | January 15, 2023 | June and December 15 |
| **Videotron** | | | | |
| US$ 175.0 | 6.375% | 6.444% | December 15, 2015 | June and December 15 |
| US$ 335.0 | 9.125% | 9.356% | April 15, 2018 | June and December 15 |
| $ 300.0 | 7.125% | 7.125% | January 15, 2020 | June and December 15 |
| $ 300.0[3] | 6.875% | 6.875% | July 15, 2021 | June and December 15 |
| US$ 800.0[4] | 5.000% | 5.000% | July 15, 2022 | January and July 15 |
| $ 400.0[5] | 5.625% | 5.625% | June 15, 2025 | April and October 15 |

[1] The notes were issued in January 2011 for net proceeds of $319.9 million, net of financing fees of $5.1 million.
[2] The notes were issued in October 2012 for net proceeds of $1,314.5 million, net of financing fees of $16.5 million.
[3] The notes were issued in July 2011 for net proceeds of $294.8 million, net of financing fees of $5.2 million.
[4] The notes were issued in March 2012 for net proceeds of $787.6 million, net of financing fees of $11.9 million.
[5] The notes were issued in June 2013 for net proceeds of $394.8 million, net of financing fees of $5.2 million.

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
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## 20. LONG-TERM DEBT (continued)

**(iv)** The debts of these subsidiaries are non-recourse to Quebecor Media.

**(v)** The bank credit facilities provide for a $575.0 million secured revolving credit facility that matures in July 2018 and a $75.0 million secured export financing facility providing for a term loan that matures in June 2018. The revolving credit facility bears interest at Bankers' acceptance rate, Canadian prime rate or U.S. prime rate, plus a margin, depending on Videotron's leverage ratio. Advances under the export financing facility bear interest at Bankers' acceptance rate plus a margin. The bank credit facilities are secured by a first ranking hypothec on the universality of all tangible and intangible assets, current and future, of Videotron and most of its wholly owned subsidiaries. As of December 31, 2013, the bank credit facilities were secured by assets with a carrying value of $7,013.7 million ($6,206.2 million in 2012). The bank credit facilities contain covenants such as maintaining certain financial ratios, limitations on Videotron's ability to incur additional indebtedness, pay dividends and make other distributions. On October 29, 2013, Videotron filed a letter of credit with Industry Canada which reduced Videotron's availability on the revolving credit facility as of December 31, 2013 (note 31). As of December 31, 2012, no amount was drawn on the revolving credit facility. As of December 31, 2013, $48.2 million ($58.9 million in 2012) was outstanding on the secured export financing facility.

**(vi)** The bank credit facilities of TVA Group Inc. ("TVA Group") are comprised of an unsecured revolving credit facility in the amount of $100.0 million, maturing in February 2017, and an unsecured term credit facility in the amount of $75.0 million, maturing in December 2014. TVA Group's revolving credit facility bears interest at floating rates based on Bankers' acceptance rate, LIBOR, Canadian prime rate or U.S. prime rate plus a premium determined by a leverage ratio, while the term loan bears interest at a rate of 5.54%, payable every six months on June 15 and December 15. The bank credit facilities contain covenants such as maintaining certain financial ratios, limitations on TVA Group's to incur additional indebtedness, pay dividends and make other distributions. As of December 31, 2013 and 2012, no amount was drawn on the revolving credit facility, and as of December 31, 2013 and 2012, $75.0 million was outstanding on the term credit facility.

On December 31, 2013, the Corporation and its subsidiaries were in compliance with all debt covenants.

Principal repayments of long-term debt over the coming years are as follows:

| | |
|---|---|
| 2014 | $ 100.2 |
| 2015 | 211.1 |
| 2016 | 412.7 |
| 2017 | 14.5 |
| 2018 | 362.8 |
| 2019 and thereafter | 3,938.9 |

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## 21. OTHER LIABILITIES

| | Note | 2013 | 2012 (restated, note 1 (b)) |
|---|---|---|---|
| Defined benefit plans | 29 | **$101.2** | $ 251.5 |
| Deferred revenue | | **33.8** | 49.5 |
| Stock-based compensation[1] | 23 | **8.7** | 5.0 |
| Other | | **12.1** | 23.5 |
| | | **$155.8** | $ 329.5 |

[1] The current portion of $12.2 million of stock-based compensation is included in accounts payable and accrued charges ($13.1 million in 2012) (note 18).

## 22. CAPITAL STOCK

### (a) Authorized capital stock

An unlimited number of Common Shares, without par value;

An unlimited number of non-voting Cumulative First Preferred Shares, without par value; the number of preferred shares in each series and the related characteristics, rights and privileges are determined by the Board of Directors prior to each issue:

- An unlimited number of Cumulative First Preferred Shares, Series A ("Preferred A Shares"), carrying a 12.5% annual fixed cumulative preferential dividend, redeemable at the option of the holder and retractable at the option of the Corporation;
- An unlimited number of Cumulative First Preferred Shares, Series B ("Preferred B Shares"), carrying a fixed cumulative preferential dividend generally equivalent to the Corporation's credit facility interest rate, redeemable at the option of the holder and retractable at the option of the Corporation;
- An unlimited number of Cumulative First Preferred Shares, Series C ("Preferred C Shares"), carrying an 11.25% annual fixed cumulative preferential dividend, redeemable at the option of the holder and retractable at the option of the Corporation;
- An unlimited number of Cumulative First Preferred Shares, Series D ("Preferred D Shares"), carrying an 11.0% annual fixed cumulative preferential dividend, redeemable at the option of the holder and retractable at the option of the Corporation;
- An unlimited number of Cumulative First Preferred Shares, Series F ("Preferred F Shares"), carrying a 10.85% annual fixed cumulative preferential dividend, redeemable at the option of the holder and retractable at the option of the Corporation;
- An unlimited number of Cumulative First Preferred Shares, Series G ("Preferred G Shares"), carrying a 10.85% annual fixed cumulative preferential dividend, redeemable at the option of the holder and retractable at the option of the Corporation;

An unlimited number of non-voting Preferred Shares, Series E ("Preferred E Shares"), carrying a non-cumulative dividend subsequent to the holders of Cumulative First Preferred Shares, redeemable at the option of the holder and retractable at the option of the Corporation.

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## 22. CAPITAL STOCK (continued)

### (b) Issued and outstanding capital stock

| | Common Shares | |
|---|---|---|
| | Number | Amount |
| Balance as of December 31, 2011 | 123,602,807 | $1,752.4 |
| Increase of stated capital | — | 3,175.0 |
| Redemption | (20,351,307) | (811.3) |
| **Balance as of December 31, 2012 and 2013** | **103,251,500** | **$4,116.1** |

On September 27, 2012, the Board of Directors approved a special resolution to increase the stated capital of the Corporation's Common Shares by $3,175.0 million and to reduce the contributed surplus of the Corporation by the same amount.

On October 11, 2012, the Corporation repurchased 20,351,307 of its Common Shares held by CDP Capital d'Amérique Investissement inc., a subsidiary of Caisse de dépôt et placement du Québec, for an aggregate purchase price of $1.0 billion paid in cash. All repurchased shares were cancelled. Transaction fees of $0.1 million and the excess of $188.7 million of the purchase price over the carrying value of the Common Shares repurchased were recorded in increase to the deficit.

### (c) Cumulative First Preferred Shares

All Cumulative First Preferred Shares are owned by subsidiaries of the Corporation and are eliminated on consolidation. As of December 31, 2013, 2012 and 2011, 1,630,000 Preferred G Shares were issued and outstanding for an amount of $1,630.0 million.

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## 23. STOCK-BASED COMPENSATION PLANS

### (a) Quebecor plans

(i) Stock option plan

Under a stock option plan established by the parent corporation, 13,000,000 of Class B Shares of the parent corporation have been set aside for directors, officers, senior employees, and other key employees of the parent corporation and its subsidiaries. The exercise price of each option is equal to the weighted average trading price of the parent corporation's Class B Shares on the Toronto Stock Exchange over the last five trading days immediately preceding the granting of the option. Each option may be exercised during a period not exceeding 10 years from the date granted. Options usually vest as follows: 1/3 after one year, 2/3 after two years, and 100% three years after the original grant. Holders of options under the stock option plan have the choice, when they exercise their options, of acquiring the Class B Shares at the corresponding option exercise price, or receiving a cash payment equivalent to the difference between the market value of the underlying shares and the exercise price of the option. The Board of Directors of the parent corporation may, at its discretion, affix different vesting periods at the time of each grant.

On August 14, 2013, a stock split on Quebecor's outstanding Class A and Class B Shares was performed on a two-for-one basis. Accordingly, all references to Quebecor share-based compensation information in these condensed consolidated financial statements have been retrospectively restated to reflect the impact of the stock split.

The following table gives details on changes to outstanding options for the years ended December 31, 2013 and 2012:

| | **2013** | | 2012 | |
|---|---|---|---|---|
| | **Options** | **Weighted average exercise price** | Options | Weighted average exercise price |
| Balance at beginning of year | **247,484** | **$ 17.86** | 713,914 | $ 13.50 |
| Granted | **822,959** | **22.23** | 98,893 | 18.43 |
| Exercised | **—** | **—** | (565,323) | 12.45 |
| **Balance at end of year** | **1,070,443** | **$ 21.22** | 247,484 | $ 17.86 |
| **Vested options at end of year** | **149,456** | **$ 17.68** | 58,246 | $ 17.46 |

During the year ended December 31, 2013, no stock options of Quebecor were exercised (565,323 stock options for a cash consideration of $3.3 million in 2012).

The following table gives summary information on outstanding options as of December 31, 2013:

| | **Outstanding options** | | | **Vested options** | |
|---|---|---|---|---|---|
| **Range of exercise price** | **Number** | **Weighted average years to maturity** | **Weighted average exercise price** | **Number** | **Weighted average exercise price** |
| **$17.36 to 22.23** | **1,070,443** | **8.93** | **$ 21.22** | **149,456** | **$ 17.68** |

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## 23. STOCK-BASED COMPENSATION PLANS (continued)

### (a) Quebecor plans (continued)

(ii) Mid-term stock-based compensation plan

Under the mid-term stock-based compensation plan, participants are entitled to receive a cash payment at the end of a three-year period based on the appreciation of the Quebecor Class B Share price, and subject to the achievement of certain non-market performance criteria. The following table provides details of changes to outstanding units in the mid-term stock-based compensation plan for the years ended December 31, 2013 and 2012:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Units | Weighted average exercise price | Units | Weighted average exercise price |
| Balance at beginning of year | **878,573** | **$ 15.99** | 577,298 | $ 15.66 |
| Granted | **590,409** | **22.08** | 301,275 | 16.61 |
| Exercised | **(337,224)** | **13.46** | — | — |
| **Balance at end of year** | **1,131,758** | **$ 19.92** | 878,573 | $ 15.99 |

During the year ended December 31, 2013, a cash consideration of $1.9 million was paid upon exercise of 337,224 units (none in 2012).

### (b) Quebecor Media stock option plan

Under a stock option plan established by the Corporation, 6,180,140 Common Shares of the Corporation have been set aside for officers, senior employees, directors, and other key employees of the Corporation and its subsidiaries. Each option may be exercised within a maximum period of 10 years following the date of grant at an exercise price not lower than, as the case may be, the fair market value of the Common Shares of Quebecor Media at the date of grant, as determined by its Board of Directors (if the Common Shares of Quebecor Media are not listed on a stock exchange at the time of the grant), or the five-day weighted average market price ending on the day preceding the date of grant of the Common Shares of the Corporation on the stock exchange(s) where such shares are listed at the time of grant. As long as the Common Shares of Quebecor Media are not listed on a recognized stock exchange, optionees may exercise their vested options during one of the following periods: from March 1 to March 30, from June 1 to June 29, from September 1 to September 29, and from December 1 to December 30. Holders of options under the plan have the choice at the time of exercising their options of receiving an amount in cash (equal to the difference between either the five-day weighted average market price ending on the day preceding the date of exercise of the Common Shares of the Corporation on the stock exchange(s) where such shares are listed at the time of exercise or the fair market value of the Common Shares, as determined by the Corporation's Board of Directors, and the exercise price of their vested options) or, subject to certain stated conditions, exercise their options to purchase Common Shares of Quebecor Media at the exercise price. Except under specific circumstances, and unless the Compensation Committee decides otherwise, options vest over a five-year period in accordance with one of the following vesting schedules as determined by the Compensation Committee at the time of grant: (i) equally over five years with the first 20% vesting on the first anniversary of the date of the grant; (ii) equally over four years with the first 25% vesting on the second anniversary of the date of grant; and (iii) equally over three years with the first 33 1/3% vesting on the third anniversary of the date of grant.

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## 23. STOCK-BASED COMPENSATION PLANS (continued)

### (b) Quebecor Media stock option plan (continued)

The following table gives details on changes to outstanding options granted as of December 31, 2013 and 2012:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Options | Weighted average exercise price | Options | Weighted average exercise price |
| Balance at beginning of year | **1,349,007** | **$ 45.02** | 2,768,712 | $ 43.85 |
| Granted | **921,711** | **57.60** | 146,000 | 52.06 |
| Exercised | **(554,309)** | **42.43** | (1,480,355) | 43.44 |
| Cancelled | **(69,100)** | **51.03** | (85,350) | 46.66 |
| **Balance at end of year** | **1,647,309** | **$ 52.67** | 1,349,007 | $ 45.02 |
| **Vested options at end of year** | **186,298** | **$ 45.12** | 251,266 | $ 45.36 |

During the year ended December 31, 2013, 554,309 of the Corporation's stock options were exercised for a cash consideration of $8.8 million (1,480,355 stock options for $12.5 million in 2012).

The following table gives summary information on outstanding options as of December 31, 2013:

| | Outstanding options | | | Vested options | |
|---|---|---|---|---|---|
| Range of exercise price | Number | Weighted average years to maturity | Weighted average exercise price | Number | Weighted average exercise price |
| $30.47 to 44.45 | 109,913 | 4.72 | $ 39.62 | 71,663 | $ 40.38 |
| $45.82 to 57.64 | 1,537,396 | 8.33 | 53.60 | 114,635 | 48.07 |
| **$30.47 to 57.64** | **1,647,309** | **8.09** | **$ 52.67** | **186,298** | **$ 45.12** |

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
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## 23. STOCK-BASED COMPENSATION PLANS (continued)

### (c) TVA Group stock option plan

Under this stock option plan, 2,200,000 Class B Shares of TVA Group have been set aside for senior executives and directors of TVA Group and its subsidiaries. The terms and conditions of options granted are determined by TVA Group's Compensation Committee. The subscription price of an option cannot be less than the closing price of Class B Shares on the Toronto Stock Exchange the day before the option is granted. Options granted prior to January 2006 usually vest equally over a four-year period, with the first 25% vesting on the second anniversary date of the date of grant. Beginning January 2006, and unless the Compensation Committee decides otherwise, options vest over a five-year period in accordance with one of the following vesting schedules as determined by the Compensation Committee at the time of grant: (i) equally over five years with the first 20% vesting on the first anniversary of the date of the grant; (ii) equally over four years with the first 25% vesting on the second anniversary of the date of grant; and (iii) equally over three years with the first 33 1/3% vesting on the third anniversary of the date of grant. The term of an option cannot exceed 10 years. Holders of options under the plan have the choice, at the time of exercising their options, of receiving a cash payment from TVA Group equal to the number of shares corresponding to the options exercised, multiplied by the difference between the market value of the Class B Shares and the exercise price of the option or, subject to certain conditions, exercise their options to purchase TVA Group Class B Shares at the exercise price. The market value is defined as the average closing market price of the Class B Shares for the last five trading days preceding the date on which the option was exercised.

The following table gives details on changes to outstanding options for the years ended December 31, 2013 and 2012:

| | **2013** | | 2012 | |
|---|---|---|---|---|
| | **Options** | **Weighted average exercise price** | Options | Weighted average exercise price |
| Balance at beginning of year | **819,421** | **$ 16.34** | 833,610 | $ 16.35 |
| Cancelled | **(128,345)** | **15.29** | (14,189) | 16.84 |
| **Balance at end of year** | **691,076** | **$ 16.54** | 819,421 | $ 16.34 |
| **Vested options at end of year** | **691,076** | **$ 16.54** | 819,421 | $ 16.34 |

The following table gives summary information on outstanding options as of December 31, 2013:

| | **Outstanding options** | | | **Vested options** | |
|---|---|---|---|---|---|
| **Range of exercise price** | **Number** | **Weighted average years to maturity** | **Weighted average exercise price** | **Number** | **Weighted average exercise price** |
| $14.50 to 16.40 | 504,945 | 3.46 | $ 14.92 | 504,945 | $ 14.92 |
| $20.50 to 21.38 | 186,131 | 0.86 | 20.92 | 186,131 | 20.92 |
| **$14.50 to 21.38** | **691,076** | **2.76** | **$ 16.54** | **691,076** | **$ 16.54** |

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## 23. STOCK-BASED COMPENSATION PLANS (continued)

### (d) Assumptions in estimating the fair value of stock-based awards

The fair value of stock-based awards under the stock option plans of the parent corporation, Quebecor Media and TVA Group was estimated using the Black-Scholes option pricing model. The following weighted-average assumptions were used to estimate the fair value of all outstanding stock options under the stock option plans as of December 31, 2013 and 2012:

| **December 31, 2013** | **Quebecor** | **Quebecor Media** | **TVA Group** |
|---|---|---|---|
| Risk-free interest rate | **2.02%** | **1.75%** | **1.05%** |
| Dividend yield | **0.38%** | **1.55%** | **— %** |
| Expected volatility | **28.34%** | **23.26%** | **32.56%** |
| Expected remaining life | **4.9 years** | **4.0 years** | **1.0 year** |

| **December 31, 2012** | Quebecor | Quebecor Media | TVA Group |
|---|---|---|---|
| Risk-free interest rate | 1.46% | 1.29% | 1.13% |
| Dividend yield | 0.52% | 1.71% | — % |
| Expected volatility | 31.99% | 23.88% | 37.05% |
| Expected remaining life | 4.5 years | 3.0 years | 1.4 year |

Except for Quebecor Media, the expected volatility is based on the historical volatility of the underlying share price for a period equivalent to the expected remaining life of the options. Since the Common Shares of Quebecor Media are not publicly traded on a stock exchange, expected volatility is derived from the implied volatility of Quebecor's stock. The expected remaining life of options granted represents the period of time that options granted are expected to be outstanding. The risk-free rate over the expected remaining life of the option is based on the Government of Canada yield curve in effect at the time of the valuation. Dividend yield is based on the current average yield.

### (e) Liability of vested options

As of December 31, 2013, the liability for all vested options was $4.7 million as calculated using the intrinsic value ($3.1 million as of December 31, 2012).

### (f) Consolidated compensation charge

For the year ended December 31, 2013, a consolidated charge related to all stock-based compensation plans was recorded in the amount of $13.9 million ($8.7 million in 2012 and net reversal of $4.3 million in 2011).

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## 24. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

| | Translation of net investments in foreign operations | Cash flow hedges | Defined benefit plans | Total |
|---|---|---|---|---|
| Balance as of December 31, 2010, as previously reported | $ (2.9) | $ 27.5 | $ — | $ 24.6 |
| Changes in accounting policies (note 1 (b)) | — | — | (40.4) | (40.4) |
| Balance as of December 31, 2010, as restated | (2.9) | 27.5 | (40.4) | (15.8) |
| Other comprehensive income (loss) | 1.6 | (10.9) | (49.7) | (59.0) |
| Balance as of December 31, 2011 | (1.3) | 16.6 | (90.1) | (74.8) |
| Other comprehensive (loss) income | (1.4) | 21.2 | (12.1) | 7.7 |
| Balance as of December 31, 2012 | (2.7) | 37.8 | (102.2) | (67.1) |
| Other comprehensive income (loss) | 4.4 | (59.7) | 91.6 | 36.3 |
| **Balance as of December 31, 2013** | **$ 1.7** | **$ (21.9)** | **$ (10.6)** | **$(30.8)** |

No significant amount is expected to be reclassified in income over the next 12 months in connection with derivatives designated as cash flow hedges. The balance is expected to reverse over a nine-year period.

## 25. COMMITMENTS

The Corporation rents premises and equipment under operating leases and has entered into long-term commitments to purchase services, capital equipment, broadcasting rights, and to pay royalties on an out-of-home advertisement contract. Rent payments include an amount of $69.9 million for future payments to the parent company. The operating leases have various terms, escalation clauses, purchase options and renewal rights. The minimum payments for the coming years are as follows:

| | Leases | Other commitments |
|---|---|---|
| 2014 | $ 61.7 | $ 149.3 |
| 2015 to 2018 | 149.8 | 511.9 |
| 2019 and thereafter | 156.1 | 707.7 |

The Corporation and its subsidiaries' operating lease expenses amounted to $76.9 million in 2013 ($76.4 million in 2012 and $72.5 million in 2011).

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## 26. GUARANTEES

In the normal course of business, the Corporation enters into numerous agreements containing guarantees, including the following:

*Operating leases*

The Corporation has guaranteed a portion of the residual values of certain assets under operating leases for the benefit of the lessor. Should the Corporation terminate these leases prior to term (or at the end of the lease terms) and should the fair value of the assets be less than the guaranteed residual value, then the Corporation must, under certain conditions, compensate the lessor for a portion of the shortfall. In addition, the Corporation has provided guarantees to the lessor of certain premises leases with expiry dates through 2018. Should the lessee default under the agreement, the Corporation must, under certain conditions, compensate the lessor. As of December 31, 2013, the maximum exposure with respect to these guarantees was $19.0 million and no liability has been recorded in the consolidated balance sheet.

*Business and asset disposals*

In the sale of all or part of a business or an asset, in addition to possible indemnification relating to failure to perform covenants and breach of representations or warranties, the Corporation may agree to indemnify against claims related to the past conduct of the business. Typically, the term and amount of such indemnification will be limited by the agreement. The nature of these indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay to guaranteed parties. The Corporation has not accrued any amount in respect of these items in the consolidated balance sheet.

*Outsourcing companies and suppliers*

In the normal course of its operations, the Corporation enters into contractual agreements with outsourcing companies and suppliers. In some cases, the Corporation agrees to provide indemnifications in the event of legal procedures initiated against them. In other cases, the Corporation provides indemnification to counterparties for damages resulting from the outsourcing companies and suppliers. The nature of the indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay. No amount has been accrued in the consolidated balance sheet with respect to these indemnifications.

## 27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Corporation's financial risk management policies have been established in order to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and in the Corporation's activities.

The Corporation uses a number of financial instruments, mainly cash and cash equivalents, trade receivables, long-term investments, bank indebtedness, trade payables, accrued liabilities, long-term debt and derivative financial instruments. As a result of their use of financial instruments, the Corporation and its subsidiaries are exposed to credit risk, liquidity risk and market risks relating to foreign exchange fluctuations and interest rate fluctuations.

In order to manage its foreign exchange and interest rate risks, the Corporation and its subsidiaries use derivative financial instruments (i) to set in CAN dollars future payments on debts denominated in U.S. dollars (interest and principal) and certain purchases of inventories and other capital expenditures denominated in a foreign currency, (ii) to achieve a targeted balance of fixed- and floating-rate debts, and (iii) to lock-in the value of certain derivative financial instruments through offsetting transactions. The Corporation and its subsidiaries do not intend to settle their derivative financial instruments prior to their maturity as none of these instruments is held or issued for speculative purposes.

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
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## 27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

### (a) Description of derivative financial instruments

(i) Foreign exchange forward contracts

| Maturity | CAN dollar average exchange rate per one U.S. dollar | Notional amount sold | Notional amount bought |
|---|---|---|---|
| **Quebecor Media** | | | |
| 2016[1] | 1.0154 | US$ 320.0 | $ 324.9 |
| **Videotron** | | | |
| Less than 1 year | 1.0454 | $ 85.6 | US$ 81.9 |
| 2014[2] | 1.0151 | US$ 395.0 | $ 401.0 |

(ii) Cross-currency interest rate swaps

| Hedged item | Hedging instrument | | | | |
|---|---|---|---|---|---|
| | Period covered | Notional amount | | Annual interest rate on notional amount in CAN dollars | CAN dollar exchange rate on interest and capital payments per one U.S. dollar |
| **Quebecor Media** | | | | | |
| 7.750% Senior Notes due 2016 | 2007 to 2016 | US$ | 380.0 | 7.69% | 1.0001 |
| 5.750% Senior Notes due 2023[1] | 2007 to 2016 | US$ | 320.0 | 7.69% | 0.9977 |
| 5.750% Senior Notes due 2023 | 2016 to 2023 | US$ | 431.3 | 7.27% | 0.9792 |
| 5.750% Senior Notes due 2023 | 2012 to 2023 | US$ | 418.7 | 6.85% | 0.9759 |
| Term loan "B" | 2013 to 2020 | US$ | 349.1 | Bankers' acceptances 3 months + 2.77% | 1.0346 |

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## 27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

### (a) Description of derivative financial instruments (continued)

(ii) Cross-currency interest rate swaps (continued)

| Hedged item | Hedging instrument | | | | |
|---|---|---|---|---|---|
| | Period covered | Notional amount | | Annual interest rate on notional amount in CAN dollars | CAN dollar exchange rate on interest and capital payments per one U.S. dollar |
| **Videotron** | | | | | |
| 5.000% Senior Notes due 2022[2] | 2003 to 2014 | US$ | 200.0 | Bankers' acceptances 3 months + 2.73% | 1.3425 |
| 5.000% Senior Notes due 2022[2] | 2004 to 2014 | US$ | 60.0 | Bankers' acceptances 3 months + 2.80% | 1.2000 |
| 5.000% Senior Notes due 2022[2] | 2003 to 2014 | US$ | 135.0 | 7.66% | 1.3425 |
| 6.375% Senior Notes due 2015 | 2005 to 2015 | US$ | 175.0 | 5.98% | 1.1781 |
| 9.125% Senior Notes due 2018 | 2008 to 2018 | US$ | 75.0 | 9.64% | 1.0215 |
| 9.125% Senior Notes due 2018 | 2009 to 2018 | US$ | 260.0 | 9.12% | 1.2965 |
| 5.000% Senior Notes due 2022 | 2014 to 2022 | US$ | 543.1 | 6.01% | 0.9983 |
| 5.000% Senior Notes due 2022 | 2012 to 2022 | US$ | 256.9 | 5.81% | 1.0016 |

[1] The Corporation initially entered into these cross-currency interest rate swaps to hedge the foreign currency risk exposure under Senior Notes redeemed in 2012. These swaps are now used to set in CAN dollars all coupon payments through 2016 on US$431.3 million of notional amount under its 5.75% Senior Notes due 2023 and issued on October 11, 2012. In conjunction with the repurposing of these swaps, the Corporation has entered into US$320.0 million offsetting foreign exchange forward contracts to lock-in the value of its hedging position related to the March 15, 2016 notional exchange.

[2] Videotron initially entered into these cross-currency interest rate swaps to hedge the foreign currency risk exposure under Senior Notes redeemed in 2012. These swaps are now used to set in CAN dollars all coupon payments through 2014 on US$543.1 million of notional amount under its 5.00% Senior Notes due 2022 and issued on March 14, 2012. In conjunction with the repurposing of these swaps, Videotron has entered into US$395.0 million offsetting foreign exchange forward contracts to lock-in the value of its hedging position related to the January 15, 2014 notional exchange.

Certain cross-currency interest rate swaps entered into by the Corporation and its subsidiaries include an option that allows each party to unwind the transaction on a specific date at the then settlement amount.

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## 27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

### (b) Fair value of financial instruments

In accordance with IFRS 7, *Financial Instruments: Disclosures*, the Corporation has considered the following fair value hierarchy that reflects the significance of the inputs used in measuring its other financial instruments accounted for at fair value in the consolidated balance sheets:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs that are not based on observable market data (unobservable inputs).

The fair value of long-term debt is estimated based on quoted market prices when available or on valuation models using Level 2 inputs. When the Corporation uses valuation models, the fair value is estimated using discounted cash flows using year-end market yields or the market value of similar instruments with the same maturity.

The fair value of cash equivalents and bank indebtedness classified as held for trading and accounted for at their fair value on the consolidated balance sheets, is determined using Level 2 inputs.

The fair value of derivative financial instruments recognized on the consolidated balance sheets is estimated as per the Corporation's valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative instrument and factors observable in external markets data, such as period-end swap rates and foreign exchange rates (Level 2 inputs). An adjustment is also included to reflect non-performance risk impacted by the financial and economic environment prevailing at the date of the valuation in the recognized measure of the fair value of the derivative instruments by applying a credit default premium estimated using a combination of observable and unobservable inputs in the market (Level 3 inputs) to the net exposure of the counterparty or the Corporation. Derivative financial instruments, which were classified as Level 3 in 2012, are now classified as Level 2 since unobservable inputs have no longer a significant impact on the fair value of these instruments.

The fair value of early settlement options recognized as embedded derivatives is determined by option pricing models using Level 2 market inputs, including volatility, discount factors and underlying instruments adjusted implicit interest rate and credit premium.

The carrying value and fair value of long term debt and derivative financial instruments as of December 31, 2013 and 2012 are as follows:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| **Asset (liability)** | **Carrying value** | **Fair value** | Carrying value | Fair value |
| **Long-term debt**[1] | **$(5,040.2)** | **$(5,085.1)** | $(4,743.6) | $(5,007.6) |
| **Derivative financial instruments**[2] | | | | |
| Early settlement options | **14.5** | **14.5** | 264.9 | 264.9 |
| Foreign exchange forward contracts[3] | **1.8** | **1.8** | 0.1 | 0.1 |
| Cross-currency interest rate swaps[3] | **(53.2)** | **(53.2)** | (263.0) | (263.0) |

1 The carrying value of long-term debt excludes embedded derivatives and financing fees.
2 The fair value of derivative financial instruments designated as hedges is an asset position of $18.6 million as of December 31, 2013 (a liability position of $168.9 million as of December 31, 2012).
3 The value of foreign exchange forward contracts entered into to lock-in the value of existing hedging positions is netted from the value of the offset financial instruments.

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## 27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

### (c) Credit risk management

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial asset fails to meet its contractual obligations.

In the normal course of business, the Corporation continuously monitors the financial condition of its customers and reviews the credit history of each new customer. As of December 31, 2013, no customer balance represented a significant portion of the Corporation's consolidated trade receivables. The Corporation establishes an allowance for doubtful accounts based on the specific credit risk of its customers and historical trends. The allowance for doubtful accounts amounted to $28.4 million as of December 31, 2013 ($29.6 million as of December 31, 2012). As of December 31, 2013, 9.8% of trade receivables were 90 days past their billing date (9.9% as of December 31, 2012).

The following table shows changes to the allowance for doubtful accounts for the years ended December 31, 2013 and 2012:

| | **2013** | 2012 |
|---|---|---|
| Balance as of beginning of year | **$ 29.6** | $ 30.4 |
| Charged to income | **41.3** | 35.0 |
| Utilization | **(42.5)** | (35.8) |
| **Balance as of end of year** | **$ 28.4** | $ 29.6 |

The Corporation believes that the diversity of its customer base and its product lines are instrumental in reducing its credit risk, as well as the impact of fluctuations in product-line demand. The Corporation does not believe that it is exposed to an unusual level of customer credit risk.

As a result of their use of derivative financial instruments, the Corporation and its subsidiaries are exposed to the risk of non-performance by a third party. When the Corporation and its subsidiaries enter into derivative contracts, the counterparties (either foreign or Canadian) must have credit ratings at least in accordance with the Corporation's risk management policy and are subject to concentration limits. These credit ratings and concentration limits are monitored on an ongoing basis but at least quarterly.

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## 27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

### (d) Liquidity risk management

Liquidity risk is the risk that the Corporation and its subsidiaries will not be able to meet their financial obligations as they fall due or the risk that those financial obligations will have to be met at excessive cost. The Corporation and its subsidiaries manage this exposure through staggered debt maturities. The weighted average term of the Corporation's consolidated debt was approximately 7.0 years as of December 31, 2013 (7.1 years as of December 31, 2012).

The Corporation's management believes that cash flows and available sources of financing should be sufficient to cover committed cash requirements for capital investments, working capital, interest payments, debt repayments, pension plan contributions, and dividends (or distributions) in the future. The Corporation has access to cash flows generated by its subsidiaries through dividends (or distributions) and cash advances paid by its wholly owned subsidiaries.

As of December 31, 2013, material contractual obligations related to financial instruments included capital repayment and interest on long-term debt and obligations related to derivative instruments, less estimated future receipts on derivative instruments. These obligations and their maturities are as follows:

| | Total | Less than 1 year | 1-3 year | 3-5 years | 5 years or more |
|---|---|---|---|---|---|
| Accounts payable and accrued charges | **$ 693.2** | $ 693.2 | $ — | $ — | $ — |
| Long-term debt[1] | **5,040.2** | 100.2 | 623.8 | 377.3 | 3,938.9 |
| Interest payments[2] | **2,310.0** | 291.2 | 617.2 | 539.0 | 862.6 |
| Derivative instruments[3] | **26.0** | 116.6 | (15.1) | 60.3 | (135.8) |
| **Total** | **$8,069.4** | **$1,201.2** | **$1,225.9** | **$ 976.6** | **$4,665.7** |

1 The carrying value of long-term debt excludes embedded derivatives and financing fees.
2 Estimate of interest to be paid on long-term debt is based on hedged and unhedged interest rates and hedged foreign exchange rates as of December 31, 2013.
3 Estimated future disbursements, net of future receipts, on derivative financial instruments related to foreign exchange hedging.

### (e) Market risk

Market risk is the risk that changes in market prices due to foreign exchange rates, interest rates and/or equity prices will affect the value of the Corporation's financial instruments. The objective of market risk management is to mitigate and control exposures within acceptable parameters while optimizing the return on risk.

*Foreign currency risk*

Most of the Corporation's consolidated revenues and expenses, other than interest expense on U.S.-dollar-denominated debt, purchases of set-top boxes, handsets and cable modems and certain capital expenditures, are received or denominated in CAN dollars. A significant portion of the interest, principal and premium, if any, payable on its debt is payable in U.S. dollars. The Corporation and its subsidiaries have entered into transactions to hedge the foreign currency risk exposure on their U.S.-dollar-denominated debt obligations outstanding as of December 31, 2013, to hedge their exposure on certain purchases of set-top boxes, handsets, cable modems and capital expenditures, and to lock-in the value of certain derivative financial instruments through offsetting transactions. Accordingly, the Corporation's sensitivity to variations in foreign exchange rates is economically limited.

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## 27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

### (e) Market risk (continued)

*Foreign currency risk (continued)*

The following table summarizes the estimated sensitivity on income and other comprehensive income, before income tax, of a variance of $0.10 in the year-end exchange rate of a CAN dollar per one U.S. dollar as of December 31, 2013:

| Increase (decrease) | Income | Other comprehensive income |
|---|---|---|
| **Increase of $0.10** | | |
| U.S.-dollar-denominated accounts payable | **$ (0.8)** | **$ —** |
| Gain on valuation and translation of financial instruments and derivative financial instruments | **1.4** | **46.3** |
| **Decrease of $0.10** | | |
| U.S.-dollar-denominated accounts payable | **0.8** | **—** |
| Gain on valuation and translation of financial instruments and derivative financial instruments | **(1.4)** | **(46.3)** |

*Interest rate risk*

Some of the Corporation's and its subsidiaries' revolving and bank credit facilities bear interest at floating rates based on the following reference rates: (i) Bankers' acceptance rate, (ii) LIBOR, (iii) Canadian prime rate, and (iv) U.S. prime rate. The Senior Notes issued by the Corporation and its subsidiaries bear interest at fixed rates. The Corporation and its subsidiaries have entered into cross-currency interest rate swap agreements in order to manage cash flow risk exposure. As of December 31, 2013, after taking into account the hedging instruments, long-term debt was comprised of 82.6% fixed-rate debt (90.9% in 2012) and 17.4% floating-rate debt (9.1% in 2012).

The estimated sensitivity on interest payments, of a 100 basis-point variance in the year-end Canadian Bankers' acceptance rate as of December 31, 2013 is $8.6 million.

The estimated sensitivity on income and other comprehensive income, before income tax, of a 100 basis-point variance in the discount rate used to calculate the fair value of financial instruments as of December 31, 2013, as per the Corporation's valuation models, is as follows:

| Increase (decrease) | Income | Other comprehensive income |
|---|---|---|
| Increase of 100 basis points | **$ —** | **$ (7.2)** |
| Decrease of 100 basis points | **—** | **7.2** |

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## 27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

### (f) Capital management

The Corporation's primary objective in managing capital is to maintain an optimal capital base in order to support the capital requirements of its various businesses, including growth opportunities.

In managing its capital structure, the Corporation takes into account the asset characteristics of its subsidiaries and planned requirements for funds, leveraging their individual borrowing capacities in the most efficient manner to achieve the lowest cost of financing. Management of the capital structure involves the issuance of new debt, the repayment of existing debt using cash flows generated by operations, and the level of distributions to shareholders. The Corporation has not significantly changed its strategy regarding the management of its capital structure since the last financial year.

The Corporation's capital structure is composed of equity, long-term debt, net assets and liabilities related to derivative financial instruments, less cash and cash equivalents. The capital structure as of December 31, 2013 and 2012 is as follows:

| | **2013** | 2012 (restated, note 1 (b)) |
|---|---|---|
| Long-term debt | **$4,976.0** | $4,428.7 |
| Derivative financial instruments | **51.4** | 262.9 |
| Cash and cash equivalents | **(476.6)** | (228.7) |
| Net liabilities | **4,550.8** | 4,462.9 |
| Equity | **$1,956.8** | $2,160.4 |

The Corporation is not subject to any externally imposed capital requirements other than certain restrictions under the terms of its borrowing agreements, which relate, among other things, to permitted investments, inter-corporation transactions, the declaration and payment of dividends or other distributions.

## 28. RELATED PARTY TRANSACTIONS

Key management personnel compensation

Key management personnel comprise members of the Board of Directors and key senior management of the Corporation and its main subsidiaries. Their compensation is as follows:

| | **2013** | 2012 | 2011 |
|---|---|---|---|
| Salaries and short-term benefits | **$ 9.2** | $ 7.7 | $ 8.0 |
| Share-based compensation | **10.6** | 5.3 | (0.3) |
| Other long-term benefits | **2.5** | 2.7 | 2.3 |
| | **$22.3** | $15.7 | $10.0 |

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Years ended December 31, 2013, 2012 and 2011
(tabular amounts in millions of Canadian dollars, except for option data)

## 28. RELATED PARTY TRANSACTIONS (continued)

Operating transactions

During the year ended December 31, 2013, the Corporation and its subsidiaries made purchases and incurred rent charges with the parent corporation and affiliated companies in the amount of $12.1 million ($14.4 million in 2012 and $11.7 million in 2011), which are included in purchase of goods and services. The Corporation and its subsidiaries made sales to an affiliated corporation in the amount of $3.5 million ($3.8 million in 2012 and $3.2 million in 2011). These transactions were accounted for at the consideration agreed between parties.

Management arrangements

The parent corporation has entered into management arrangements with the Corporation. Under these management arrangements, the parent corporation and the Corporation provide management services to each other on a cost-reimbursement basis. The expenses subject to reimbursement include the salaries of the Corporation's executive officers, who also serve as executive officers of the parent corporation. In 2013, the Corporation received an amount of $1.8 million, which is included as a reduction in employee costs ($1.7 million in 2012 and $2.0 million in 2011), and incurred management fees of $2.0 million ($1.1 million in 2012 and 2011) with the shareholders.

Tax transactions

In 2013, the parent corporation transferred $29.0 million of non-capital losses ($43.4 million in 2012 and none in 2011) to the Corporation and its subsidiaries in exchange for a total cash consideration of $6.9 million ($10.2 million in 2012 and none in 2011). This transaction was concluded on terms equivalent to those that prevail on an arm's length basis and was accounted for at the consideration agreed between the parties. As a result, the Corporation recorded a reduction of $0.9 million in its income tax expense in 2013 ($1.5 million in 2012 and none in 2011).

(tabular amounts in millions of Canadian dollars, except for option data)

## 29. PENSION PLANS AND POSTRETIREMENT BENEFITS

The Corporation maintains various flat-benefit plans, various final-pay plans with indexation features from zero to 2%, and defined contribution plans. The Corporation also provides postretirement benefits to eligible retired employees. The Corporation's funding policy for its funded pension plans is to maintain its contribution at a level sufficient to cover benefits and to meet requirements of the applicable regulations and plan provisions that govern the funding of the plans.

By their design, the defined benefit plans expose the Corporation to the typical risks faced by defined benefit plans, such as investment performance, changes to the discount rates used to value the obligation, longevity of plan participants, and future inflation. Under the Corporation's rules of governance, oversight of pension plan policies and risk management are performed at different levels through the pension committees, the Corporation's management, or the Audit Committee. The benefit pension plans are monitored on an ongoing basis to assess the benefit, funding and investment policies, financial status, and the Corporation's funding requirement.

The following tables show a reconciliation of the changes in the plans' benefit obligations and the fair value of plan assets for the years ended December 31, 2013 and 2012:

| | Pension benefits | | Postretirement benefits | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| **Change in benefit obligations** | | | | |
| Benefit obligations at beginning of year | **$1,006.5** | $ 906.2 | **$ 60.6** | $ 54.7 |
| Service costs | **38.6** | 35.1 | **1.3** | 1.2 |
| Interest costs | **49.3** | 43.9 | **2.5** | 2.6 |
| Plan participants' contributions | **15.0** | 15.9 | **—** | — |
| Actuarial loss (gain) arising from: | | | | |
| Demographic assumptions | **25.9** | — | **2.1** | — |
| Financial assumptions | **(89.4)** | 53.9 | **(5.5)** | 3.4 |
| Participant experience | **(13.0)** | (3.2) | **(2.5)** | — |
| Benefits and settlements paid | **(54.4)** | (46.6) | **(1.4)** | (1.3) |
| Plan amendments and other | **1.1** | 1.3 | **(2.8)** | — |
| **Benefit obligations at end of year** | **$ 979.6** | $1,006.5 | **$ 54.3** | $ 60.6 |
| **Change in plan assets** | | | | |
| Fair value of plan assets at beginning of year | **$ 815.6** | $ 720.1 | **$ —** | $ — |
| Actual return on plan assets | **129.5** | 68.1 | **—** | — |
| Employer contributions | **71.0** | 58.1 | **1.4** | 1.3 |
| Plan participants' contributions | **15.0** | 15.9 | **—** | — |
| Benefits and settlements paid | **(54.4)** | (46.6) | **(1.4)** | (1.3) |
| **Fair value of plan assets at end of year** | **$ 976.7** | $ 815.6 | **$ —** | $ — |

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Years ended December 31, 2013, 2012 and 2011
(tabular amounts in millions of Canadian dollars, except for option data)

## 29. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

As of December 31, 2013, the weighted average duration of defined benefit obligation was 15.7 years (16.5 years in 2012). The Corporation expects future benefit payments of $52.7 million in 2014.

The Corporation's investment strategy for plan assets takes into account a number of factors, including the time horizon of the pension plans' obligations and the investment risk. For each of the plans, an allocation range by asset class is developed, whereby a mix of equities and fixed-income investments is used to optimize the risk-return profile of plan assets and to mitigate asset-liability mismatch.

Plan assets are comprised of:

| | **2013** | 2012 |
|---|---|---|
| Equity securities: | | |
| Canadian | **24.0%** | 23.9% |
| Foreign | **34.3** | 32.8 |
| Debt securities | **38.6** | 39.8 |
| Other | **3.1** | 3.5 |
| | **100.0%** | 100.0% |

The fair value of plan assets is principally based on quoted prices in an active market.

Where funded plans have a net defined benefit asset, the Corporation determines if potential reductions in future contributions are permitted by applicable regulations and by collective bargaining agreements. When a defined benefit asset is created, it cannot exceed the future economic benefit that the Corporation can expect to obtain from the asset. The future economic benefit represents the value of reductions in future contributions and expenses payable to the pension fund. It does not reflect gains that could be generated in the future that would allow reductions in contributions by the Corporation. When there is a minimum funding requirement, this could also limit the amount recognized in the balance sheet. A minimum funding requirement represents the present value of amortization payments based on the most recent actuarial financing reports filed.

The reconciliation of funded status to the net amount recognized in the consolidated balance sheets is as follows:

| | Pension benefits | | Postretirement benefits | |
|---|---|---|---|---|
| | **2013** | 2012 (restated, note 1 (b)) | **2013** | 2012 (restated, note 1 (b)) |
| Benefit obligations | **$(979.6)** | $(1,006.5) | **$ (54.3)** | $ (60.6) |
| Fair value of plan assets | **976.7** | 815.6 | **—** | — |
| Plan deficit | **(2.9)** | (190.9) | **(54.3)** | (60.6) |
| Asset limit and minimum funding adjustment | **(32.6)** | — | **—** | — |
| **Net amount recognized**[1] | **$ (35.5)** | $ (190.9) | **$ (54.3)** | $ (60.6) |

[1] The net amount recognized for 2013 consists of a liability of $101.2 million ($251.5 million in 2012) included in other liabilities (note 21) and of an asset of $11.4 million (none in 2012) included in other assets (note 17).

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Years ended December 31, 2013, 2012 and 2011
(tabular amounts in millions of Canadian dollars, except for option data)

## 29. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Components of re-measurements are as follows:

| | Pension benefits | | | Postretirement benefits | | |
|---|---|---|---|---|---|---|
| | **2013** | 2012 (restated, note 1 (b)) | 2011 (restated, note 1 (b)) | **2013** | 2012 (restated, note 1 (b)) | 2011 (restated, note 1 (b)) |
| Actuarial gain (loss) on benefit obligations | **$ 76.5** | $ (50.7) | $ (39.7) | **$ 5.9** | $ (3.4) | $ (11.6) |
| Actual return on plan assets, excluding interest income calculated as part of the interest on net defined benefit liability | **91.8** | 36.1 | (27.3) | **—** | — | — |
| Asset limit and minimum funding adjustment | **(32.6)** | — | 1.8 | **—** | — | — |
| **Re-measurements recorded in other comprehensive income** | **$135.7** | $ (14.6) | $ (65.2) | **$ 5.9** | $ (3.4) | $ (11.6) |

Components of the net benefit costs are as follows:

| | Pension benefits | | | Postretirement benefits | | |
|---|---|---|---|---|---|---|
| | **2013** | 2012 (restated, note 1 (b)) | 2011 (restated, note 1 (b)) | **2013** | 2012 (restated, note 1 (b)) | 2011 (restated, note 1 (b)) |
| Employee costs: | | | | | | |
| Service costs | **$ 38.6** | $ 35.1 | $ 26.5 | **$ 1.3** | $ 1.2 | $ 0.8 |
| Curtailment loss (gain) and other | **2.5** | 3.7 | 2.3 | **(2.9)** | (0.2) | (6.4) |
| Interest on net defined benefit liability | **9.8** | 9.7 | 7.7 | **2.5** | 2.6 | 2.1 |
| **Net benefit costs** | **$ 50.9** | $ 48.5 | $ 36.5 | **$ 0.9** | $ 3.6 | $ (3.5) |

The expense related to defined contribution pension plans amounted to $15.1 million in 2013 ($14.1 million in 2012 and $13.2 million in 2011).

The expected employer contributions to the Corporation's defined benefit pension plans and post-retirement benefits plans will be $66.2 million in 2014 based on the most recent financial actuarial reports filed (contributions of $72.4 million were paid in 2013).

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Years ended December 31, 2013, 2012 and 2011
(tabular amounts in millions of Canadian dollars, except for option data)

## 29. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Assumptions

The Corporation determines its assumption for the discount rate to be used for purposes of computing annual service and interest costs based on an index of high-quality corporate bond-yield and matched-funding yield curve analysis as of the measurement date.

The actuarial assumptions used in measuring the Corporation's benefit obligations as of December 31, 2013, 2012 and 2011 and current periodic benefit costs are as follows:

| | Pension benefits | | | Postretirement benefits | | |
|---|---|---|---|---|---|---|
| | **2013** | 2012 | 2011 | **2013** | 2012 | 2011 |
| **Benefit obligations** | | | | | | |
| Rates as of year-end: | | | | | | |
| Discount rate | **4.90%** | 4.40% | 4.75% | **4.90%** | 4.40% | 4.75% |
| Rate of compensation increase | **3.00** | 3.25 | 3.25 | **3.00** | 3.25 | 3.25 |
| **Current periodic costs** | | | | | | |
| Rates as of preceding year-end: | | | | | | |
| Discount rate | **4.40%** | 4.75% | 5.25% | **4.40%** | 4.75% | 5.25% |
| Rate of compensation increase | **3.25** | 3.25 | 3.25 | **3.25** | 3.25 | 3.25 |

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligations was 7.6% at the end of 2013. These costs, as per the estimate, are expected to decrease gradually over the next 13 years to 5.0% and to remain at that level thereafter.

Sensitivity analysis

A decrease of 10 basis point in the discount rate would have had the following impacts, before income tax, for the year ended December 31, 2013:

| | Pension benefits | | | Postretirement benefits | | |
|---|---|---|---|---|---|---|
| Increase (decrease) | Obligation in balance sheet | Income | Other comprehensive income | Obligation in balance sheet | Income | Other comprehensive income |
| Discount rate | $ 15.5 | $ (1.8) | $ (15.5) | $ 1.0 | $ — | $ (1.0) |

There are limitations to the above sensitivity analysis since it only considers the impacts of a decrease of 10 basis point in the discount rate assumption (at the beginning of the year having an impact on income and at the end of the year having an impact on comprehensive income) without changing any other assumptions. No sensitivity analysis was performed on other assumptions as a similar change to these assumptions would not have a significant impact on the consolidated financial statements.

(tabular amounts in millions of Canadian dollars, except for option data)

## 30. NON-CONSOLIDATED FINANCIAL STATEMENTS OF THE CORPORATION

The Corporation has access to the cash flows generated by its subsidiaries by way of dividends declared by its public subsidiaries and dividends and advances from its private subsidiaries. However, some of the Corporation's subsidiaries have restrictions, based on contractual debt obligations and corporate solvency tests, regarding the amounts of dividends and advances that can be paid to the Corporation.

The U.S Securities and Exchange Commission requires that the non-consolidated financial statements of the parent corporation be presented when its subsidiaries have restrictions that may limit the amount of cash that can be paid to the parent corporation. These non-consolidated and condensed financial statements, as prepared under IFRS, are shown below.

**Non-consolidated condensed statements of income and comprehensive income**

| | **2013** | 2012 (restated, note 1 (b))[1] | 2011 (restated, note 1 (b)) |
|---|---|---|---|
| Revenues: | | | |
| Dividends | **$411.9** | $ 821.0 | $ 249.1 |
| Interest | **0.4** | 1.1 | 32.7 |
| Management fees | **59.4** | 58.5 | 45.3 |
| Other | **52.1** | 43.6 | 39.0 |
| | **523.8** | 924.2 | 366.1 |
| General and administrative expenses | **117.0** | 102.2 | 91.8 |
| Amortization | **0.9** | 6.4 | 2.3 |
| Financial expenses | **171.0** | 144.7 | 141.1 |
| Loss on debt refinancing | **—** | 14.1 | — |
| Loss (gain) on valuation and translation of financial instruments | **80.7** | (61.0) | 1.6 |
| Other | **1.4** | — | — |
| Income before income taxes | **152.8** | 717.8 | 129.3 |
| Income taxes | **(2.4)** | 16.6 | 7.0 |
| **Net income** | **155.2** | 701.2 | 122.3 |
| Other comprehensive loss | **(24.6)** | (2.7) | (12.9) |
| **Comprehensive income** | **$130.6** | $ 698.5 | $ 109.4 |

[1] The Corporation restated its 2012 financial expenses in its non-consolidated financial statements to change the recognition of an inter-corporation tax consolidation transaction. As a result, financial expenses were increased by $67.3 million in 2012 and investments in subsidiaries were decreased by an equivalent amount as of December 31, 2012.

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Years ended December 31, 2013, 2012 and 2011
(tabular amounts in millions of Canadian dollars, except for option data)

## 30. NON-CONSOLIDATED FINANCIAL STATEMENTS OF THE CORPORATION (continued)

### Non-consolidated and condensed statements of cash flows

| | 2013 | 2012 (restated, note 1 (b)) | 2011 (restated, note 1 (b)) |
|---|---|---|---|
| **Cash flows related to operations** | | | |
| Net income | **$ 155.2** | $ 701.2 | $ 122.3 |
| Amortization of plant, property and equipment | **0.9** | 6.4 | 2.3 |
| Loss (gain) on valuation and translation of financial instruments | **80.7** | (61.0) | 1.6 |
| Amortization of financing costs and long-term debt discount | **6.4** | 8.3 | 8.0 |
| Loss on debt refinancing | **—** | 14.1 | — |
| Deferred income taxes | **(4.2)** | 16.6 | 7.0 |
| Other | **1.0** | 5.9 | — |
| Net change in non-cash balances related to operations | **7.0** | (42.2) | (1.1) |
| Cash flows provided by operations | **247.0** | 649.3 | 140.1 |
| **Cash flows related to investing activities** | | | |
| Net change in investments in subsidiaries | **(109.7)** | (30.0) | (32.7) |
| Proceeds from disposal of businesses | **64.7** | — | — |
| Acquisition of tax deductions from the parent corporation | **(6.9)** | (10.2) | — |
| Other | **(8.8)** | (3.5) | (6.2) |
| Cash flows used in investing activities | **(60.7)** | (43.7) | (38.9) |
| **Cash flows related to financing activities** | | | |
| Repayment of long-term debt | **(294.2)** | (760.1) | (30.3) |
| Settlement of hedging contracts | **(49.1)** | (40.0) | — |
| Issuance of long-term debt, net of financing fees | **358.6** | 1,313.3 | 319.9 |
| Repurchase of Common Shares | **—** | (1,000.1) | — |
| Dividends | **(100.0)** | (100.0) | (100.0) |
| Net change in subordinated loans from subsidiaries | **190.0** | 735.0 | 111.0 |
| Net change in convertible obligations, subordinated loans and notes receivable – subsidiaries | **(276.4)** | (805.3) | (437.1) |
| Net change in advances to or from subsidiaries | **82.3** | 82.1 | 40.8 |
| Cash flows used in financing activities | **(88.8)** | (575.1) | (95.7) |
| Net change in cash and cash equivalents | **97.5** | 30.5 | 5.5 |
| Cash and cash equivalents at beginning of year | **44.2** | 13.7 | 8.2 |
| **Cash and cash equivalents at end of year** | **$ 141.7** | $ 44.2 | $ 13.7 |

**QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Years ended December 31, 2013, 2012 and 2011
(tabular amounts in millions of Canadian dollars, except for option data)

## 30. NON-CONSOLIDATED FINANCIAL STATEMENTS OF THE CORPORATION (continued)

**Non-consolidated and condensed balance sheets**

| | 2013 | 2012 (restated, note 1 (b)) |
|---|---|---|
| **Assets** | | |
| Current assets | **$ 203.2** | $ 105.0 |
| Investments in subsidiaries at cost | **4,320.5** | 4,266.4 |
| Convertible obligations, subordinated loans and notes receivable – subsidiaries | **3,076,7** | 2,799.3 |
| Other assets | **144.7** | 53.6 |
| | **$7,745.1** | $7,224.3 |
| **Liabilities and equity** | | |
| Current liabilities | **$ 75.6** | $ 64.4 |
| Long-term debt | **2,487.5** | 2,216.6 |
| Advances from subsidiaries | **271.7** | 189.4 |
| Other liabilities | **30.5** | 94.7 |
| Subordinated loan from subsidiaries | **1,170.0** | 980.0 |
| Redeemable preferred shares issued to subsidiaries | **1,630.0** | 1,630.0 |
| Equity attributable to shareholders | **2,079.8** | 2,049.2 |
| | **$7,745.1** | $7,224.3 |

## 31. SUBSEQUENT EVENT

On February 19, 2014, the Corporation announced that Videotron is among the successful bidders in the Industry Canada 700 MHz spectrum auction that began on January 14, 2014. Videotron acquired seven operating licences in Canada's four most populous provinces for $233.3 million. A letter of credit was issued in 2013 as a pre-auction financial deposit made to Industry Canada. The submission of this letter of credit had the effect of reducing Videotron's availability on its revolving credit facility. However, under Industry Canada's published rules respecting restrictions on communications, it is strictly forbidden for the Corporation to disclose the amount of this letter of credit.

The licences cover the entirety of the provinces of Québec, Ontario (except Northern Ontario), Alberta and British Columbia, home to more than 28 million people or approximately 80% of Canada's population.

**Exhibit 2.39**

***Execution Copy***

VIDEOTRON LTD./VIDÉOTRON LTÉE

$400,000,000

5 5/8% SENIOR NOTES DUE JUNE 15, 2025

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INDENTURE

Dated as of June 17, 2013

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COMPUTERSHARE TRUST COMPANY OF CANADA
as Trustee

This INDENTURE, dated as of June 17, 2013, is by and among VIDEOTRON LTD., a corporation under the laws of the Province of Québec, each Subsidiary Guarantor listed on the signature pages hereto, and COMPUTERSHARE TRUST COMPANY OF CANADA, as trustee (the "*Trustee*").

The Company, each Subsidiary Guarantor and the Trustee agree as follows for the benefit of each other and for the equal and ratable benefit of the Holders of the 5 5/8% Senior Notes due June 15, 2025 issued under this Indenture (the "*Notes*"):

## ARTICLE 1.
## DEFINITIONS AND INCORPORATION BY REFERENCE

*Section 1.01.* **Definitions**.

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

"*144A Global Note*" means a Global Note in the form of Exhibit A hereto bearing the Global Note Legend and the Private Placement Legend and deposited with and registered in the name of the Depositary or its nominee that will be issued in a denomination equal to the outstanding principal amount of the Notes sold for initial resale in reliance on Rule 144A.

"*144A Legend*" means the legend set forth in Section 2.06(f)(i)(A) hereof, to be placed on all Notes issued under this Indenture, except as otherwise permitted by the provisions of this Indenture.

"*1933 Act*" means the United States Securities Act of 1933, as amended, and the rules and regulations thereunder, including any successor legislation and rules and regulations.

"*Accounts Receivable Entity*" means a Subsidiary of the Company or any other Person in which the Company or any of its Restricted Subsidiaries makes an Investment:

(1) that is formed solely for the purpose of, and that engages in no activities other than activities in connection with, financing accounts receivable;

(2) that is designated as an Accounts Receivable Entity;

(3) no portion of the Indebtedness or any other obligation (contingent or otherwise) of which (a) is at any time guaranteed by the Company or any of its Restricted Subsidiaries (excluding guarantees of obligations (other than any guarantee of Indebtedness) pursuant to Standard Securitization Undertakings), (b) is at any time recourse to or obligates the Company or any of its Restricted Subsidiaries in any way, other than pursuant to Standard Securitization Undertakings, or (c) subjects any asset of the Company or any other Restricted Subsidiary of the Company, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings (such Indebtedness, "Non-Recourse Accounts Receivable Entity Indebtedness");

(4) with which neither the Company nor any of its Restricted Subsidiaries has any material contract, agreement, arrangement or understanding other than contracts, agreements, arrangements and understandings entered into in the ordinary course of business on terms no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Company in connection with a Qualified Receivables Transaction and fees payable in the ordinary course of business in connection with servicing accounts receivable in connection with such a Qualified Receivables Transaction; and

(5) with respect to which neither the Company nor any of its Restricted Subsidiaries has any obligation to maintain or preserve the solvency or any balance sheet term, financial condition, level of income or results of operations thereof.

"*Acquired Debt*" means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged with or into or becomes a Subsidiary of such specified Person, whether or not such Indebtedness is Incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Subsidiary of such specified Person; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"*Additional Notes*" means any Notes (other than Initial Notes and Notes issued under Sections 2.06, 2.07, 2.10 and 3.06 hereof) issued under this Indenture in accordance with Sections 2.02, 2.14 and 4.09 hereof, as part of the same series as the Initial Notes or as an additional series.

"*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control," as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; *provided, however*, that beneficial ownership of more than 10% of the Voting Stock of a Person shall be deemed to be control. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" shall have correlative meanings.

"*Agent*" means any Registrar, co-registrar, Paying Agent or additional paying agent.

"*Applicable Procedures*" means, with respect to any transfer, redemption or exchange of or for beneficial interests in any Global Note, the rules and procedures of the Depositary that apply to such transfer, redemption or exchange.

"*Approved Credit Rating Organization*" has the meaning given to such term in National Instrument 81-102—Mutual Funds.

"*Asset Acquisition*" means (a) an Investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be consolidated or merged with or into the Company or any Restricted Subsidiary or (b) any acquisition by the Company or any Restricted Subsidiary of the assets of any Person that constitute substantially all of an operating unit, a division or line of business of such Person or that is otherwise outside of the ordinary course of business.

"*Asset Sale*" means:

(1) the sale, lease, conveyance or other disposition of any assets or rights, other than in the ordinary course of business; provided, however, that the sale, conveyance or other disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries, taken as a whole, shall be governed by the provisions of Sections 4.18 and 5.01 hereof and not by the provisions of Section 4.12 hereof; and

(2) the issuance of Equity Interests of any Restricted Subsidiary or the sale of Equity Interests by the Company or any of its Restricted Subsidiaries in any Restricted Subsidiary.

Notwithstanding the preceding, the following items shall not be deemed to be Asset Sales:

(1) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than US$25.0 million;

(2) a sale, lease, conveyance or other disposition of assets between or among the Company and its Restricted Subsidiaries;

(3) an issuance of Equity Interests by a Restricted Subsidiary to the Company or to another Restricted Subsidiary;

(4) the sale, lease, conveyance or other disposition of equipment, inventory, accounts receivable or other assets in the ordinary course of business;

(5) the sale or other disposition of cash or Cash Equivalents;

(6) any Tax Benefit Transaction;

(7) a Restricted Payment or Permitted Investment that is permitted by Section 4.10 hereof;

(8) the issuance of Equity Interests of any of the Company's Restricted Subsidiaries; provided, that after such issuance the Company's ownership interests in such Restricted Subsidiary, whether directly or through its Restricted Subsidiaries, is at least equal to its ownership interests in such Restricted Subsidiary prior to such issuance;

(9) the issuance of Equity Interests of any Subsidiary pursuant to any equity compensation plan entered into in the ordinary course of business; provided, however, that the aggregate Fair Market Value of all such issued and outstanding Equity Interests shall not exceed US$5.0 million in any twelve-month period;

(10) sales of accounts receivables pursuant to a Qualified Receivables Transaction for the Fair Market Value thereof, including cash in an amount equal to at least 75% of the Fair Market Value thereof;

(11) any transfer of accounts receivable, or a fractional undivided interest therein, by an Accounts Receivable Entity in a Qualified Receivables Transaction; and

(12) any Asset Swap.

"Asset Swap" means an exchange of assets by the Company or a Restricted Subsidiary for:

(1) one or more Permitted Businesses;

(2) a controlling equity interest in any Person whose assets consist primarily of one or more Permitted Businesses; provided such Person becomes a Restricted Subsidiary; and/or

(3) long-term assets that are used in a Permitted Business in a like-kind exchange or transfer.

"*Attributable Debt*" in respect of a sale and leaseback transaction means, at the time of determination, the present value of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale and leaseback transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with GAAP.

"*Back-to-Back Debt*" means any loans made or debt instruments issued as part of a Back-to-Back Transaction and in which each party to such Back-to-Back Transaction, other than a Videotron Entity, executes or has executed a subordination agreement in favor of the Holders in substantially the form attached hereto as Exhibit F.

"*Back-to-Back Preferred Shares*" means Preferred Shares issued:

(1) to a Videotron Entity by an Affiliate of the Company in circumstances where, immediately prior to or after, as the case may be, the issuance of such Preferred Shares, an Affiliate of such Videotron Entity has loaned on an unsecured basis to such Videotron Entity, or an Affiliate of such Videotron Entity has subscribed for Preferred Shares of such Videotron Entity in, an amount equal to the requisite subscription price for such Preferred Shares;

(2) by a Videotron Entity to one of its Affiliates in circumstances where, immediately prior to or after, as the case may be, the issuance of such Preferred Shares, such Videotron Entity has loaned an amount equal to the proceeds of such issuance to an Affiliate on an unsecured basis; or

(3) by a Videotron Entity to one of its Affiliates in circumstances where, immediately prior to or after, as the case may be, the issuance of such Preferred Shares, such Videotron Entity has used the proceeds of such issuance to subscribe for Preferred Shares issued by an Affiliate;

in each case on terms whereby:

(i) the aggregate redemption amount applicable to the Preferred Shares issued to or by such Videotron Entity is identical:

(A) in the case of (1) above, to the principal amount of the loan made or the aggregate redemption amount of the Preferred Shares subscribed for by such Affiliate;

(B) in the case of (2) above, to the principal amount of the loan made to such Affiliate; or

(C) in the case of (3) above, to the aggregate redemption amount of the Preferred Shares issued by such Affiliate;

(ii) the dividend payment date applicable to the Preferred Shares issued to or by such Videotron Entity shall:

(A) in the case of (1) above, be immediately prior to, or on the same date as, the interest payment date relevant to the loan made or the dividend payment date on the Preferred Shares subscribed for by such Affiliate;

(B) in the case of (2) above, be immediately after, or on the same date as, the interest payment date relevant to the loan made to such Affiliate; or

(C) in the case of (3) above, be immediately after, or on the same date as, the dividend payment date on the Preferred Shares issued by such Affiliate;

(iii) the amount of dividends provided for on any payment date in the share conditions attaching to the Preferred Shares issued:

(A) to a Videotron Entity in the case of (1) above, shall be equal to or in excess of the amount of interest payable in respect of the loan made or the amount of dividends provided for in respect of the Preferred Shares subscribed for by such Affiliate;

(B) by a Videotron Entity in the case of (2) above, shall be less than or equal to the amount of interest payable in respect of the loan made to such Affiliate; or

(C) by a Videotron Entity in the case of (3) above, shall be equal to the amount of dividends in respect of the Preferred Shares issued by such Affiliate;

and *provided* that, in the case of Preferred Shares issued by a Restricted Subsidiary that is not a Subsidiary Guarantor, each holder of such Preferred Shares under such Back-to-Back Transaction, other than such Restricted Subsidiary, executes a subordination agreement in favor of the Holders in substantially the form attached hereto as Exhibit F.

"*Back-to-Back Securities*" means Back-to-Back Preferred Shares or Back-to-Back Debt or both, as the context requires; *provided* that a Back-to-Back Security issued by any Restricted Subsidiary that is not a Subsidiary Guarantor (A) shall provide that (i) such Restricted Subsidiary shall suspend any payment on such Back-to-Back Security until such Restricted Subsidiary receives payment on the corresponding Back-to-Back Security in an amount equal to or exceeding the amount to be paid on the Back-to-Back Security issued by such Restricted Subsidiary and (ii) if the holder of such Back-to-Back Security is paid any amount on or with respect to such Back-to-Back Security by such Restricted Subsidiary, then to the extent such amounts are paid out of proceeds in excess of the corresponding payment received by such Restricted Subsidiary on the corresponding Back-to-Back Security held by it, the holder of such Back-to-Back Security will hold such excess payment in trust for the benefit of such Restricted Subsidiary and will forthwith repay such payment to such Restricted Subsidiary and (B) may provide that, notwithstanding clause (A), such Restricted Subsidiary may make payment on such Back-to-Back Security if at the time of payment such Restricted Subsidiary would be permitted to make such payment under Section 4.10 hereof; *provided* that any payment made pursuant to this clause (B) which is otherwise prohibited under clause (A) would constitute a Restricted Payment.

"*Back-to-Back Transaction*" means any of the transactions described under the definition of Back-to-Back Preferred Shares.

"*Bankruptcy Law*" means Title 11, U.S. Code or any similar federal or state law for the relief of debtors, the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada) or any other Canadian federal or provincial law or the law of any other jurisdiction relating to bankruptcy, insolvency, winding up, liquidation, reorganization or relief of debtors.

*"Beneficial Owner"* has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as such term is used in Section 13(d)(3) of the Exchange Act), such "person" shall be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition. The terms *"Beneficially Owns"* and *"Beneficially Owned"* shall have corresponding meanings.

"*Board of Directors*" means:

(1) with respect to a corporation, the board of directors of the corporation;

(2) with respect to a partnership, the board of directors or other governing body of the general partner(s) of the partnership; and

(3) with respect to any other Person, the board or committee of such Person serving a similar function.

"*Board Resolution"* means a copy of a resolution certified by the secretary or an assistant secretary (or individual performing comparable duties) of the applicable Person to have been duly adopted by the Board of Directors of such Person and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"*Book-Entry System*" means the record entry and securities transfer and pledge system, which is administered by the Depositary in accordance with the operating rules and procedures of its securities settlement service for book-entry only notes in force from time to time, or any successor system.

"*Book*-Entry *Only Form*", when used with respect to Notes, means Notes certified and delivered under the Book-Entry System other than Definitive Notes.

"*Business Day*" means any day other than a Legal Holiday.

*"Canada Bond Yield"* means, on any date, the bid yield to maturity on such date compounded semi-annually which a non-callable non-amortizing Government of Canada nominal bond would be expected to carry if issued, in Canadian dollars in Canada, at 100% of its principal amount on such date with a term to maturity which most closely approximates the remaining term to maturity of the Notes on such date, as determined by the Company based on a linear interpolation of the yields represented by the arithmetic average of bids observed in the market place at or about 11:00 a.m. (Toronto time), on the relevant date for each of the two (2) outstanding non-callable non-amortizing Government of Canada nominal bonds which have the terms to maturity which most closely span the remaining term to maturity of the Notes on such date, where such arithmetic average is based in each case on the bids quoted to an independent investment dealer acting as agent of the Company by two (2) independent registered members of the Investment Industry Regulatory Organization of Canada selected by the Company (and acceptable to the Trustee, acting reasonably), calculated in accordance with standard practice in the industry.

"*Canadian Placement Global Note*" means a Global Note in the form of Exhibit A hereto bearing the Global Note Legend and the Private Placement Legend and deposited with and registered in the name of the Depositary or its nominee that will be issued in a denomination equal to the outstanding principal amount of the Notes sold for initial resale in reliance on available prospectus and dealer registration exemptions in Canada and in reliance on Regulation S.

"*Canadian Placement Legend*" means the legend set forth in Section 2.06(f)(i)(B) hereof, to be placed on all Notes issued under the Indenture, unless otherwise permitted by the provisions of this Indenture.

"*Canadian Taxing Authority*" means any federal, provincial, territorial or other Canadian government or any authority or agency therein having the power to tax.

*"Capital Lease Obligation"* means, at the time any determination thereof is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet in accordance with GAAP. Notwithstanding the foregoing, any lease (whether entered into before or after December 31, 2012) that would have been classified as an operating lease pursuant to GAAP as in effect on December 31, 2012 shall be deemed not to be a capital lease or a financing lease.

"*Capital Stock*" means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"*Capital Stock Sale Proceeds*" means the aggregate net cash proceeds received by the Company after October 8, 2003:

(1) as a contribution to the common equity capital or from the issue or sale of Equity Interests of the Company (other than Disqualified Stock or Back-to-Back Securities); or

(2) from the issue or sale of convertible or exchangeable Disqualified Stock or convertible or exchangeable debt securities of the Company that have been converted into or exchanged for such Equity Interests,

other than, in either (1) or (2), Equity Interests (or convertible or exchangeable Disqualified Stock or convertible or exchangeable debt securities) sold to a Subsidiary of the Company.

"*Cash Equivalents*" means:

(1) United States dollars or Canadian dollars;

(2) investments in securities with maturities of one year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth, territory or province of the United States of America or Canada, or by any political subdivision or taxing authority thereof, and rated, at the time of acquisition, in the "R-1" category by DBRS (or the equivalent rating issued by any other Approved Credit Rating Organization);

(3) certificates of deposit and eurodollar time deposits with maturities of one year or less from the date of acquisition, bankers' acceptances with maturities not exceeding one year and overnight bank deposits, in each case, with any domestic commercial bank having capital and surplus in excess of US$500.0 million;

(4) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (2) and (3) above entered into with any financial institution meeting the qualifications specified in clause (3) above;

(5) commercial paper having, at the time of acquisition, the highest rating obtainable from Moody's Investors Service, Inc. or Standard & Poor's Rating Services and in each case maturing within one year after the date of acquisition or with respect to commercial paper in Canada, a rating, at the time of acquisition, in the "R-1" category by DBRS (or the equivalent rating issued by any other Approved Credit Rating Organization); and

(6) money market funds at least 90% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (5) of this definition.

"*CDS*" means CDS Clearing and Depository Services Inc.

"*Change of Control*" means the occurrence of any of the following:

(1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and the Restricted Subsidiaries, taken as a whole, to any "person" (as that term is used in Section 13(d)(3) of the Exchange Act) other than a Permitted Holder or a Related Party;

(2) the adoption of a plan relating to the liquidation or dissolution of the Company;

(3) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any Person, other than a Permitted Holder or a Related Party, becomes the Beneficial Owner, directly or indirectly, of more than 50% of the Voting Stock of the Company, measured by voting power rather than number of shares; or

(4) during any consecutive two-year period, the first day on which individuals who constituted the Board of Directors of the Company as of the beginning of such two-year period (together with any new directors who were nominated for election or elected to such Board of Directors with the approval of a majority of the individuals who were members of such Board of Directors, or whose nomination or election was previously so approved at the beginning of such two-year period) cease to constitute a majority of the Board of Directors of the Company.

"*Change of Control Triggering Event*" means the occurrence of both a Change of Control and a Ratings Event.

"*Civil Code*" means the *Civil Code of Quebec*, as amended from time to time.

"*Code*" means the U.S. Internal Revenue Code of 1986, as amended.

"*Commission*" means the U.S. Securities and Exchange Commission and any successor entity thereto.

*"Company"* means Videotron Ltd. (Vidéotron Ltée in its French version) and any successor thereto.

"*Consolidated Cash Flow*" means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period plus:

(1) provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Net Income; plus

(2) Consolidated Interest Expense of such Person and its Restricted Subsidiaries for such period, including for the purpose of this clause (2) any interest expense on the QMI Subordinated Loan that was otherwise excluded from the definition of Consolidated Interest Expense, in each case to the extent that any such expense was deducted in computing such Consolidated Net Income; plus

(3) depreciation, amortization (including amortization of goodwill and other intangibles, but excluding amortization of prepaid cash expenses that were paid in a prior period to the extent such expense is amortized) and other non-cash expenses (excluding any such non-cash expense to the extent that it represents (i) an accrual of or reserve for cash expenses in any future period, or (ii) amortization of a prepaid cash expense that was paid in a prior period to the extent such expense is amortized) of such Person and its Restricted Subsidiaries for such period, to the extent that such depreciation, amortization and other non-cash expenses were deducted in computing such Consolidated Net Income; minus

(4) any interest and other payments made to Persons other than any Videotron Entity in respect of Back-to-Back Securities to the extent such interest and other payments were not deducted in computing such Consolidated Net Income; minus

(5) non-cash items increasing such Consolidated Net Income for such period, other than the accrual of revenue in the ordinary course of business,

in each case, on a consolidated basis and determined in accordance with GAAP.

Notwithstanding the foregoing, the provision for taxes based on the income or profits of, the Consolidated Interest Expense of and the depreciation and amortization and other non-cash expenses of a Restricted Subsidiary shall be added to Consolidated Net Income to compute Consolidated Cash Flow of the Company only to the extent that a corresponding amount would be permitted at the date of determination to be dividended or distributed to the Company by such Restricted Subsidiary without prior governmental approval (unless such approval has been obtained), and without direct or indirect restriction pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to that Restricted Subsidiary or its shareholders.

"*Consolidated Indebtedness*" means, with respect to any Person as of any date of determination, without duplication, the total amount of Indebtedness of such Person and its Restricted Subsidiaries, including (i) the total amount of Indebtedness of any other Person, to the extent that such Indebtedness has been guaranteed by the referent Person or one or more of its Restricted Subsidiaries, and (ii) the aggregate liquidation value of all Disqualified Stock of such Person and all Preferred Shares of Restricted Subsidiaries of such Person, in each case, determined on a consolidated basis in accordance with GAAP.

"*Consolidated Interest Expense*" means, with respect to any Person, for any period, without duplication, the sum of (i) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued (including, without limitation, amortization of original issue discount, non-cash interest payments, the interest component of any deferred payment Obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Debt, commissions, discounts, and other fees, and charges Incurred in respect of letter of credit or bankers' acceptance financings), all calculated after taking into account the effect of all Hedging Obligations, (ii) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period, (iii) any interest expense on Indebtedness of another Person that is guaranteed by such Person or any of its Restricted Subsidiaries or secured by a Lien on assets of such Person or any of its Restricted Subsidiaries (whether or not such guarantee or Lien is called upon), (iv) the product of (a) all dividend payments on any series of Preferred Shares of such Person or any of its Restricted Subsidiaries, times (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state, provincial, territorial and local statutory tax rate of such Person, expressed as a decimal, in each case, on a consolidated basis and in accordance with GAAP, and (v) to the extent not included in clause (iv) above for purposes of GAAP, the product of (a) all dividend payments on any series of Disqualified Stock of such Person or any of its Restricted Subsidiaries, times (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state, provincial, territorial and local statutory tax rate of such Person, expressed as a decimal, in each case, on a consolidated basis and in accordance with GAAP. Interest and other payments on Back-to-Back Securities, and any accrual, or payment-in-kind, of interest on the QMI Subordinated Loan to the extent that such interest is not paid in cash, shall not be included as Consolidated Interest Expense.

"*Consolidated Net Income*" means, with respect to any specified Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP; *provided, however,* that:

(1) the Net Income (but not loss) of any Person that is not a Restricted Subsidiary (other than an Unrestricted Subsidiary) or that is accounted for by the equity method of accounting shall be included; provided, that the Net Income shall be included only to the extent of the amount of dividends or distributions paid in cash to the specified Person or a Restricted Subsidiary thereof;

(2) the Net Income of any Restricted Subsidiary shall be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that Net Income is not at the date of determination permitted without any prior governmental approval (unless such approval has been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Subsidiary or its equityholders;

(3) the Net Income of any Person acquired during the specified period for any period prior to the date of such acquisition shall be excluded;

(4) the cumulative effect of a change in accounting principles shall be excluded;

(5) the Net Income (but not loss) of any Unrestricted Subsidiary shall be excluded, whether or not distributed to the specified Person or one of its Subsidiaries; provided, however, that for purposes of Section 4.10 hereof, the Net Income of any Unrestricted Subsidiary shall be included to the extent it would otherwise be included under clause (1) of this definition; and

(6) any non-cash compensation expense realized for grants of performance shares, stock options or other rights to officers, directors and employees of the Company or any Restricted Subsidiary shall be excluded, provided that such shares, options or other rights can be redeemed at the option of the holders thereof for Capital Stock of the Company or Quebecor Media (other than in each case Disqualified Stock of the Company).

"*Consolidated Net Tangible Assets*" means, as of the date of determination, with respect to any Person, on a consolidated basis, the total assets of such Person and its Restricted Subsidiaries after deducting therefrom (a) current liabilities excluding Indebtedness, (b) goodwill, (c) intangible assets, except separately acquired stand-alone

intangible assets (such as, without limitation, mobile communication licenses) and internally developed intangible assets (such as, without limitation, software), all as set forth on the most recent consolidated balance sheet of such Person and computed in accordance with GAAP.

"*Consolidated Revenues*" means the gross revenues of the Company and the Restricted Subsidiaries determined on a consolidated basis in accordance with GAAP; *provided* that (1) any portion of gross revenues derived directly or indirectly from Unrestricted Subsidiaries, including dividends or distributions from Unrestricted Subsidiaries, shall be excluded from such calculation, and (2) any portion of gross revenues derived directly or indirectly from a Person (other than a Subsidiary of the Company or a Restricted Subsidiary) accounted for by the equity method of accounting shall be included in such calculation only to the extent of the amount of dividends or distributions actually paid to the Company or a Restricted Subsidiary by such Person.

"*Consolidation Transaction*" means Back-to-Back Transactions and any other transaction that serves a similar purpose as a Back-to-Back Transaction.

"*Corporate Trust Office of the Trustee*" shall be at the address of the Trustee specified in Section 12.01 hereof, or such other address as to which the Trustee may give notice to the Company.

*"Credit Agreement"* means the amended credit facility between the Company, the guarantor subsidiaries named therein, Royal Bank of Canada, as administrative agent, RBC Dominion Securities Inc., as lead arranger, and the lenders thereto dated as of November 28, 2000, as thereafter amended.

"*Credit Facilities*" means, one or more debt facilities (including, without limitation, the Credit Agreement), commercial paper facilities, or other debt arrangements (including, without limitation, under this Indenture), in each case with banks, other institutional lenders or investors, providing for revolving credit loans, term loans, notes, receivables financing (including, to the extent Indebtedness, through the sales of accounts receivables to such lenders or investors or to an Accounts Receivable Entity) or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time.

"*Currency Exchange Protection Agreement*" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency option or other similar agreement or arrangement designed to protect such Person against fluctuations in currency exchange rates entered into with any commercial bank or other financial institutions having capital and surplus in excess of US$500.0 million.

"*Custodian*" means, with respect to the Notes issuable or issued in whole or in part in global form, the Person specified in Section 2.03(c) hereof as Custodian with respect to the Notes, and any and all successors thereto appointed as custodian hereunder and having become such pursuant to the applicable provisions of this Indenture.

"*DBRS*" means, collectively, DBRS Limited, DBRS, Inc. and DBRS Ratings Limited, or any successor to the rating agency business thereof.

"*Debt to Cash Flow Ratio*" means, as of any date of determination (the "Determination Date"), the ratio of (a) the Consolidated Indebtedness of the Company (excluding the QMI Subordinated Loan) as of such Determination Date to (b) the Consolidated Cash Flow of the Company for the most recently ended fiscal quarter ending immediately prior to such Determination Date for which internal financial statements are available (the "Measurement Period") multiplied by four, determined on a *pro forma* basis after giving effect to all acquisitions or dispositions of assets made by the Company and the Restricted Subsidiaries from the beginning of such quarters through and including such Determination Date (including any related financing transactions) as if such acquisitions and dispositions had occurred at the beginning of such quarter. For purposes of calculating Consolidated Cash Flow for each Measurement Period immediately prior to the relevant Determination Date, (i) any Person that is a Restricted Subsidiary on the Determination Date (or would become a Restricted Subsidiary on such Determination Date in connection with the transaction that requires the determination of such Consolidated Cash Flow) shall be deemed to have been a Restricted Subsidiary at all times during the applicable Measurement Period; (ii) any Person that is not a Restricted Subsidiary on such Determination Date (or would cease to be a Restricted Subsidiary on such Determination Date in connection with the transaction that requires the determination of such Consolidated Cash

Flow) shall be deemed not to have been a Restricted Subsidiary at any time during the applicable Measurement Period; (iii) if the Company or any Restricted Subsidiary shall have in any manner (x) acquired through an Asset Acquisition or (y) disposed of (including by way of an Asset Sale or the termination or discontinuance of activities constituting such operating business) any operating business during the applicable Measurement Period or after the end of such period and on or prior to such Determination Date, such calculation shall be made on a *pro forma* basis in accordance with GAAP, as if, in the case of an Asset Acquisition, all such transactions (including any related financing transactions) had been consummated on the first day of the applicable Measurement Period, and, in the case of an Asset Sale or termination or discontinuance of activities constituting such operating business, all such transactions (including any related financing transactions) had been consummated prior to the first day of the applicable Measurement Period; (iv) if (A) since the beginning of the applicable Measurement Period, the Company or any Restricted Subsidiary has Incurred any Indebtedness that remains outstanding or has repaid any Indebtedness, or (B) the transaction giving rise to the need to calculate the Debt to Cash Flow Ratio is an Incurrence or repayment of Indebtedness, Consolidated Interest Expense for such Measurement Period shall be calculated after giving effect on a *pro forma* basis to such Incurrence or repayment as if such Indebtedness was Incurred or repaid on the first day of such period, *provided* that, in the event of any such repayment of Indebtedness, Consolidated Cash Flow for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay such Indebtedness; and (v) if any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Indebtedness shall be calculated as if the base interest rate in effect for such floating rate of interest on the Determination Date had been the applicable base interest rate for the entire Measurement Period (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of twelve months). For purposes of this definition, any *pro forma* calculation shall be made in good faith by a responsible financial or accounting officer of the Company consistent with Article 11 of Regulation S-X of the 1933 Act, as such Regulation may be amended.

"*Default*" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"*Deferred Management Fees*" means, for any period, any Management Fees that were payable during any prior period, the payment of which was not effected when due.

"*Definitive Note*" means a certificated Note registered in the name of the Holder thereof and issued in accordance with Section 2.06 or 2.10 hereof, in substantially the form of Exhibit A hereto except that such Note shall not bear the Global Note Legend and shall not have the "Schedule of Exchanges of Interests in the Global Note" attached thereto.

"*Depositary*" means, with respect to the Notes issuable or issued in whole or in part in global form, the Person specified in Section 2.03(b) hereof as the Depositary with respect to the Notes, and any and all successors thereto appointed as depositary hereunder and having become such pursuant to the applicable provisions of this Indenture.

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder thereof, in whole or in part, on or prior to the date that is 91 days after the date on which the Notes mature. Notwithstanding the preceding sentence, (i) Back-to-Back Preferred Shares shall not constitute Disqualified Stock and (ii) any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Company to repurchase such Capital Stock upon the occurrence of a change of control or an asset sale shall not constitute Disqualified Stock if the terms of such Capital Stock provide that the Company may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the provisions of Section 4.10 hereof. The term *"Disqualified Stock"* shall also include any options, warrants or other rights that are convertible into Disqualified Stock or that are redeemable at the option of the holder, or required to be redeemed, prior to the date that is 91 days after the date on which the Notes mature.

"*Distribution Compliance Period*" means the 40-day distribution compliance period as defined in Regulation S.

"*Equity Interests*" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

*"Exchange Act*" means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, including any successor legislation and rules and regulations.

"*Existing Indebtedness*" means Indebtedness of the Company and the Restricted Subsidiaries (other than Indebtedness under the Credit Agreement) in existence on October 8, 2003, until such amounts are repaid.

"*Existing Notes*" means, collectively, the Company's issued and outstanding 6 3/8% Senior Notes due December 15, 2015, the Company's 9 1/8% Senior Notes due April 15, 2018, the Company's 7 1/8% Senior Notes due January 15, 2020, the Company's 6 7/8% Senior Notes due July 15, 2021 and the Company's 5% Senior Notes due July 15, 2022.

"*fair market value*" or "*Fair Market Value*" means, with respect to any assets (including securities), the price that could be negotiated in an arm's-length transaction between a willing seller and a willing buyer, neither of whom is under undue pressure or compulsion to complete the transaction; provided that, where such term is capitalized, if the Fair Market Value exceeds US$50.0 million, the determination of Fair Market Value shall be made by the Board of Directors of the Company or an authorized committee thereof in good faith.

"*GAAP*" means generally accepted accounting principles, consistently applied, as in effect in Canada from time to time, and which, as of the date of this Indenture, is IFRS.

"*Global Note Legend*" means the legend set forth in Section 2.06(f)(ii) hereof, which is required to be placed on all Global Notes issued under this Indenture.

"*Global Notes*" means the global Notes in the form of Exhibit A hereto issued in accordance with Article 2 hereof.

*"Government Securities"* means direct obligations of, or obligations guaranteed by the Government of Canada (or any agency thereof provided the obligations of such agency are guaranteed by the Government of Canada) or any Province of Canada (or any agency thereof provided the obligations of such agency are guaranteed by such government), and which are not callable or redeemable at the issuer's option.

*"Guarantee*" means, as to any Person, a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness of another Person.

"*Hedging Obligations*" means, with respect to any specified Person, the obligations of such Person pursuant to any Interest Rate Agreement or Currency Exchange Protection Agreement.

"*Holder*" means a Person in whose name a Note is registered.

"*IFRS*" means the international financial reporting standards adopted by the International Accounting Standards Board to the extent applicable at that time to the relevant financial statements.

"*Incur*" means, with respect to any Indebtedness or other Obligation of any Person, to create, incur, issue, assume, guarantee or otherwise become indirectly or directly liable, contingently or otherwise, with respect of such Indebtedness or other Obligation.

"*Indebtedness*" means, with respect to any specified Person, any indebtedness of such Person, whether or not contingent:

(1) representing principal of and premium, if any, in respect of borrowed money;

(2) representing principal of and premium, if any, evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);

(3) in respect of bankers' acceptances;

(4) representing Capital Lease Obligations of such Person and all Attributable Debt in respect of sale and leaseback transactions entered into by such Person;

(5) representing the balance deferred and unpaid of the purchase price of any property, except any such balance that constitutes an accrued expense or trade payable;

(6) representing the amount of all obligations of such Person with respect to the repayment of any Disqualified Stock or, with respect to any Subsidiary of such Person, any Preferred Shares (in each case, valued at the greater of its voluntary or involuntary maximum fixed repurchase price plus accrued dividends); or

(7) representing any Hedging Obligations,

if and to the extent any of the preceding items (other than letters of credit, Hedging Obligations, Attributable Debt, Disqualified Stock and Preferred Shares) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with GAAP. In addition, the term "*Indebtedness"* includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the guarantee by the specified Person of any Indebtedness of any other Person. For purposes hereof, the "maximum fixed repurchase price" of any Disqualified Stock or Preferred Share which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock or Preferred Share as if such Disqualified Stock or Preferred Share were purchased on any date on which Indebtedness shall be required to be determined pursuant to this Indenture, and if such price is based upon, or measured by, the Fair Market Value of such Disqualified Stock or Preferred Share, such Fair Market Value, if above $50.0 million, shall be determined in good faith by the Board of Directors of the issuer of such Disqualified Stock or Preferred Share. The term *"Indebtedness"* will not include Back-to-Back Securities or Standard Securitization Undertakings.

The amount of any Indebtedness described above in clauses (1) through (7) and in the preceding paragraph outstanding as of any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation, and shall be:

(1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount, and

(2) the principal amount thereof, together with any interest thereon that is more than 30 days past due, in the case of any other Indebtedness;

*provided*, *however*, that if any Indebtedness denominated in a currency other than Canadian dollars is hedged or swapped through the maturity of such Indebtedness under a Currency Exchange Protection Agreement, the amount of such Indebtedness shall be adjusted to the extent of any positive or negative value (to the extent the Obligation under such Currency Exchange Protection Agreement is not otherwise included as Indebtedness of such Person) of such Currency Exchange Protection Agreement.

"*Indenture*" means this instrument, as originally executed or as it may from time to time be supplemented or amended in accordance with Article 9 hereof.

"*Indirect Participant*" means a Person who holds a beneficial interest in a Global Note through a Participant.

"*Initial Notes*" means $400.0 million aggregate principal amount of Notes issued under this Indenture on the date hereof.

"*Institutional Accredited Investor*" means an institution that is an "accredited investor" as defined in Rule 501(a)(1), (2), (3) or (7) under the 1933 Act.

*"Interest Payment Dates"* shall have the meaning set forth in paragraph 1 of each Note.

"*Interest Rate Agreement*" means, for any Person, any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement or other similar agreement or arrangement designed to protect against fluctuations in interest rates entered into with any commercial bank or other financial institution having capital and surplus in excess of US$500.0 million.

"*Investment Grade Status*" means a rating of the Notes from any two of Moody's, S&P and DBRS equal to or higher than "Baa3" (or the equivalent) in the case of Moody's, "BBB-" (or the equivalent) in the case of S&P, and "BBB (low)" (or the equivalent) in the case of DBRS, or, in the event that two or more of the foregoing rating agencies cease to issue ratings in respect of the Notes for reasons outside the control of the Company, the equivalent of such ratings by any other Approved Credit Rating Organizations selected by the Company or Quebecor Inc. to replace one or more of Moody's, S&P and/or DBRS, as the case may be.

"*Investments*" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans or other extensions of credit (including guarantees, but excluding advances to customers or suppliers in the ordinary course of business that are, in conformity with GAAP, recorded as accounts receivable, prepaid expenses or deposits on the balance sheet of the Company or its Restricted Subsidiaries and endorsements for collection or deposit arising in the ordinary course of business), advances (excluding commission, travel and similar advances to officers and employees made consistent with past practices), capital contributions (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP and include the designation of a Restricted Subsidiary as an Unrestricted Subsidiary. If the Company or any Restricted Subsidiary sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary of the Company, the Company shall be deemed to have made an Investment on the date of any such sale or disposition equal to the fair market value of the Investment in such Restricted Subsidiary not sold or disposed of in an amount determined as provided in Section 4.10(c) hereof. The acquisition by the Company or any Restricted Subsidiary of a Person that holds an Investment in a third Person shall be deemed to be an Investment by the Company or such Restricted Subsidiary in such third Person in an amount equal to the fair market value of the Investment held by the acquired Person in such third Person in an amount determined as provided in Section 4.10(c) hereof.

"*Issue Date*" means June 17, 2013, the date of the initial issuance of the Notes under this Indenture.

"*Legal Holiday*" means a Saturday, a Sunday or a day on which banking institutions in Montréal and in the city in which the Corporate Trust Office of the Trustee is located or any other place of payment on the Notes are authorized by law, regulation or executive order to remain closed.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest, hypothecation, assignment for security or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected or duly published under applicable law, including any conditional sale or capital

lease or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of, or agreement to give, any hypothec or any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction. Solely for the purposes of determining whether a Lien exists for the purposes of this Indenture, a Person shall be deemed to be the owner of any property which it has acquired or holds subject to a conditional sale or capital lease or other title retention agreement and any lease in the nature thereof (excluding, for the avoidance of doubt, operating leases) and such retention of title by another Person shall constitute a Lien. Notwithstanding the foregoing, any lease that would have been an operating lease (as determined in accordance with GAAP in effect on December 31, 2012) shall be deemed to not constitute a Lien.

"*Management Fees*" means any amounts payable by the Company or any Restricted Subsidiary in respect of management or similar services.

"*Moody's*" means, collectively, Moody's Investors Service, Inc. and/or its licensors and affiliates or any successor to the rating agency business thereof.

"*Net Income*" means, with respect to any specified Person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of Preferred Shares dividends, excluding, however:

(1) any gain (or loss), together with any related provision for taxes on such gain (or loss), realized in connection with: (a) any Asset Sale (without regard to the $25.0 million limitation set forth in the definition thereof) or (b) the disposition of any securities by such Person or any of its Restricted Subsidiaries or the extinguishment of any Indebtedness of such Person or any of its Restricted Subsidiaries; and

(2) any extraordinary gain (or loss), together with any related provision for taxes on such extraordinary gain (or loss).

"*Net Proceeds*" means the aggregate cash proceeds received by the Company or any Restricted Subsidiary in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of (a) the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, (b) any relocation expenses Incurred as a result of the Asset Sale, (c) taxes paid or payable as a result of the Asset Sale, in each case, after taking into account any available tax credits or deductions and any tax sharing arrangements, (d) amounts required to be applied to the repayment of Indebtedness or other liabilities, secured by a Lien on the asset or assets that were the subject of such Asset Sale, or required to be paid as a result of such sale, (e) any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with GAAP, and (f) all distributions and other payments required to be made to minority interest holders in Subsidiaries or joint ventures of the Company or such Restricted Subsidiary as a result of such Asset Sale.

"*Non-Recourse Accounts Receivable Entity Indebtedness*" has the meaning ascribed thereto in the definition of "Accounts Receivable Entity".

"*Non-Recourse Debt*" means Indebtedness:

(1) as to which neither the Company nor any Restricted Subsidiary (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (b) is directly or indirectly liable as a guarantor or otherwise or (c) constitutes the lender;

(2) no default with respect to which (including any rights that the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit, upon notice, lapse of time or both, any holder of any other Indebtedness (other than the Notes ) of the Company or any Restricted Subsidiary to declare a default on such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its Stated Maturity; and

(3) as to which the lenders have been notified in writing that they will not have any recourse to the stock or assets of the Company or any Restricted Subsidiary.

"*Notes*" means the Company's 5 5/8% Senior Notes due 2025 issued under this Indenture, including any Additional Notes, if any.

"*Obligations*" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"*Officer*" means the Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Controller, the Secretary or any Vice President of the Company.

"*Officers' Certificate*" means a certificate signed by two Officers of the Company, at least one of whom shall be the principal executive officer, principal financial officer or the principal accounting officer of the Company, and delivered to the Trustee.

"*Opinion of Counsel*" means a written opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be an employee of or counsel to the Company, an Affiliate of the Company or the Trustee.

"*Participant*" means a participant in the depositary service of CDS.

"*Permitted Business*" means the businesses conducted by the Company and its Restricted Subsidiaries in the cable and telecommunications industry, including on-line Internet services, telephony and the sale and rental of videocassettes, or anything related or ancillary thereto.

"*Permitted Holders*" means one or more of the following persons or entities:

(1) Quebecor Inc.;

(2) Quebecor Media;

(3) any issue of the late Pierre Péladeau;

(4) any trust having as its sole beneficiaries one or more of the persons or entities listed in clause (3) above, in this clause (4) or in clause (5) below;

(5) any corporation, partnership or other entity controlled by one or more of the persons or entities referred to in clause (3) or (4) above or in this clause (5); and

(6) CDP Capital d'Amérique Investissements Inc.

"*Permitted Investments*" means:

(1) any Investment in the Company or in a Restricted Subsidiary;

(2) any Investment in cash or Cash Equivalents;

(3) any Investment by the Company or any Restricted Subsidiary in a Person, if as a result of such Investment:

(i) such Person becomes a Restricted Subsidiary; or

(ii) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Company or any Restricted Subsidiary; or

(iii) such Person, which was formed for the sole purpose of acquiring assets of a Permitted Business, is upon acquisition of such assets obligated to convey or otherwise distribute assets to the Company or any of its Restricted Subsidiaries having a Fair Market Value at least equal to the Investment of the Company or such Restricted Subsidiary in such Person (net of transaction expenses);

*provided that*, in each case, such Person's primary business is, or the assets acquired by the Company or any of its Restricted Subsidiaries are used or useful in, a Permitted Business;

(4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the provisions of Section 4.12 hereof;

(5) any acquisition of assets solely in exchange for the issuance of Equity Interests (other than Disqualified Stock or Back-to-Back Securities) of the Company;

(6) Hedging Obligations entered into in the ordinary course of business of the Company or any Restricted Subsidiary and not for speculative purposes, and that do not increase the Indebtedness of the obligor outstanding at any time other than as a result of fluctuations in interest rates or foreign currency exchange rates, commodity prices, or by reason of fees, indemnities and compensation payable thereunder;

(7) payroll, travel and similar advances to officers, directors and employees of the Company and the Restricted Subsidiaries for business-related travel expenses, moving expenses and other similar expenses that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;

(8) any Investment by the Company or any Restricted Subsidiary of the Company in an Accounts Receivable Entity or any Investment by an Accounts Receivable Entity in any other Person in connection with a Qualified Receivables Transaction, so long as any Investment in an Accounts Receivable Entity is in the form of a Purchase Money Note or an Equity Interest;

(9) any Investment in connection with Back-to-Back Transactions;

(10) any Investment existing on October 8, 2003; and

(11) other Investments in any Person that is not an Affiliate of the Company (other than a Restricted Subsidiary) having an aggregate fair market value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (11) since October 8, 2003 not to exceed US$200.0 million.

"*Permitted Liens*" means:

(1) Liens on the assets of the Company and any Restricted Subsidiaries securing Indebtedness and other Obligations of the Company and Restricted Subsidiaries under Credit Facilities, which Indebtedness was permitted by the terms of this Indenture to be Incurred, provided, however, that at the time of Incurrence and after giving effect to the Incurrence of such Indebtedness and the application of the proceeds therefrom on such date, the aggregate principal amount of Indebtedness secured by such Liens does not exceed the greater of (i) Cdn$1.5 billion and (ii) an aggregate amount equal to 2.0 times the Consolidated Cash Flow of the Company for the most recently ended fiscal quarter ending immediately prior to such date of calculation for which internal financial statements are available multiplied by four (such amount to be calculated in a manner consistent with the definition of "Debt to Cash Flow Ratio," including any pro forma adjustments to Consolidated Cash Flow as set forth in such definition);

(2) Liens in favor of the Company or a Restricted Subsidiary;

(3) Liens on property of a Person existing at the time such Person is merged with or into or consolidated or amalgamated with the Company or any Restricted Subsidiary, provided that such Liens were in existence prior to the contemplation of such merger, consolidation or amalgamation and do not extend to any assets other than those of the Person merged into or consolidated or amalgamated with the Company or the Restricted Subsidiary;

(4) Liens on property existing at the time of acquisition thereof by the Company or any Restricted Subsidiary, provided that such Liens were in existence prior to the contemplation of such acquisition and do not extend to any assets other than such property;

(5) Liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature Incurred in the ordinary course of business;

(6) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by Section 4.09(2)(iv) hereof covering only the assets acquired with such Indebtedness;

(7) Liens existing on October 8, 2003;

(8) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded, provided that any reserve or other appropriate provision as shall be required in conformity with GAAP shall have been made therefor;

(9) Liens securing Permitted Refinancing Indebtedness, provided that any such Lien does not extend to or cover any property, Capital Stock or Indebtedness other than the property, shares or debt securing the Indebtedness so refunded, refinanced or extended;

(10) attachment or judgment Liens not giving rise to a Default or an Event of Default;

(11) Liens Incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security;

(12) Liens Incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptance, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature Incurred in the ordinary course of business, exclusive of Obligations for the payment of borrowed money;

(13) licenses, permits, reservations, servitudes, easements, rights-of-way and rights in the nature of easements (including, without limiting the generality of the foregoing, licenses, easements, rights-of-way and rights in the nature of easements for railways, sidewalks, public ways, sewers, drains, gas or oil pipelines, steam, gas and water mains or electric light and power, or telephone and telegraph or cable television conduits, poles, wires and cables, reservations, limitations, provisos and conditions expressed in any original grant from any governmental entity or other grant of real or immovable property, or any interest therein) and zoning land use and building restrictions, by-laws, regulations and ordinances of federal, provincial, regional, state, municipal and other governmental authorities in respect of real (immovable) property not interfering, individually or in the aggregate, in any material respect with the use of the affected real (immovable) property for the ordinary conduct of the business of the Company or any of its Restricted Subsidiaries at such real (immovable) property;

(14) Liens of franchisors or other regulatory bodies arising in the ordinary course of business;

(15) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;

(16) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry and Incurred in the ordinary course of business, in each case, securing Indebtedness under Hedging Obligations and forward contracts, options, future contracts, future options or similar agreements or arrangements, including mark-to-market transactions designed solely to protect the Company or any Restricted Subsidiary from fluctuations in interest rates, currencies or the price of commodities;

(17) Liens consisting of any interest or title of licensor in the property subject to a license;

(18) Liens arising from sales or other transfers of accounts receivable which are past due or otherwise doubtful of collection in the ordinary course of business;

(19) Liens on accounts receivable and related assets Incurred in connection with a Qualified Receivables Transaction;

(20) any extensions, substitutions, replacements or renewals of the foregoing clauses (2) through (19); and

(21) Liens Incurred in the ordinary course of business of the Company or any Restricted Subsidiary with respect to Obligations that do not exceed US$100.0 million at any one time outstanding.

"*Permitted Refinancing Indebtedness*" means any Indebtedness of the Company or any Restricted Subsidiary issued in exchange for, or the net proceeds of which are used to extend, refinance, renew, replace, defease or refund other Indebtedness of the Company or any Subsidiary Guarantor (other than intercompany Indebtedness); *provided, however,* that:

(1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness so extended, refinanced, renewed, replaced, defeased or refunded (plus all accrued interest thereon and the amount of any reasonably determined premium necessary to accomplish such refinancing and such reasonable expenses Incurred in connection therewith);

(2) such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded;

(3) if the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded is subordinated in right of payment to the Notes or the Subsidiary Guarantees, such Permitted Refinancing Indebtedness is subordinated in right of payment to, the Notes on terms at least as favorable to the Holders of Notes as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded;

(4) if the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded is pari passu in right of payment with the Notes or any Subsidiary Guarantees, such Permitted Refinancing Indebtedness is pari passu with, or subordinated in right of payment to, the Notes or such Subsidiary Guarantees; and

(5) such Indebtedness is Incurred either by the Company, a Subsidiary Guarantor or by the Restricted Subsidiary who is the obligor on the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"*Predecessor Note*" of any particular Note means every previous Note evidencing all or a portion of the same Indebtedness as that evidenced by such particular Note; and any Note authenticated and delivered under Section 2.07 in lieu of a lost, destroyed or stolen Note shall be deemed to evidence the same Indebtedness as the lost, destroyed or stolen Note.

"*Preferred Shares*" means any Capital Stock of a Person, however designated, which entitles the holder thereof to a preference with respect to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of any other class of Capital Stock issued by such Person.

"*Private Placement Legend*" means the legends, including the 144A Legend and the Canadian Placement Legend, set forth in Section 2.06(f)(i) hereof to be placed on all Notes issued under this Indenture except as otherwise permitted by the provisions of this Indenture.

"*Purchase Money Note*" means a promissory note of an Accounts Receivable Entity to the Company or any of its Restricted Subsidiaries, which note must be repaid from cash available to the Accounts Receivable Entity, other than amounts required to be established as reserves pursuant to agreements, amounts paid to investors in respect of interest, principal and other amounts owing to such investors and amounts paid in connection with the purchase of newly generated receivables.

"*QIB*" or "qualified institutional buyer" means a qualified institutional buyer within the meaning of Rule 144A.

*"QMI Subordinated Loan"* means the Indebtedness owed by the Company to Quebecor Media pursuant to the Subordinated Loan Agreement dated March 24, 2003 between the Company and Quebecor Media, as amended.

"*Qualified Receivables Transaction*" means any transaction or series of transactions entered into by the Company or any of its Restricted Subsidiaries pursuant to which the Company or such Restricted Subsidiary transfers to an Accounts Receivable Entity (in the case of a transfer by the Company or any of its Restricted Subsidiaries) or any other Person other than the Company or any of its Subsidiaries, or grants a security interest in, any accounts receivable (whether now existing or arising in the future) of the Company or any of its Restricted Subsidiaries, and any assets related thereto, including, without limitation, all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interests are customarily granted in connection with an accounts receivable financing transaction; provided such transaction is on market terms at the time the Company or such Restricted Subsidiary enters into such transaction.

"*Quebecor Media*" means Quebecor Media Inc., the parent of the Company.

"*Rating Agency*" means (1) each of Moody's, S&P and DBRS; or (2) in the event that two or more of the foregoing rating agencies cease to issue ratings in respect of the Notes, as applicable, for reasons outside the control of the Company, any other Approved Credit Rating Organization selected by the Company to replace Moody's, S&P and/or DBRS.

"*Ratings Decline Period*" means the period that (1) begins on the earlier of (a) the date of the first public announcement of the occurrence of a Change of Control and (b) the occurrence of a Change of Control and (2) ends 90 days following consummation of such Change of Control; provided, that such period shall be extended for so long as the rating of the Notes, as noted by the applicable Rating Agency, is under publicly announced consideration for downgrade by the applicable Rating Agency.

"*Ratings Event*" means (1) a downgrade by one or more gradations (including gradations within ratings categories as well as between rating categories) or withdrawal of the rating of the Notes, as applicable, within the Ratings Decline Period by one or more Rating Agencies (unless the applicable Rating Agency shall have put forth a written statement to the effect that such downgrade is not attributable in whole or in part to the applicable Change of Control) and (2) the Notes, as applicable, do not have Investment Grade Status from any Rating Agency.

"*Regular Record Date*" for the interest payable on any Interest Payment Date means the applicable date specified as a "Record Date" on the face of the Note.

"*Regulation S*" means Regulation S promulgated under the 1933 Act.

"*Related Party*" means:

(1) any controlling shareholder, 80% (or more) owned Subsidiary, or immediate family member (in the case of an individual) of any Permitted Holder, or

(2) any trust, corporation, partnership or other entity, the beneficiaries, shareholders, partners, owners or Persons beneficially holding an 80% or more controlling interest of which consist of any one or more Permitted Holder and/or such other Persons referred to in the immediately preceding clause (1).

"*Responsible Officer*" when used with respect to the Trustee, means any officer within the Corporate Trust Department of the Trustee (or any successor group of the Trustee) with direct responsibility for the administration of this Indenture and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his or her knowledge of and familiarity with the particular subject.

"*Restricted Definitive Notes*" means one or more Definitive Notes bearing the Private Placement Legend.

"*Restricted Global Notes*" means the Canadian Placement Global Notes and the 144A Global Notes.

"*Restricted Investment*" means an Investment other than a Permitted Investment.

"*Restricted Payment*" means:

(1) the declaration or payment of any dividend or the making of any other payment or distribution on account of the Company's or any Restricted Subsidiary's Equity Interests, including, without limitation, any payment in connection with any merger or consolidation involving the Company or any Restricted Subsidiary, or to the direct or indirect holders of the Company's or any Restricted Subsidiary's Equity Interests in their capacity as such, other than dividends, payments or distributions payable in Equity Interests (other than Disqualified Stock or Back-to-Back Securities) of the Company or to the Company or a Restricted Subsidiary (and, if such Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, to the other shareholders of such Restricted Subsidiary on a pro rata basis or on a basis that results in the receipt by the Company or a Restricted Subsidiary of dividends or distributions of greater value than it would receive on a pro rata basis);

(2) the purchase, redemption or other acquisition or retirement for value, including, without limitation, in connection with any merger or consolidation involving the Company, of any Equity Interests of the Company, other than such Equity Interests of the Company held by the Company or any of its Restricted Subsidiaries;

(3) the making of any payment on or with respect to, or the purchase, redemption, defeasance or other acquisition or retirement for value of any Back-to-Back Securities or Indebtedness that is subordinated to the Notes or the Subsidiary Guarantees, except, in the case of Indebtedness that is subordinated to the Notes or Subsidiary Guarantees (other than Back-to-Back Securities and the QMI Subordinated Loan), a payment of interest at or within one year of the Stated Maturity of such interest or principal at or within one year of the Stated Maturity of principal of such Indebtedness; *provided* that any accretion or payment-in-kind of interest on the QMI Subordinated Loan, to the extent such accretion or payment is not made in cash, will not be a Restricted Payment;

(4) any Restricted Investment; or

(5) the payment of any amount of Management Fees (including Deferred Management Fees) to a Person other than the Company or a Restricted Subsidiary.

"*Restricted Subsidiary*" means any Subsidiary of the Company that is not an Unrestricted Subsidiary.

"*Rule 144*" means Rule 144 promulgated under the 1933 Act.

"*Rule 144A*" means Rule 144A promulgated under the 1933 Act.

"*Rule 903*" means Rule 903 promulgated under the 1933 Act.

"*Rule 904*" means Rule 904 promulgated under the 1933 Act.

"*S&P*" means, collectively, Standard & Poor's Financial Services LLC and Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc., or any successor to the rating agency business thereof.

*"sale and leaseback transaction"* means, with respect to any Person, any transaction involving any of the assets or properties of such Person whether now owned or hereafter acquired, whereby such Person sells or transfers such assets or properties and then or thereafter leases such assets or properties or any part thereof or any other assets or properties which such Person intends to use for substantially the same purpose or purposes as the assets or properties sold or transferred.

"*Significant Subsidiary*" means any Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the 1933 Act, as such Regulation was in effect on October 8, 2003.

"*Standard Securitization Undertakings*" means representations, warranties, covenants and indemnities entered into by the Company or any of its Restricted Subsidiaries, which are customary in an accounts receivable securitization transaction.

"*Stated Maturity*" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which such payment of interest or principal was scheduled to be paid in the original documentation governing such Indebtedness, and shall not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"*Subordinated Indebtedness*" means any Indebtedness of the Company or any Subsidiary Guarantor (whether outstanding on October 8, 2003 or thereafter Incurred) that is subordinate or junior in right of payment to the Notes or any Subsidiary Guarantee pursuant to a written agreement to that effect.

"*Subsidiary*" means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are such Person or one or more Subsidiaries of such Person (or any combination thereof).

"*Subsidiary Guarantee*" means a guarantee on the terms set forth in this Indenture by a Subsidiary Guarantor of the Company's obligations with respect to the Notes.

"*Subsidiary Guarantor*" means (1) each Restricted Subsidiary on the Issue Date other than SETTE inc. and (2) any other Person that becomes a Subsidiary Guarantor pursuant to the provisions of Section 4.19 hereof or who otherwise executes and delivers a supplemental indenture to the Trustee providing for a Subsidiary Guarantee, and in each case their respective successors and assigns until released from their obligations under their Subsidiary Guarantees and this Indenture in accordance with the terms hereof.

"*Tax*" means any tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and any other liabilities related thereto).

"*Tax Benefit Transaction*" means, for so long as the Company is a direct or indirect Subsidiary of Quebecor Inc., any transaction between a Videotron Entity and Quebecor Inc. or any of its Affiliates, the primary purpose of which is to create tax benefits for any Videotron Entity or for Quebecor Inc. or any of its Affiliates; *provided, however,* that (1) the Videotron Entity involved in the transaction obtains a favorable tax ruling from a competent tax authority or a favorable tax opinion from a nationally recognized Canadian law or accounting firm having a tax practice of national standing as to the tax efficiency of the transaction for such Videotron Entity (except that such ruling or opinion shall not be required in respect of a transaction with substantially similar tax and transactional attributes as a previous Tax Benefit Transaction in respect of which such a tax ruling or opinion was obtained); (2) in respect of any such Tax Benefit Transaction in an amount exceeding Cdn$50.0 million, such transaction has been approved by a majority of the disinterested members of such Board of Directors; (3) such transaction is set forth in writing; and (4) the Consolidated Cash Flow of the Company is not reduced after giving *pro forma* effect to the transaction as if the same had occurred at the beginning of the most recently ended full fiscal quarter of the Company for which internal financial statements are available; *provided, however*, that if such transaction shall thereafter cease to satisfy the preceding requirements as a Tax Benefit Transaction, it shall thereafter cease to be a Tax Benefit Transaction for purposes of this Indenture and shall be deemed to have been effected as of such date and, if the transaction is not otherwise permitted by this Indenture as of such date, the Company shall be in default under this Indenture if such transaction does not comply with the preceding requirements or is not otherwise unwound within 30 days of that date.

"*Trustee*" means the Person named as the "Trustee" in the first paragraph of this Indenture until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean such successor Trustee.

"*Unrestricted Definitive Notes*" means one or more Definitive Notes that do not and are not required to bear the 144A Legend.

"*Unrestricted Global Notes*" means one or more Global Notes that do not and are not required to bear the 144A Legend and are deposited with and registered in the name of the Depositary or its nominee.

"*Unrestricted Subsidiary*" means:

(1) any Subsidiary of the Company that is designated after the Issue Date as an Unrestricted Subsidiary as permitted or required pursuant to the provisions of Section 4.17 hereof and is not thereafter redesignated as a Restricted Subsidiary as permitted pursuant thereto; and

(2) any Subsidiary of an Unrestricted Subsidiary.

"*Videotron Entity*" means any of the Company or any of its Restricted Subsidiaries.

"*Voting Stock*" of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect thereof, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(2) the then outstanding principal amount of such Indebtedness.

"*Wholly Owned Restricted Subsidiary*" of any specified Person means a Restricted Subsidiary of such Person all of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares) will at the time be owned by such Person or by one or more Wholly Owned Restricted Subsidiaries of such Person.

*Section 1.02.* **Other Definitions**.

| Term | Defined in Section |
|---|---|
| "Acceleration Notice" | 6.02 |
| "Additional Amounts" | 4.20(1)(iii) |
| "Affiliate Transaction" | 4.14(a) |
| "Asset Sale Offer" | 4.12(d) |
| "Authentication Order" | 2.02(d) |
| "Base Currency" | 12.10(1)(i) |
| "Benefited Party" | 10.01 |
| "Change of Control Offer" | 4.18(1) |
| "Change of Control Amount" | 4.18(1) |
| "Covenant Defeasance" | 8.03 |
| "Event of Default" | 6.01 |
| "Excess Proceeds" | 4.12 |
| "Excluded Holder" | 4.20(2) |
| "First Currency" | 12.11 |
| "indenture legislation" | 12.15 |
| "judgment currency" | 12.10(1)(i) |
| "Legal Defeasance" | 8.02 |
| "losses" | 7.06 |
| "Offer Amount" | 3.09(2)(ii) |
| "Offer Period" | 3.09(3) |
| "Offer to Purchase" | 3.09(1) |
| "Participants List" | 2.01(d) |
| "Paying Agent" | 2.03(a) |
| "Payment Default" | 6.01(vi)(A) |
| "Permitted Debt" | 4.09(2) |
| "Privacy Laws" | 12.12 |
| "Proxy Material" | 13.07(2) |
| "Purchase Date" | 3.09(3) |
| "rate(s) of exchange" | 12.10(4) |

| | |
|---|---|
| "Registrar" | 2.03(a) |
| "Required Number" | 13.07(2) |
| "Security Register" | 2.03(a) |
| "Surviving Company" | 5.01(1)(i) |
| "Surviving Guarantor" | 5.01(2)(i) |

*Section 1.03.* **Rules of Construction**.

Unless the context otherwise requires:

(i) a term has the meaning assigned to it;

(ii) an accounting term not otherwise defined herein has the meaning assigned to it in accordance with GAAP;

(iii) "or" is not exclusive;

(iv) words in the singular include the plural, and in the plural include the singular;

(v) all references in this instrument to "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and subdivisions of this instrument as originally executed;

(vi) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

(vii) "including" means "including without limitation;"

(viii) provisions apply to successive events and transactions;

(ix) references to any laws, acts, rules or regulations thereunder shall be deemed to include any substitute, replacement or successor laws, acts, rules or regulations; and

(x) references to $ and to Cdn.$ are to Canadian dollars and references to US$ are to United States dollars.

*Section 1.04.* **Form of Documents Delivered to Trustee**

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or opinion of counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

*Section 1.05.* **Acts of Holders of Notes**

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders of Notes may be embodied in and evidenced by (i) one or more instruments of substantially similar tenor signed by such Holders in person or by agents duly appointed in writing or (ii) a resolution duly adopted by the Holders of Notes at a meeting thereof duly called and held in accordance with the provisions of Article 13. Except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments or resolution are delivered to the Trustee and, where it is hereby expressly required, to the Company. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 7.01) conclusive in favour of the Trustee and the Company if made in the manner provided in this Section. Proof of the due adoption of any such resolution by the appropriate percentage of Holders of Notes at a meeting thereof shall be sufficient for any purpose of this Indenture if such resolution forms part of and its due adoption by such appropriate percentage is evident from the record of such meeting prepared, signed and verified in the manner provided in Section 13.6.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary or other officer authorized by law to take acknowledgements of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by an officer of a corporation or a member of a partnership, on behalf of such corporation or partnership, such certificate or affidavit shall also constitute sufficient proof of his authority to so execute.

(c) The holding of Notes shall be proved by the Security Register.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Note shall bind every future Holder of the same Note and the Holder of every Note issued upon the transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Note.

*Section 1.06.* **Benefits of Indenture**

Nothing in this Indenture or in the Notes, express or implied, shall, except as may be required by any applicable law, give to any Person, other than the parties hereto and their successors hereunder and the Holders of Notes, any benefit or any legal or equitable right, remedy or claim under this Indenture. In the case of Notes registered in Book-Entry Only Form, any reference in this Indenture to a "Holder" of a Note shall be construed as a reference to the Depositary.

*Section 1.07.* **Trust Provisions**

Notwithstanding the references herein or in any Note to this Indenture as a "Trust Indenture" or to the Computershare Trust Company of Canada (or its successor hereunder, if any) as a "Trustee" or to it acting as Trustee, and except for any trust which may be created or constituted in Québec for the purposes of Sections 2.04, 6.10, 8.04, 8.05, 8.06, 11.01, 11.02 and 11.03 of this Indenture (and only to the extent contemplated by such Sections), no trust within the meaning of Chapter II of Title Six of Book Four of the Civil Code is intended to be or is created or constituted hereby. In addition, for greater certainty and subject as hereinafter in this Section provided in the case of any trust created or constituted in Québec for the purposes of Sections 2.04, 6.10, 8.04, 8.05, 8.06, 11.01, 11.02 and 11.03 of this Indenture, the provisions of Title Seven of Book Four of the Civil Code shall not apply to any administration by the Trustee hereunder.

Except as otherwise expressly provided or unless the context otherwise requires, references in this Indenture to "trust" or "in trust", and other similar wording shall only refer to any trust that shall be created or constituted for the purposes of Sections 2.04, 6.10, 8.04, 8.05, 8.06, 11.01, 11.02 and 11.03 of this Indenture, as the case may be, which trust shall be created or constituted either under Québec law or under the law of any other appropriate jurisdiction and, if so created or constituted in another appropriate jurisdiction, shall be subject to the trust laws of such jurisdiction. Any such trust shall be automatically created by the mere fact of the transfer to or

taking of possession by the Trustee of the property subject to and for the purposes of such trust and such provisions of the Civil Code shall automatically apply thereto unless such transfer and taking of possession occurs outside of Québec and it has previously been, or it is then, expressly agreed between the Company and the Trustee (acting in its sole discretion) that the trust laws in the jurisdiction where such transfer or taking of possession occurs shall apply or the laws of such jurisdiction make it mandatory that its trust laws apply to any trust created hereunder as a result of such transfer or taking of possession.

*Section 1.08.* **Accounting Changes**

For the purposes of this Indenture, any failure to comply with any covenant or agreement under this Indenture (other than the provisions of Section 4.09(1) and Section 4.10 hereof) that results solely from a change in GAAP, shall, to the extent that the underlying transactions, items or Incurrences (including, without limitation, Liens and items of Indebtedness) (or portions thereof) cannot be reclassified in a manner that results in compliance with the relevant covenant or agreement, be permitted and shall, solely to the extent of the non-compliance, be deemed not to be a failure to comply with such covenant or agreement.

## ARTICLE 2.
## THE NOTES

*Section 2.01.* **Form and Dating**.

(a) ***General***. The Notes and the Trustee's certificate of authentication shall be substantially in the form included in Exhibit A hereto, which is hereby incorporated in and expressly made part of this Indenture. The Notes may have notations, legends or endorsements required by law, exchange rule or usage in addition to those set forth on Exhibit A. Each Note shall be dated the date of its authentication. The Notes shall be in denominations of $1,000 and integral multiples of $1,000 in excess thereof. The terms and provisions contained in the Notes shall constitute a part of this Indenture, and the Company, the Subsidiary Guarantors and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby. To the extent any provision of any Note conflicts with the express provisions of this Indenture, the provisions of this Indenture shall govern and be controlling.

(b) ***Form of Notes***. Notes shall be issued initially in Book-Entry Only Form represented by one or more fully registered Global Notes and shall be substantially in the form of Exhibit A attached hereto (including the Global Note Legend thereon and the "Schedule of Exchanges of Interests in the Global Note" attached thereto) held by, or on behalf of, the Depositary (for its Participants) and registered on the Security Register maintained by the Trustee pursuant to Section 2.03 in the name of the Depositary or its nominee, and it is expressly acknowledged that any such registrations of ownership and transfers of such Global Note(s), or interests of Participants therein, will be made by the Depositary only through the Book-Entry System. Notes issued in definitive form shall be substantially in the form of Exhibit A attached hereto (but without the Global Note Legend thereon and without the "Schedule of Exchanges of Interests in the Global Note" attached thereto). Each Global Note shall represent such aggregate principal amount of the outstanding Notes as shall be specified therein and each shall provide that it shall represent the aggregate principal amount of outstanding Notes from time to time endorsed thereon and that the aggregate principal amount of outstanding Notes represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges and redemptions and transfers of interests therein. Any endorsement of a Global Note to reflect the amount of any increase or decrease in the aggregate principal amount of outstanding Notes represented thereby shall be made by the Trustee or the Custodian, at the direction of the Trustee, in accordance with instructions given by the Holder thereof as required by Section 2.06 hereof.

(c) ***Book-Entry Provisions***. This Section 2.01(c) shall apply only to Global Notes deposited with the Trustee, as custodian for the Depositary. Participants and Indirect Participants shall have no rights under this Indenture or any Global Note with respect to any Global Note held on their behalf by the Depositary or by the Trustee as custodian for the Depositary, and the Depositary shall be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner of such Global Note for all purposes whatsoever. Subject to this Section 2.01(c), the rights of Participants and Indirect Participants in any Global Note (including the right to receive a certificate or other instrument evidencing an ownership interest in such Global Note) shall be limited to those established by any agreement (including a Book-Entry Only Securities Services Agreement) between the Company and the Depositary, by applicable law and by any agreements among the Depositary and its Participants and among such Participants and the Indirect Participants, and must be exercised through a Participant in accordance with the Applicable Procedures. Accordingly, except as provided in Section 2.06, neither the Company nor the Trustee shall be under any obligation to deliver, nor shall any Participant or Indirect Participant or any owner of any beneficial interest in any Global Note have any right to require the delivery of, a Definitive Note or other instrument evidencing an interest in respect of such Note, and, for so long as no Definitive Note has been issued, the responsibility and liability of the Company in respect of notices or payments on the Notes will be limited to giving notice or making payment of any principal, redemption price, if any, and interest due on the Notes to the Depositary or its nominee. Any notice required or permitted to be given to Holders while the Notes are represented by Global Notes held by, or on behalf of, the Depositary or its nominee as part of the Book-Entry System, shall be provided to the Depositary. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depositary or impair, as between the Depositary and its Participants or Indirect Participants, the Applicable Procedures or the operation of customary practices of the Depositary governing the exercise of the rights of a holder of a beneficial interest in any Global Note.

(d) ***Dealings with the Depositary.*** The Company and the Trustee acknowledge that subject to and in accordance with Applicable Procedures, each Participant must look solely to the Depositary through its paying agent service, for so long as the Depositary is the registered holder of Global Notes, for its share of each payment made by the Trustee or the Company, as the case may be, to the registered holder of the Global Notes, and each Indirect Participant must look solely to Participants for its share of such payments. Provided that the Company (or the Paying Agent, as applicable) has made payments to the Depositary in respect of the Global Notes as required by this Indenture and except as otherwise provided in Sections 8.06 or 11.03 of this Indenture, no person, including any Participant, shall have any claim against the Company in respect of payments due on such Global Notes and the obligations of the Company shall be discharged by payment to the Depositary, in respect of each amount so paid.

The Company and the Trustee understand that, if so requested by the Trustee or the Company, the Depositary will, within three Business Days of such request, deliver to such requesting party a certified list of Participants (the "*Participants List*") as at the date requested by such party showing the name and address of each Participant together with the aggregate principal amount of such Participant's interest in the Notes and that for so long as interests in the Notes are represented by the Global Notes, the Depositary shall, upon the reasonable request of the Trustee or the Company from time to time, deliver to such requesting party a copy of the then current Participants List and such additional information as the Trustee or Company may reasonably request. The Company and the Trustee shall be entitled to rely upon all such information provided by the Depositary to the Company and the Trustee.

The Company and the Trustee understand that the Depositary acts as the agent and depositary for the Participants and the Company and the Trustee further acknowledge and agree that neither the Company nor the Trustee shall have any liability or responsibility for: (i) any aspect of the records relating to the beneficial ownership of the Notes held by the Depositary or the payments relating to such Notes, (ii) maintaining, supervising or reviewing any records relating to the beneficial ownership of Notes held by the Depositary, or (iii) any advice or representation made by or with respect to the Depositary and contained in this Indenture or any indenture supplemental to this Indenture with respect to the rules and regulations governing the Depositary or any action to be taken by the Depositary or at the direction of the Participants. In the event of any conflict between this Indenture and any such agreement between the Company and the Depositary, the terms of any such agreement shall prevail.

*Section 2.02.* **Execution and Authentication**.

(a) One Officer shall execute the Notes on behalf of the Company by manual or facsimile signature.

(b) If an Officer whose signature is on a Note no longer holds that office at the time a Note is authenticated by the Trustee, the Note shall nevertheless be valid.

(c) A Note shall not be valid until authenticated by the manual signature of the Trustee. The signature shall be conclusive evidence that the Note has been authenticated under this Indenture.

(d) The Trustee shall, upon a written order of the Company signed by an Officer (an "*Authentication Order*"), authenticate Notes for original issue.

(e) The Trustee may appoint an authenticating agent acceptable to the Company to authenticate Notes. Unless otherwise provided in such appointment, an authenticating agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent shall have the same rights as an Agent with respect to Holders.

*Section 2.03.* **Registrar and Paying Agent**.

(a) The Company shall maintain an office or agency where Notes may be presented for registration of transfer or for exchange ("*Registrar*") and an office or agency where Notes may be presented for payment ("*Paying Agent*"). The Registrar shall keep a register, on behalf of the Company, of particulars of the Notes and of their transfer and exchange (the "*Security Register*"). The Company may appoint one or more co-registrars and one or more additional paying agents. The term "Registrar" includes any co-registrar and the term "Paying Agent" includes any additional paying agent. The Company may change any Paying Agent or Registrar without notice to any Holder. The Company shall notify the Trustee in writing of the name and address of any Agent not a party to this Indenture. If the Company fails to appoint or maintain another entity as Registrar or Paying Agent, the Trustee shall act as such. The Company or any of its Subsidiaries may act as Paying Agent or Registrar.

(b) The Company initially appoints CDS to act as Depositary with respect to the Global Notes.

(c) The Company initially appoints the Trustee to act as Registrar and Paying Agent and to act as Custodian with respect to the Global Notes, and the Trustee hereby agrees so to initially act.

Without limiting the foregoing, in connection with any issue(s) of Notes to purchasers in the United States of America or any other foreign jurisdictions, the Company may by such written instrument deemed appropriate by the Company, appoint from time to time directly or through the Depositary or Trustee:

(i) a depositary incorporated or organized under the laws of a foreign jurisdiction in addition or in lieu of the Depositary;

(ii) a paying agent incorporated or organized under the laws of a foreign jurisdiction in addition to or in lieu of the Paying Agent; and

(iii) a registrar for the purposes of registering Notes and transfers of Notes, incorporated or organized under the laws of a foreign jurisdiction in addition to the Registrar;

and, in addition, the Trustee may also appoint, with the prior consent of the Company, one or more co-certifying agent(s) incorporated or organized under the laws of a foreign jurisdiction(s).

The Security Register shall at all reasonable times, and at such reasonable costs as established by the Trustee, be open for inspection by the Company or any Holder. The Trustee and every Registrar shall from time to time when requested so to do by the Company or by the Trustee furnish the Company or the Trustee, as the case may be, with a list of names and addresses of holders of Notes entered on the register kept by them and showing the principal amount and serial numbers of the Notes held by each such holder.

*Section 2.04.* **Paying Agent to Hold Money in Trust**.

The Company shall require each Paying Agent other than the Trustee to agree in writing that the Paying Agent shall hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal, premium, if any, or interest on the Notes, and shall notify the Trustee of any default by the Company in making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all funds held by it relating to the Notes to the Trustee. The Company at any time may require a Paying Agent to pay all funds held by it relating to the Notes to the Trustee. Upon payment over to the Trustee, the Paying Agent (if other than the Company or a Subsidiary) shall have no further liability for such funds. If the Company or a Subsidiary acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of the Holders all funds held by it as Paying Agent. Upon any Event of Default under Sections 6.01(ix) and (x) hereof relating to the Company, the Trustee shall serve as Paying Agent for the Notes.

*Section 2.05.* **Holder Lists**.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of all Holders. If the Trustee is not the Registrar, the Company shall furnish to the Trustee at least seven Business Days before each Interest Payment Date and at such other times as the Trustee may request in writing, a list in such form and as of such date or such shorter time as the Trustee may allow, as the Trustee may reasonably require of the names and addresses of the Holders.

*Section 2.06.* **Transfer and Exchange**.

(a) ***Transfer and Exchange of Global Notes***. A Global Note may not be transferred as a whole except by the Depositary to a nominee of the Depositary, by a nominee of the Depositary to the Depositary or to another nominee of the Depositary, or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary. The Company shall exchange Global Notes for Definitive Notes if: (1) required by applicable law; (2) the Book-Entry System ceases to exist; (3) the Company determines, at its option, that the Global Notes shall be exchanged for Definitive Notes (including, without limitation, in circumstances where the Company considers it impracticable or inefficient to effect any distribution or conversion in respect of the Notes through the facilities of the Depositary) and delivers a written notice to such effect to the Trustee, (4) the Company or the Depositary advises the Trustee that the Depositary is no longer willing, able or qualified to properly discharge its responsibilities as depositary with respect to the Notes and the Company or the Trustee is unable to locate a qualified successor, (5) after the occurrence of an Event of Default, the Depositary notifies the Trustee that it has received written notification from Participants, acting on behalf of Indirect Participants representing, in the aggregate, in excess of 50% of aggregate principal amount of beneficial ownership interests in the Global Notes, that it is no longer in their best interest that the Global Notes be held by the Depositary, or (6) the Depositary ceases to be a recognized clearing agency under applicable Canadian provincial securities laws or otherwise ceases to be eligible to act as a depository and a successor is not appointed. Upon the occurrence of any of the preceding events in clauses (1), (2), (3), (4), (5) or (6) above, the Trustee shall notify the Depositary, for and on behalf of Participants and Indirect Participants, of the termination of the Book-Entry System and that the Notes will be represented by Definitive Notes, and Definitive Notes shall be issued in denominations of $1,000 or integral multiples of $1,000 in excess thereof and registered and in such names as the Depositary shall instruct the Trustee in writing. Global Notes also may be exchanged or replaced, in whole or in part, as provided in Sections 2.07 and 2.10 hereof. Except as provided above, every Note authenticated and delivered in exchange for, or in lieu of, a Global Note or any portion thereof, pursuant to this Section 2.06 or Section 2.07 or 2.10 hereof, shall be authenticated and delivered in the form of, and shall be, a Global Note. A Global Note may not be exchanged for another Note other than as provided in this Section 2.06(a), and beneficial interests in a Global Note may not be transferred and exchanged other than as provided in Section 2.06(b) or (c) hereof.

(b) ***Transfer and Exchange of Beneficial Interests in the Global Notes.*** The transfer and exchange of beneficial interests in the Global Notes shall be effected through the Depositary in accordance with the provisions of this Indenture and the Applicable Procedures. It is expressly acknowledged that transfers of beneficial ownership in any Note represented by a Global Note will be effected only (i) with respect to the interest of Participants, through records maintained by the Depositary or its nominee for the Global Notes, and (ii) with respect to interests of persons other than Participants, through records maintained by Participants. Indirect Participants who

desire to purchase, sell or otherwise transfer ownership of or other interest in Notes represented by a Global Note may do so only through a Participant. Beneficial interests in Restricted Global Notes shall be subject to restrictions on transfer comparable to those set forth herein to the extent required by the 1933 Act and applicable securities laws and regulations in Canada. Transfers of beneficial interests in Global Notes also shall require compliance with either clause (i) or (ii) below, as applicable, as well as one or more of the other following clauses, as applicable:

(i) Transfer of Beneficial Interests in the Same Global Note. Beneficial interests in any Restricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in the same Restricted Global Note in accordance with the transfer restrictions set forth in the Private Placement Legend and any Applicable Procedures; *provided*, *however*, that prior to the expiration of the Distribution Compliance Period, transfers of beneficial interests in the Canadian Placement Global Note may not be made to or for the account or benefit of a "U.S. Person" (as defined in Rule 902(k) of Regulation S) (other than a "distributor" (as defined in Rule 902(d) of Regulation S)). Beneficial interests in any Unrestricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note, subject, however, to such transfer being in accordance with the transfer restrictions set forth in the Canadian Placement Legend and any Applicable Procedures. Except as may be required by any Applicable Procedures, no written orders or instructions shall be required to be delivered to the Registrar to effect the transfers described in this Section 2.06(b)(i).

(ii) All Other Transfers and Exchanges of Beneficial Interests in Global Notes. In connection with all transfers and exchanges of beneficial interests other than those that are subject to Section 2.06(b)(i) above, the transferor of such beneficial interest must deliver to the Registrar either (A)(1) a written order from a Participant given to the Depositary in accordance with the Applicable Procedures directing the Depositary to credit or cause to be credited a beneficial interest in another Global Note in an amount equal to the beneficial interest to be transferred or exchanged and (2) instructions given in accordance with the Applicable Procedures containing information regarding the Participant account to be credited with such increase or (B) if permitted under Section 2.06(a) hereof, (1) a written order from a Participant given to the Depositary in accordance with the Applicable Procedures directing the Depositary to cause to be issued a Definitive Note in an amount equal to the beneficial interest to be transferred or exchanged and (2) instructions given by the Depositary to the Registrar containing information regarding the Person in whose name such Definitive Note shall be registered to effect the transfer or exchange referred to in (B) (1) above. Upon satisfaction of all of the requirements for transfer or exchange of beneficial interests in Global Notes contained in this Indenture and the Notes or otherwise applicable under the 1933 Act and/or applicable securities laws and regulations in Canada, the Trustee shall adjust the principal amount of the relevant Global Note(s) pursuant to Section 2.06(g) hereof.

(iii) Transfer of Beneficial Interests in a Restricted Global Note to Another Restricted Global Note. A beneficial interest in any Restricted Global Note may be transferred to a Person who takes delivery thereof in the form of a beneficial interest in another Restricted Global Note if the transfer complies with the requirements of Section 2.06(b)(ii) above and the Registrar receives the following:

(A) if the transferee will take delivery in the form of a beneficial interest in a 144A Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof; and

(B) if the transferee will take delivery in the form of a beneficial interest in a Canadian Placement Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof;

*provided, however,* that prior to the expiration of the Distribution Compliance Period, transfers of beneficial interests in the Canadian Placement Global Note may not be made to or for the account or benefit of a "U.S. Person" (as defined in Rule 902(k) of Regulation S) (other than a "distributor" (as defined in Rule 902(d) of Regulation S)).

(iv) Transfer and Exchange of Beneficial Interests in a Restricted Global Note for Beneficial Interests in an Unrestricted Global Note. A beneficial interest in any Restricted Global Note may be exchanged by any holder thereof for a beneficial interest in an Unrestricted Global Note or transferred to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note only if the exchange or transfer complies with the requirements of Section 2.06(b)(ii) above and the Registrar receives the following:

(1) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (1)(a) thereof; or

(2) if the holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case, if the Company or the Registrar so requests or if the Applicable Procedures so require, such certifications and/or an Opinion of Counsel in form reasonably acceptable to the Company and the Registrar to the effect that such exchange or transfer shall be effected in compliance with the 1933 Act and applicable securities laws in Canada and that the restrictions on transfer contained herein and in the 144A Legend shall no longer be required in order to maintain compliance with the 1933 Act.

If any such transfer is effected at a time when an Unrestricted Global Note has not been issued, the Company shall execute and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee shall authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the aggregate principal amount of beneficial interests transferred pursuant to this Section 2.06(b)(iv).

(c) ***Transfer or Exchange of Beneficial Interests for Definitive Notes.***

(i) Beneficial Interests in Restricted Global Notes to Restricted Definitive Notes. Subject to Section 2.06(a) hereof, if any holder of a beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Restricted Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Restricted Definitive Note, then, upon receipt by the Registrar of the following documentation:

(A) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Restricted Definitive Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (2)(a) thereof;

(B) if such beneficial interest is being transferred in a transaction exempt from (or not subject to) the prospectus qualification and dealer registration requirements of applicable Canadian provincial securities laws and to a non-U.S. Person (within the meaning of Rule 902(k) of Regulation S) in an offshore transaction in accordance with Rule 903 or Rule 904, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (2) thereof;

(C) if such beneficial interest is being transferred to a QIB in accordance with Rule 144A, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (1) thereof;

(D) if such beneficial interest is being transferred pursuant to an exemption from the registration requirements of the 1933 Act in accordance with Rule 144 under the 1933 Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(a) thereof;

(E) if such beneficial interest is being transferred to an Institutional Accredited Investor in reliance on an exemption from the registration requirements of the 1933 Act other than those listed in clauses (B) through (D) above, a certificate to the effect set forth in Exhibit B hereto, including the certifications, certificates and Opinion of Counsel required by item (3)(d) thereof, as applicable; or

(F) if such beneficial interest is being transferred to the Company or any of its Subsidiaries, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(b) thereof,

the Trustee shall reduce or cause to be reduced in a corresponding amount pursuant to Section 2.06(g) hereof the aggregate principal amount of the applicable Restricted Global Note, and the Company shall execute and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee shall authenticate and deliver a Restricted Definitive Note in the appropriate principal amount to the Person designated by the holder of such beneficial interest in instructions delivered to the Registrar by the Depositary and the applicable Participant or Indirect Participant on behalf of such holder, *provided, however*, that no beneficial interest in a Canadian Placement Global Note shall be exchanged for or transferred to a Person who takes delivery thereof in the form of a Restricted Definitive Note prior to the expiration of the Distribution Compliance Period. Any Restricted Definitive Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.06(c)(i) shall be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest shall designate in such instructions. The Trustee shall deliver such Restricted Definitive Notes to the Persons in whose names such Notes are so registered. Any Restricted Definitive Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.06(c)(i) shall bear the Private Placement Legend and shall be subject to all restrictions on transfer contained therein.

(ii) Beneficial Interests in Restricted Global Notes to Unrestricted Definitive Notes. Subject to Section 2.06(a) hereof, a holder of a beneficial interest in a Restricted Global Note may exchange such beneficial interest for an Unrestricted Definitive Note or may transfer such beneficial interest to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note only if the Registrar receives the following:

(1) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for an Unrestricted Definitive Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (1)(b) thereof; or

(2) if the holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Note, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case, if the Registrar or the Company so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar and the Company to the effect that such exchange or transfer shall be effected in compliance with the 1933 Act and applicable securities laws in Canada and that the restrictions on transfer contained herein and in the 144A Legend shall no longer be required in order to maintain compliance with the 1933 Act, *provided, however*, that no beneficial interest in a Canadian Placement Global Note shall be exchanged for or transferred to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note prior to the expiration of the Distribution Compliance Period.

Upon satisfaction of the conditions of any of the clauses of this Section 2.06(c)(ii) the Company shall execute, and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee shall authenticate and deliver an Unrestricted Definitive Note in the appropriate principal amount to the Person designated by the holder of such beneficial interest in instructions delivered to the Registrar by the Depositary and the applicable Participant or Indirect Participant on behalf of such holder, and the Trustee shall reduce or cause to be reduced in a corresponding amount pursuant to Section 2.06(g) hereof the aggregate principal amount of the applicable Restricted Global Note.

(iii) Beneficial Interests in Unrestricted Global Notes to Unrestricted Definitive Notes. Subject to Section 2.06(a) hereof, if any holder of a beneficial interest in an Unrestricted Global Note proposes to exchange such beneficial interest for an Unrestricted Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note, then, upon satisfaction of the applicable conditions set forth in Section 2.06(b)(ii) hereof, the Trustee shall reduce or cause to be reduced in a corresponding amount pursuant to Section 2.06(g) hereof the aggregate principal amount of the applicable Unrestricted Global Note, and the Company shall execute and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee shall authenticate and deliver an Unrestricted Definitive Note in the appropriate principal amount to the Person designated by the holder of such beneficial interest in instructions delivered to the Registrar by the Depositary and the applicable Participant or Indirect Participant on behalf of such holder. Any Unrestricted Definitive Note issued in exchange for a beneficial interest pursuant to this Section 2.06(c)(iii) shall be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest shall designate in such instructions. The Trustee shall deliver such Unrestricted Definitive Notes to the Persons in whose names such Notes are so registered. Any Unrestricted Definitive Note issued in exchange for a beneficial interest pursuant to this Section 2.06(c)(iii) shall not bear the 144A Legend.

(d) ***Transfer and Exchange of Definitive Notes for Beneficial Interests.***

(i) Restricted Definitive Notes to Beneficial Interests in Restricted Global Notes. If any holder of a Restricted Definitive Note proposes to exchange such Note for a beneficial interest in a Restricted Global Note or to transfer such Restricted Definitive Notes to a Person who takes delivery thereof in the form of a beneficial interest in a Restricted Global Note, then, upon receipt by the Registrar of the following documentation:

(A) if the holder of such Restricted Definitive Note proposes to exchange such Note for a beneficial interest in a Restricted Global Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (2)(b) thereof;

(B) if such Restricted Definitive Note is being transferred in a transaction exempt from (or not subject to) the prospectus qualification and dealer registration requirements of applicable securities laws and regulations in Canada and to a non-U.S. Person (within the meaning of Rule 902(k) of Regulation S) in an offshore transaction in accordance with Rule 903 or Rule 904, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (2) thereof; or

(C) if such Restricted Definitive Note is being transferred to a QIB in accordance with Rule 144A, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (1) thereof;

the Trustee shall cancel the Restricted Definitive Note, increase or cause to be increased in a corresponding amount pursuant to Section 2.06(g) hereof the aggregate principal amount of, in the case of clause (A) above, the appropriate Restricted Global Note, in the case of clause (B) above, a Canadian Placement Global Note, and in the case of clause (C) above, a 144A Global Note.

(ii) Restricted Definitive Notes to Beneficial Interests in Unrestricted Global Notes. A holder of a Restricted Definitive Note may exchange such Note for a beneficial interest in an Unrestricted Global Note or transfer such Restricted Definitive Note to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note only if the Registrar receives the following:

(1) if the holder of such Restricted Definitive Note proposes to exchange such Note for a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (1)(c) thereof; or

(2) if the holder of such Restricted Definitive Note proposes to transfer such Note to a Person who shall take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case, if the Registrar or the Company so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar and the Company to the effect that such exchange or transfer shall be effected in compliance with the 1933 Act and applicable Canadian provincial securities laws, if applicable, and that the restrictions on transfer contained herein and in the 144A Legend shall no longer be required in order to maintain compliance with the 1933 Act.

Upon satisfaction of the conditions of any of the clauses in this Section 2.06(d)(ii), the Trustee shall cancel such Restricted Definitive Note and increase or cause to be increased in a corresponding amount pursuant to Section 2.06(g) hereof the aggregate principal amount of the Unrestricted Global Note.

(iii) Unrestricted Definitive Notes to Beneficial Interests in Unrestricted Global Notes. A holder of an Unrestricted Definitive Note may exchange such Note for a beneficial interest in an Unrestricted Global Note or transfer such Unrestricted Definitive Note to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note at any time. Upon receipt of a request for such an exchange or transfer, the Trustee shall cancel the applicable Unrestricted Definitive Note and increase or cause to be increased in a corresponding amount pursuant to Section 2.06(g) hereof the aggregate principal amount of one of the Unrestricted Global Notes.

(iv) Issuance of Unrestricted Global Notes. If any such exchange or transfer of a Definitive Note for a beneficial interest in an Unrestricted Global Note is to be effected pursuant to clause (ii) or (iii) above at a time when an Unrestricted Global Note has not been issued, the Company shall issue and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee shall authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the principal amount of Definitive Notes so transferred.

(e) ***Transfer and Exchange of Definitive Notes for Definitive Notes***. Upon request by a holder of Definitive Notes and such holder's compliance with the provisions of this Section 2.06(e), the Registrar shall register the transfer or exchange of Definitive Notes. Prior to such registration of transfer or exchange, the requesting holder shall present or surrender to the Registrar the Definitive Notes duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Registrar duly executed by such holder. In addition, the requesting holder shall provide any additional certifications, documents and information, as applicable, required pursuant to the following provisions of this Section 2.06(e).

(i) Restricted Definitive Notes to Restricted Definitive Notes. Any Restricted Definitive Note may be transferred to and registered in the name of Persons who take delivery thereof in the form of a Restricted Definitive Note if the Registrar receives the following:

(A) if the transfer will be made in a transaction exempt from (or not subject to) the prospectus qualification and dealer registration requirements of applicable securities laws and regulations in Canada and will be made pursuant to Rule 903 or Rule 904, a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof;

(B) if the transfer will be made pursuant to Rule 144A, a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof; and

(C) if the transfer will be made pursuant to any other exemption from the registration requirements of the 1933 Act, a certificate in the form of Exhibit B hereto, including the certifications, certificates and Opinion of Counsel required by item (3) thereof, if applicable.

(ii) Restricted Definitive Notes to Unrestricted Definitive Notes. Any Restricted Definitive Note may be exchanged by the holder thereof for an Unrestricted Definitive Note or transferred to a Person or Persons who take delivery thereof in the form of an Unrestricted Definitive Note only if the Registrar receives the following:

(1) if the holder of such Restricted Definitive Notes proposes to exchange such Notes for an Unrestricted Definitive Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (1)(d) thereof; or

(2) if the holder of such Restricted Definitive Notes proposes to transfer such Notes to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Note, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case, if the Registrar or the Company so requests, an Opinion of Counsel in form reasonably acceptable to the Registrar and the Company to the effect that such exchange or transfer shall be effected in compliance with the 1933 Act and applicable securities laws and regulations in Canada, and that the restrictions on transfer contained herein and in the 144A Legend shall no longer be required in order to maintain compliance with the 1933 Act.

Upon satisfaction of the conditions of any of the clauses of Section 2.06(e)(ii) the Trustee shall cancel the prior Restricted Definitive Note and the Company shall execute, and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee shall authenticate and deliver an Unrestricted Definitive Note in the appropriate principal amount to the Person designated by the holder of such prior Restricted Definitive Note in instructions delivered to the Registrar by such holder.

(iii) Unrestricted Definitive Notes to Unrestricted Definitive Notes. A holder of Unrestricted Definitive Notes may transfer such Notes to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note. Upon receipt of a request to register such a transfer, the Registrar shall register the Unrestricted Definitive Notes pursuant to the instructions from the Holders thereof.

(f) ***Legends***. The following legends shall appear on the face of all Global Notes and Definitive Notes issued under this Indenture unless specifically stated otherwise in the applicable provisions of this Indenture.

(i) Private Placement Legends.

(A) Except as permitted by clause (C) below, each Global Note and each Definitive Note (and all Notes issued in exchange therefor or substitution thereof) shall bear the legend in substantially the following form (the "*144A Legend*"):

"THIS NOTE AND THE GUARANTEES ENDORSED HEREON (TOGETHER, THIS "SECURITY") HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

THE HOLDER OF THIS SECURITY BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN AGREES FOR THE BENEFIT OF VIDEOTRON LTD. ("VIDEOTRON") NOT TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH VIDEOTRON OR ANY AFFILIATE OF VIDEOTRON WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), EXCEPT (A) TO VIDEOTRON OR ANY OF ITS SUBSIDIARIES, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A) THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS MEETING THE REQUIREMENTS OF REGULATION S UNDER THE SECURITIES ACT, (E) TO AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT THAT IS ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT AND IN A MINIMUM PRINCIPAL AMOUNT OF THE SECURITIES OF $250,000 PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND FOR INVESTMENT PURPOSES ONLY AND NOT WITH A VIEW TO OR FOR OFFER OR SALE IN CONNECTION WITH ANY DISTRIBUTION OF THE NOTES IN VIOLATION OF THE SECURITIES ACT, OR (F) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, AND, IN EACH CASE SUBJECT TO APPLICABLE STATE OR NON-U.S. LAW AND SUBJECT TO VIDEOTRON'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER,

SALE OR TRANSFER (I) PURSUANT TO CLAUSE (D), (E) OR (F) PRIOR TO THE RESALE RESTRICTION TERMINATION DATE TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE. THIS LEGEND WILL BE REMOVED UPON REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE."

(B) Each Global Note and each Definitive Note (and all Notes issued in exchange therefor or substitution thereof) shall bear the legend in substantially the following form (the *"Canadian Placement Legend"*):

*"CANADIAN RESALES LEGEND:*

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THIS SECURITY BEFORE THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE LATER OF (I) JUNE 17, 2013, AND (II) THE DATE THAT THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY."

(C) Notwithstanding the foregoing, any Global Note or Definitive Note issued pursuant to clauses (b)(iv), (c)(ii), (c)(iii), (d)(ii), (d)(iii), (e)(ii), or (e)(iii) to this Section 2.06 (and all Notes issued in exchange therefor or substitution thereof) shall not bear the 144A Legend.

(ii) Global Note Legend. Each Global Note shall bear a legend in substantially the following form, subject to such modification as required by the Depositary:

"THIS CERTIFICATE IS A GLOBAL CERTIFICATE WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF CDS CLEARING AND DEPOSITORY SERVICES INC. ("CDS") TO VIDEOTRON LTD. (THE "ISSUER") OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IN RESPECT THEREOF IS REGISTERED IN THE NAME OF CDS & CO., OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF CDS (AND ANY PAYMENT IS MADE TO CDS & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF CDS), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED HOLDER HEREOF, CDS & CO., HAS A PROPERTY INTEREST IN THE SECURITIES REPRESENTED BY THIS CERTIFICATE HEREIN AND IT IS A VIOLATION OF ITS RIGHTS FOR ANOTHER PERSON TO HOLD, TRANSFER OR DEAL WITH THIS CERTIFICATE."

(g) ***Cancellation and/or Adjustment of Global Notes***. At such time as all beneficial interests in a particular Global Note have been exchanged for Definitive Notes or a particular Global Note has been redeemed, repurchased or cancelled in whole and not in part, each such Global Note shall be returned to or retained and cancelled by the Trustee in accordance with Section 2.11 hereof. At any time prior to such cancellation, if any beneficial interest in a Global Note is exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note or for Definitive Notes, the principal amount of Notes represented by such Global Note shall be reduced accordingly and an endorsement shall be made on such Global Note by the Trustee or by the Depositary at the direction of the Trustee to reflect such reduction; and if the beneficial interest is being exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note, such other Global Note shall be increased accordingly and an endorsement shall be made on such Global Note by the Trustee or by the Depositary at the direction of the Trustee to reflect such increase.

(h) ***General Provisions Relating to Transfers and Exchanges.***

(i) No service charge shall be made to a Holder of a beneficial interest in a Global Note or to a Holder of a Definitive Note for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer taxes or similar governmental charge payable upon exchange or transfer pursuant to Sections 2.10, 3.06, 4.12, 4.18 and 9.04 hereof).

(ii) All Global Notes and Definitive Notes issued upon any registration of transfer or exchange of Global Notes or Definitive Notes shall be the valid obligations of the Company, evidencing the same Indebtedness, as the Global Notes or Definitive Notes surrendered upon such registration of transfer or exchange and shall be entitled to all of the benefits of this Indenture equally and proportionately with all other Notes duly issued hereunder.

(iii) Neither the Registrar nor the Company shall be required (A) to issue, to register the transfer of or to exchange any Notes during a period beginning at the opening of business 15 days before the day of any selection of Notes for redemption under Section 3.02 hereof and ending at the close of business on the date of selection, (B) to register the transfer of or to exchange any Note so selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part or (C) to register the transfer of or to exchange a Note between a record date (including a Regular Record Date) and the next succeeding Interest Payment Date.

(iv) All transfers of any Notes shall be presented to, and registered by, the Registrar, and prior to due presentment for the registration of a transfer of any Note, the Trustee, any Agent and the Company may deem and treat the Person in whose name any Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of and interest on such Note and for all other purposes, in each case regardless of any notice to the contrary.

(v) All certifications, certificates and Opinions of Counsel required to be submitted to the Registrar pursuant to this Section 2.06 to effect a registration of transfer or exchange may be submitted by facsimile.

*Section 2.07.* **Replacement Notes**.

If any mutilated Note is surrendered to the Trustee or the Company and the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Note, the Company shall issue and the Trustee, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, shall authenticate a replacement Note. If required by the Trustee or the Company, the Holder of such Note shall provide indemnity sufficient, in the judgment of the Trustee or the Company, as applicable, to protect the Company, the Trustee, any Agent and any authenticating agent from any loss that any of them may suffer in connection with such replacement. If required by the Company, such Holder shall reimburse the Company for its reasonable expenses in connection with such replacement.

Every replacement Note issued in accordance with this Section 2.07 shall be the valid obligation of the Company evidencing the same Indebtedness as the destroyed, lost or stolen Note and shall be entitled to all of the benefits of this Indenture equally and proportionately with all other Notes duly issued hereunder.

*Section 2.08.* **Outstanding Notes**.

(1) The Notes outstanding at any time shall be the entire principal amount of Notes represented by all the Global Notes and Definitive Notes authenticated by the Trustee except for those cancelled by it, those delivered to it for cancellation, those subject to reductions in beneficial interests effected

by the Trustee in accordance with Section 2.06 hereof, and those described in this Section 2.08 as not outstanding. Except as set forth in Section 2.09 hereof, a Note shall not cease to be outstanding because the Company or an Affiliate of the Company holds the Note; *provided, however,* that Notes held by the Company or a Subsidiary of the Company shall be deemed not to be outstanding for purposes of Section 3.07(3) hereof.

(2) If a Note is replaced pursuant to Section 2.07 hereof, it shall cease to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Note is held by a bona fide purchaser.

(3) If the principal amount of any Note is considered paid under Section 4.01 hereof, it shall cease to be outstanding and interest on it shall cease to accrue.

(4) If the Paying Agent (other than the Company, a Subsidiary or an Affiliate of any thereof) holds, on a redemption date, a Purchase Date or maturity date, funds sufficient to pay Notes payable on that date, then on and after that date such Notes shall be deemed to be no longer outstanding and shall cease to accrue interest.

*Section 2.09.* **Treasury Notes**.

In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Company, or by any Affiliate of the Company, shall be considered as though not outstanding, except that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Notes as to which a Responsible Officer of the Trustee has received an Officer's Certificate stating that such Notes are so owned shall be so disregarded.

*Section 2.10.* **Temporary Notes**.

Until certificates representing Notes are ready for delivery, the Company may prepare and the Trustee, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, shall authenticate temporary Notes. Temporary Notes shall be substantially in the form of Definitive Notes but may have variations that the Company considers appropriate for temporary Notes and as shall be reasonably acceptable to the Trustee. Without unreasonable delay, the Company shall prepare and the Trustee shall authenticate Global Notes or Definitive Notes in exchange for temporary Notes, as applicable.

Holders of temporary Notes shall be entitled to all of the benefits of this Indenture equally and proportionately with all other Notes duly issued hereunder.

*Section 2.11.* **Cancellation**.

The Company at any time may deliver Notes to the Trustee for cancellation. The Registrar and Paying Agent shall forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment. Upon sole direction of the Company, the Trustee shall cancel all Notes surrendered for registration of transfer, exchange, payment, replacement or cancellation and shall destroy cancelled Notes (subject to the record retention requirements of applicable laws). Certification of the destruction of all cancelled Notes shall be delivered to the Company from time to time upon request. The Company may not issue new Notes to replace Notes that it has paid or that have been delivered to the Trustee for cancellation.

*Section 2.12.* **Defaulted Interest**.

If the Company defaults in a payment of interest on the Notes, it shall pay the defaulted interest in any lawful manner plus, to the extent lawful, interest payable on the defaulted interest, to the Persons who are Holders on a subsequent special record date, in each case at the rate provided in the Notes and in Section 4.01 hereof. The Company shall notify the Trustee in writing of the amount of defaulted interest proposed to be paid on each Note and the date of the proposed payment. The Company shall fix or cause to be fixed each such special record date and payment date, *provided* that no such special record date shall be less than 10 days prior to the related payment date

for such defaulted interest. At least 15 days before the special record date, the Company (or, upon the written request of the Company, the Trustee in the name and at the expense of the Company) shall mail or cause to be mailed to Holders a notice that states the special record date, the related payment date and the amount of such interest to be paid.

*Section 2.13.* **CUSIP or ISIN Numbers**.

The Company in issuing the Notes may use "CUSIP" or "ISIN" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" or "ISIN" numbers in notices of redemption as a convenience to Holders; *provided, however,* that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of a redemption or notice of an Offer to Purchase and that reliance may be placed only on the other identification numbers printed on the Notes, and any such redemption or Offer to Purchase shall not be affected by any defect in or omission of such numbers. The Company shall promptly notify the Trustee of any change in the "CUSIP" or "ISIN" numbers.

*Section 2.14.* **Issuance of Additional Notes**.

The Company shall be entitled, subject to its compliance with Section 4.09 hereof, to issue Additional Notes under this Indenture which shall have identical terms as the Initial Notes issued on the date hereof, other than with respect to the date of issuance, and issue price. The Initial Notes issued on the date hereof, and any Additional Notes shall be treated as a single class for all purposes under this Indenture, including without limitation, directions, waivers, consents, redemptions and Offers to Purchase.

With respect to any Additional Notes, the Company shall set forth in a Board Resolution and an Officers' Certificate, a copy of each of which shall be delivered to the Trustee, the following information:

(1) the aggregate principal amount of such Additional Notes to be authenticated and delivered pursuant to this Indenture;

(2) the issue price, the issue date and the CUSIP and/or ISIN number of such Additional Notes *provided, however,* that no Additional Notes may be issued at a price that would cause such Additional Notes to have "original issue discount" within the meaning of Section 1273 of the Code; and

(3) whether such Additional Notes shall be subject to the restrictions on transfer set forth in Section 2.06 hereof relating to Restricted Global Notes and Restricted Definitive Notes.

## ARTICLE 3.
## REDEMPTION AND PREPAYMENT

*Section 3.01.* **Notices to Trustee**.

If the Company elects to redeem Notes pursuant to the optional redemption provisions of Section 3.07 hereof, it shall furnish to the Trustee, at least 20 days but not more than 60 days before a redemption date (or such shorter period as allowed by the Trustee), an Officers' Certificate setting forth (i) the applicable section of this Indenture pursuant to which the redemption shall occur, (ii) the redemption date, (iii) the principal amount of Notes to be redeemed and (iv) the redemption price.

*Section 3.02.* **Selection of Notes to be Redeemed**.

If less than all of the Notes are to be redeemed at any time, the Trustee shall select the Notes to be redeemed among the Holders of the Notes in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed or, if the Notes are not so listed, on a *pro rata* basis, by lot or in accordance with any other method the Trustee considers fair and appropriate. In the event of partial redemption by lot, the particular Notes to be redeemed shall be selected, unless otherwise provided herein, not less than 15 nor more than 60 days prior to the redemption date by the Trustee from the outstanding Notes not previously called for redemption.

The Trustee shall promptly notify the Company in writing of the Notes selected for redemption and, in the case of any Note selected for partial redemption, the principal amount thereof to be redeemed. Notes and portions of Notes selected shall be in amounts of $1,000 or integral multiples of $1,000 in excess thereof, except that if all of the Notes of a Holder are to be redeemed, the entire outstanding amount of Notes held by such Holder, even if not an integral multiple of $1,000, shall be redeemed. Except as provided in the preceding sentence, provisions of this Indenture that apply to Notes called for redemption also apply to portions of Notes called for redemption.

*Section 3.03.* **Notice of Redemption**.

At least 15 days but not more than 60 days prior to a redemption date, the Company shall mail or cause to be mailed, by first class mail, a notice of redemption to each Holder whose Notes are to be redeemed at such Holder's address appearing in the Security Register maintained in respect of the Notes by the Registrar.

The notice shall identify the Notes to be redeemed and shall state:

(1) the redemption date;

(2) the redemption price or if the redemption is made pursuant to Section 3.07(2) hereof a calculation of the redemption price;

(3) if any Note is being redeemed in part, the portion of the principal amount of such Note to be redeemed and that, after the redemption date upon surrender of such Note, a new Note or Notes in principal amount equal to the unredeemed portion shall be issued upon cancellation of the original Note;

(4) the name and address of the Paying Agent;

(5) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(6) that, unless the Company defaults in making such redemption payment, interest on Notes called for redemption ceases to accrue on and after the redemption date;

(7) the applicable section of this Indenture pursuant to which the Notes called for redemption are being redeemed; and

(8) that no representation is made as to the correctness of the CUSIP or ISIN numbers, if any, listed in such notice or printed on the Notes.

At the Company's request, the Trustee shall give the notice of redemption in the Company's name and at its expense; *provided, however*, that the Company shall have delivered to the Trustee, at least 20 days (or such shorter period allowed by the Trustee) prior to the redemption date, an Officers' Certificate requesting that the Trustee give such notice (in the name and at the expense of the Company) and setting forth the information to be stated in such notice as provided in this Section 3.03.

*Section 3.04.* **Effect of Notice of Redemption**.

Once notice of redemption is mailed in accordance with Section 3.03 hereof, Notes called for redemption shall become irrevocably due and payable on the redemption date at the redemption price. A notice of redemption may not be conditional.

*Section 3.05.* **Deposit of Redemption Price**.

On or prior to 11:00 a.m. Eastern time on the Business Day prior to any redemption date (or on or prior to 10:00 a.m. Eastern time on such redemption date itself, if so allowed by the Trustee), the Company shall deposit with the Trustee or with the Paying Agent money sufficient to pay the redemption price of and accrued and unpaid interest on all Notes to be redeemed on that date. The Trustee or the Paying Agent shall promptly return to the Company any money deposited with the Trustee or the Paying Agent by the Company in excess of the amounts necessary to pay the redemption price of, and accrued and unpaid interest on, all Notes to be redeemed.

If the Company complies with the provisions of the preceding paragraph, on and after the redemption date, interest shall cease to accrue on the Notes or the portions of Notes called for redemption in accordance with Section 2.08(4) hereof. If a Note is redeemed on or after a Regular Record Date but on or prior to the related Interest Payment Date, then any accrued and unpaid interest shall be paid to the Person in whose name such Note was registered at the close of business on such Regular Record Date. If any Note called for redemption shall not be so paid upon surrender for redemption because of the failure of the Company to comply with the preceding paragraph, interest shall be paid on the unpaid principal from the redemption date until such principal is paid, and to the extent lawful on any interest not paid on such unpaid principal, in each case at the rate provided in the Notes and in Section 4.01 hereof.

*Section 3.06.* **Notes Redeemed in Part**.

Upon surrender of a Note that is redeemed in part, the Company shall issue and, upon the Company's written request, the Trustee shall authenticate for the Holder at the expense of the Company a new Note equal in principal amount to the unredeemed portion of the Note surrendered.

*Section 3.07.* **Optional Redemption**

(1) The Company may redeem the Notes in whole or in part, on one or more occasions, in accordance with Section 3.03 hereof, at a redemption price equal to the greater of:

(i) 100% of the principal amount of the Notes to be redeemed, and

(ii) as determined by an independent investment dealer selected by the Company and acceptable to the Trustee, acting reasonably, the sum of the present values of the remaining scheduled payments of principal and interest thereon (not including any portion of such payments of interest accrued to (but excluding) the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 365-day year using the actual number of days in the period), at the discount rate equal to the sum of the Canada Bond Yield for such Notes (determined as of the Business Day immediately preceding the date of redemption) plus 100 basis points,

plus, in each case, accrued and unpaid interest to (but excluding) the redemption date.

(2) In addition, beginning on March 15, 2025, the Company may redeem all or a part of the Notes, at once or over time, in accordance with Section 3.03 hereof, at a redemption price of 100.00% of the principal amount of the Notes redeemed, plus accrued and unpaid interest thereon on the Notes redeemed to (but excluding) the redemption date (subject to the right of Holders of record on the relevant Regular Record Date to receive interest due on the relevant Interest Payment Date).

(3) If the Company becomes obligated to pay any Additional Amounts because of a change in the laws or regulations of Canada or any Canadian Taxing Authority, or a change in any official position regarding the application or interpretation thereof, in either case that is publicly announced or becomes effective on or after the Issue Date, the Company may, at any time, redeem all, but not part, of the Notes at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest to (but excluding) the redemption date, *provided* that at any time that

the aggregate principal amount of the Notes outstanding is greater than $20.0 million, any Holder of the Notes may, to the extent that it does not adversely affect the Company's after-tax position, at its option, waive the Company's compliance with the provisions of Section 4.20 hereof with respect to such Holder's Notes; *provided, further*, that if any Holder waives such compliance, the Company may not redeem that Holder's Notes pursuant to this Section 3.07(3).

(4) Any prepayment pursuant to this Section 3.07 shall be made pursuant to the provisions of Sections 3.01 through 3.06 hereof.

*Section 3.08.* **Mandatory Redemption**.

Except as set forth in Sections 4.12 and 4.18 hereof, the Company shall not be required to make mandatory redemption or sinking fund payments with respect to, or offers to purchase, the Notes.

*Section 3.09.* **Offers to Purchase**.

(1) In the event that, pursuant to Section 4.12 or 4.18 hereof, the Company shall be required to commence an Asset Sale Offer or Change of Control Offer (each, an "*Offer to Purchase*"), it shall follow the procedures specified below.

(2) The Company shall commence the Offer to Purchase by sending, by first class mail, with a copy to the Trustee, to each Holder, at such Holder's address appearing in the Security Register a notice, the terms of which shall govern the Offer to Purchase, stating:

(i) that the Offer to Purchase is being made pursuant to this Section 3.09 and Section 4.12 or 4.18, as the case may be, and, in the case of a Change of Control Offer, that a Change of Control Triggering Event has occurred, the transaction or transactions that constitute the Change of Control Triggering Event, and that a Change of Control Offer is being made pursuant to Section 4.18 hereof;

(ii) the principal amount of Notes required to be purchased pursuant to Section 4.12 or 4.18 hereof (the "*Offer Amount*"), the purchase price, the Offer Period and the Purchase Date (each as defined below);

(iii) except as provided in clause (ix), that all Notes timely tendered and not withdrawn shall be accepted for payment;

(iv) that any Note not tendered or accepted for payment shall continue to accrue interest;

(v) that, unless the Company defaults in making such payment, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on or after the Purchase Date;

(vi) that Holders electing to have a Note purchased pursuant to the Offer to Purchase may elect to have Notes purchased in integral multiples of $1,000 only;

(vii) that Holders electing to have a Note purchased pursuant to the Offer to Purchase shall be required to surrender the Note, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Note completed, or transfer by book-entry transfer, to the Company, a Depositary, if appointed by the Company, or a Paying Agent at the address specified in the notice at least three days before the Purchase Date;

(viii) that Holders shall be entitled to withdraw their election if the Company, the Depositary or the Paying Agent, as the case may be, receives, not later than the expiration of the Offer Period, a telegram, facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Note (or portions thereof) the Holder delivered for purchase and a statement that such Holder is withdrawing his election to have such Note purchased;

(ix) that, in the case of an Asset Sale Offer, if the aggregate principal amount of Notes surrendered by Holders exceeds the Offer Amount, the Company shall select the Notes to be purchased on a *pro rata* basis (with such adjustments as may be deemed appropriate by the Company so that only Notes in denominations of $1,000 or integral multiples of $1,000 in excess thereof shall be purchased);

(x) that Holders whose Notes were purchased in part shall be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered (or transferred by book-entry transfer); and

(xi) any other procedures that Holders must follow in order to tender their Notes (or portions thereof) for payment.

(3) The Offer to Purchase shall remain open for a period of at least 15 days but no more than 60 days following its commencement, except to the extent that a longer period is required by applicable law (the "*Offer Period*"). No later than five Business Days after the termination of the Offer Period (the "*Purchase Date*"), the Company shall purchase the Offer Amount or, if less than the Offer Amount has been tendered, all Notes tendered in response to the Offer to Purchase. Payment for any Notes so purchased shall be made in the same manner as interest payments are made.

(4) On or prior to the Purchase Date, the Company shall, to the extent lawful:

(i) accept for payment (on a *pro rata* basis to the extent necessary in connection with an Asset Sale Offer) the Offer Amount of Notes or portions of Notes properly tendered pursuant to the Offer to Purchase, or if less than the Offer Amount has been tendered, all Notes tendered;

(ii) deposit with the Paying Agent an amount equal to the Offer Amount in respect of all Notes or portions of Notes properly tendered; and

(iii) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Company and that such Notes or portions thereof were accepted for payment by the Company in accordance with the terms of this Section 3.09.

(5) The Company, the Depositary or the Paying Agent, as the case may be, shall promptly (but in any event not later than five Business Days after the Purchase Date) deliver to each tendering Holder of Notes properly tendered and accepted by the Company for purchase the Purchase Amount for such Notes, and the Company shall promptly execute and issue a new Note, and the Trustee, upon receipt of an Authentication Order shall authenticate and deliver (or cause to be transferred by book-entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered *provided, however,* that each such new Note shall be in a principal amount of $1,000 or an integral multiple of $1,000 in excess thereof. Any Note not so accepted shall be promptly mailed or delivered by the Company to the Holder thereof. The Company shall publicly announce the results of the Offer to Purchase on or as soon as practicable after the Purchase Date.

(6) If the Purchase Date is on or after a Regular Record Date and on or before the related Interest Payment Date, any accrued and unpaid interest shall be paid to the Person in whose name a Note is registered at the close of business on such Regular Record Date, and no additional interest shall be payable to Holders who tender Notes pursuant to the Offer to Purchase.

(7) The Company shall comply with the requirements of any securities laws and regulations to the extent those laws and regulations are applicable in connection with the Offer to Purchase. To the extent that the provisions of any securities laws or regulations conflict with Section 4.12 or 4.18, as applicable, this Section 3.09 or other provisions of this Indenture, the Company shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under Section 4.12 or 4.18, as applicable, this Section 3.09 or such other provision by virtue of such conflict.

(8) Other than as specifically provided in this Section 3.09, any purchase pursuant to this Section 3.09 shall be made in accordance with the provisions of Section 3.01 through 3.06 hereof.

## ARTICLE 4.
## COVENANTS

*Section 4.01.* **Payment of Notes**.

The Company shall pay or cause to be paid the principal of, premium, if any, and interest on, the Notes on the dates and in the manner provided in the Notes. Principal, premium, if any, and interest shall be considered paid on the date due if the Paying Agent, if other than the Company or a Subsidiary thereof, holds as of 11:00 a.m. Eastern Time on the due date money deposited by the Company in immediately available funds and designated for and sufficient to pay all principal, premium, if any, and interest then due. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue on such payment for the intervening period.

The Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, from time to time on demand at a rate that is 1% per annum in excess of the rate then in effect; it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest (without regard to any applicable grace periods), from time to time on demand at the same rate to the extent lawful.

In the case of the first interest period (from the Issue Date, which is June 17, 2013, until the first interest payment date, which is October 15, 2013), interest will be calculated on the basis of the actual number of days elapsed from the Issue Date to (but excluding) October 15, 2013 divided by 365. In addition, in the case of the final interest period, if applicable (from April 15, 2025 to June 15, 2025), interest will be calculated on the basis of the actual number of days elapsed from April 15, 2025 to (but excluding) June 15, 2025 divided by 365. In the case of any other interest period that is shorter than a full semi-annual interest period due to redemption, interest will be calculated on the basis of a 365-day year and the actual number of days elapsed from (and including) the date of the previous interest payment to (but excluding) the interest payment date for such interest period.

For the purposes of the *Interest Act* (Canada), whenever interest is computed on a basis of a year (the "deemed year") which contains fewer days than the actual number of days in the calendar year of calculation, such rate of interest shall be expressed as a yearly rate for purposes of the *Interest Act* (Canada) by multiplying such rate of interest by the actual number of days in the calendar year of calculation and dividing it by the number of days in the deemed year.

*Section 4.02.* **Maintenance of Office or Agency**.

(1) The Company shall maintain an office or agency (which may be an office or drop facility of the Trustee or an affiliate of the Trustee, Registrar or co-registrar) where Notes may be presented or surrendered for registration of transfer or for exchange and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be served. The Company shall give

prompt written notice to the Trustee of any change in the location of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

(2) The Company may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations. The Company shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

(3) The Company hereby designates the Corporate Trust Office of the Trustee, as such office, drop facility or agency of the Company in accordance with Section 2.03 hereof.

*Section 4.03.* **Reports**.

(1) For so long as the Company is required, pursuant to any of the respective indentures governing any outstanding series of the Existing Notes, to submit reports to the Commission, the Company shall (for so long as any Notes remain outstanding) file (or furnish, as the case may be) with the Commission and furnish to the Holders of the Notes and the Trustee:

(i) within 120 days after the end of each fiscal year, annual reports on the Commission's Form 20-F or Form 40-F, as applicable, or any successor form; and

(ii) (a) within 45 days after the end of each of the first three fiscal quarters of each fiscal year, reports on the Commission's Form 10-Q, or any successor form, or (b) within 60 days after the end of each of the first three fiscal quarters of each fiscal year, reports on the Commission's Form 6-K, or any successor form,

which, in each case, regardless of applicable requirements, shall, at a minimum, contain unaudited interim financial statements and a "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Each such report shall be deemed to be delivered to the Holders of the Notes and the Trustee if the Company either files (or furnishes, as the case may be) such report with the Commission through the Commission's EDGAR database (or successor database thereto), posts such report on its public website or furnishes such report to the Trustee.

(2) If the Company is no longer required under any of the respective indentures governing any outstanding series of the Existing Notes, applicable law or otherwise to file or furnish such reports with the Commission and no longer does so, the Company shall instead furnish to the Holders of the Notes and the Trustee:

(i) within 120 days after the end of each fiscal year, annual audited financial statements; and

(ii) within 60 days after the end of each of the first three fiscal quarters of each fiscal year, unaudited interim financial statements;

in each case together with a "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Each such report which shall be deemed to be delivered to the Holders of the Notes and the Trustee if the Company furnishes such reports to the Trustee or posts them on its public website.

(3) For so long as (i) the Notes are outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the 1933 Act, and (ii) the Company is neither subject to Section 13 or 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, to make available to Holders and beneficial owners of the Notes, and to prospective purchasers of such Notes designated by such Holders, upon the request of such Holders, the information required to be delivered pursuant to Rule 144A(d)(4) under the 1933 Act to permit compliance with Rule 144A in connection with resales of the Notes.

(4) If the Company has designated any of its Subsidiaries as Unrestricted Subsidiaries, then the quarterly and annual financial information required by this Section shall include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, and in "Management's Discussion and Analysis of Financial Condition and Results of Operations," of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company.

*Section 4.04.* **Compliance Certificate**.

(1) The Company shall deliver to the Trustee, within 120 days after the end of each fiscal year, beginning with the fiscal year ending December 31, 2013, an Officers' Certificate stating that a review of the activities of the Company and its Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether the Company and its Subsidiaries have kept, observed, performed and fulfilled their obligations under this Indenture, and further stating, as to each such Officer signing such certificate, that to the best of his or her knowledge the Company and its Subsidiaries have kept, observed, performed and fulfilled each and every covenant contained in this Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions of this Indenture (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which he or she may have knowledge and what action the Company is taking or proposes to take with respect thereto) and that to the best of his or her knowledge no event has occurred and remains in existence by reason of which payments on account of the principal of, premium, if any, or interest on the Notes is prohibited or if such event has occurred, a description of the event and what action the Company is taking or proposes to take with respect thereto.

(2) The Company shall deliver to the Trustee, within 30 days after the occurrence thereof, written notice in the form of an Officers' Certificate of any Default or Event of Default, its status and what action the Company is taking or proposes to take with respect thereto.

*Section 4.05.* **Taxes**.

The Company shall pay, and shall cause each of its Subsidiaries to pay, prior to delinquency, all material taxes, assessments, and governmental levies, except such as are being contested in good faith and by appropriate proceedings or where the failure to effect such payment is not adverse in any material respect to the Holders.

*Section 4.06.* **Stay, Extension and Usury Laws**.

The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it shall not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law has been enacted.

*Section 4.07.* **Corporate Existence**.

Subject to Article 5 hereof, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect (i) its corporate existence, and the corporate, partnership or other existence of each Restricted Subsidiary, in accordance with the respective organizational documents (as the same may be amended from time to time) of the Company or any such Restricted Subsidiary and (ii) the rights (charter and statutory), licenses and franchises of the Company and the Restricted Subsidiaries; *provided, however*, that the Company shall not be required to preserve any such right, license or franchise, or the corporate, partnership or other existence of any Restricted Subsidiary, if the Board of Directors of the Company shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and the Restricted Subsidiaries, taken as a whole, and that the loss thereof is not adverse in any material respect to the Holders of the Notes, or that such preservation is not necessary in connection with any transaction not prohibited by this Indenture.

*Section 4.08.* **Payments for Consent**.

The Company shall not, and shall not permit any Restricted Subsidiary to, directly or indirectly, pay or cause to be paid any consideration, to or for the benefit of any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of this Indenture or the Notes unless such consideration is offered to be paid and is paid to all Holders that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

*Section 4.09.* **Incurrence of Indebtedness and Issuance of Preferred Shares**

(1) The Company shall not, and shall not permit any of its Restricted Subsidiaries to, Incur, directly or indirectly, any Indebtedness, including Acquired Debt, and the Company shall not issue any Disqualified Stock and shall not permit any of its Restricted Subsidiaries to issue any Preferred Shares; *provided, however,* that the Company may Incur Indebtedness, including Acquired Debt, or issue Disqualified Stock, and the Subsidiary Guarantors may Incur Indebtedness, including Acquired Debt, or issue Preferred Shares if the Company's Debt to Cash Flow Ratio at the time of Incurrence of such Indebtedness or the issuance of such Disqualified Stock or Preferred Shares, after giving *pro forma* effect to such Incurrence or issuance as of such date and to the use of proceeds therefrom, taking into account any substantially concurrent transactions related to such Incurrence, as if the same had occurred at the beginning of the most recently ended full fiscal quarter of the Company for which internal financial statements are available, would have been no greater than 5.5 to 1.0.

(2) Paragraph (1) of this Section 4.09 shall not prohibit the Incurrence of any of the following items of Indebtedness or issuances of Preferred Shares or Disqualified Stock (each such item being referred to herein as "*Permitted Debt*"):

(i) the Incurrence by the Company or a Subsidiary Guarantor of Indebtedness and letters of credit under Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (i) (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of the Company and the Restricted Subsidiaries thereunder) not to exceed an aggregate of Cdn$1.5 billion, less the aggregate amount of all Net Proceeds of Asset Sales applied by the Company or any Restricted Subsidiaries subsequent to October 8, 2003 to permanently repay Indebtedness under a Credit Facility (and, in the case of any revolving credit Indebtedness, to effect a corresponding commitment reduction thereunder) pursuant to the provisions of Section 4.12 hereof;

(ii) the Incurrence by the Company and the Restricted Subsidiaries of the Existing Indebtedness;

(iii) the Incurrence by (a) the Company of Indebtedness represented by the Initial Notes, and (b) the Subsidiary Guarantors of Indebtedness represented by the Subsidiary Guarantees relating to the Initial Notes;

(iv) the Incurrence by the Company or a Subsidiary Guarantor of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case, Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in the business of the Company or such Subsidiary Guarantor, in an aggregate principal amount, including all Permitted Refinancing Indebtedness Incurred to refund, refinance or replace any Indebtedness Incurred pursuant to this clause (iv), not to exceed the greater of (i) US$200.0 million and (ii) 7.5% of the Company's Consolidated Net Tangible Assets at any time outstanding;

(v) the Incurrence by the Company or any Subsidiary Guarantor of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to refund, refinance or replace Indebtedness, other than intercompany Indebtedness, that was permitted by this Indenture to be Incurred under paragraph (1) or clauses (2)(ii), (2)(iii) and (2)(iv) of this Section 4.09;

(vi) the Incurrence by the Company or any Restricted Subsidiary of intercompany Indebtedness between or among the Company and any Restricted Subsidiary; *provided, however,* that:

(A) if the Company or any Subsidiary Guarantor is the obligor on such Indebtedness, such Indebtedness must be unsecured and expressly subordinated to the prior payment in full in cash of all Obligations with respect to the Notes, in the case of the Company, or the Subsidiary Guarantee, in the case of a Subsidiary Guarantor, and

(B) (a) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or a Restricted Subsidiary and (b) any sale or other transfer of any such Indebtedness to a Person that is not either the Company or a Restricted Subsidiary shall be deemed, in each case, to constitute an Incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (vi);

(vii) the issuance by the Company of Disqualified Stock or by any Restricted Subsidiary of Preferred Shares solely to or among the Company and any Restricted Subsidiaries; *provided, however,* that (a) any subsequent issuance or transfer of Equity Interests that results in any such Disqualified Stock or Preferred Shares being held by a Person other than the Company or a Restricted Subsidiary and (b) any sale or other transfer of any such Disqualified Stock or Preferred Shares to a Person that is not either the Company or a Restricted Subsidiary shall be deemed, in each case, to constitute an issuance of such Disqualified Stock by the Company or Preferred Shares by a Restricted Subsidiary, as the case may be, that was not permitted by this clause (vii);

(viii) the Incurrence by the Company or any Restricted Subsidiary of Hedging Obligations that are Incurred in the ordinary course of business of the Company or such Restricted Subsidiary and not for speculative purposes; *provided, however,* that, in the case of:

(A) any Interest Rate Agreement, the notional principal amount of such Hedging Obligation does not exceed the principal amount of the Indebtedness to which such Hedging Obligation relates; and

(B) any Currency Exchange Protection Agreement, such Hedging Obligation does not increase the principal amount of Indebtedness of the Company or such Restricted Subsidiary outstanding other than as a result of fluctuations in foreign currency exchange rates or by reason of fees, indemnities and compensation payable thereunder;

(ix) the guarantee by the Company or a Subsidiary Guarantor of Indebtedness of the Company or a Subsidiary Guarantor that was permitted to be Incurred by another provision of this Section 4.09;

(x) the Incurrence by the Company or any Subsidiary Guarantor of Indebtedness in an aggregate principal amount at any time outstanding, including all Permitted Refinancing Indebtedness Incurred to refund, refinance or replace any Indebtedness Incurred pursuant to this clause (x), not to exceed the greater of (i) US$150.0 million and (ii) 5.0% of the Company's Consolidated Net Tangible Assets;

(xi) the Incurrence by the Company or any Restricted Subsidiary of Indebtedness in an aggregate principal amount at any time outstanding, including all Permitted Refinancing Indebtedness Incurred to refund, refinance or replace any Indebtedness Incurred pursuant to this clause (xi), not to exceed US$150.0 million, *less* the aggregate amount of all Net Proceeds of Asset Sales applied by the Company or any Restricted Subsidiary subsequent to the Issue Date to permanently repay such Indebtedness (and, in the case of any revolving credit Indebtedness, to effect a corresponding commitment reduction thereunder) pursuant to the provisions of Section 4.12 hereof;

(xii) the issuance of Preferred Shares by the Company's Unrestricted Subsidiaries or the Incurrence by the Company's Unrestricted Subsidiaries of Non-Recourse Debt; *provided, however,* that if any such Indebtedness ceases to be Non-Recourse Debt of an Unrestricted Subsidiary, that event shall be deemed to constitute an Incurrence of Indebtedness by a Restricted Subsidiary that was not permitted by this clause (xii);

(xiii) the Incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness arising from agreements of the Company or any of its Restricted Subsidiaries providing for indemnification, adjustment of purchase price, earn out obligations or other similar obligations, in each case Incurred or assumed in connection with a transaction permitted by this Indenture;

(xiv) the issuance of Indebtedness or Preferred Shares or Disqualified Stock in connection with a Tax Benefit Transaction; and

(xv) Non-Recourse Accounts Receivable Entity Indebtedness Incurred by any Accounts Receivable Entity in a Qualified Receivables Transaction.

(3) The accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, and the payment of dividends on Disqualified Stock or Preferred Shares in the form of additional shares of the same class of Disqualified Stock or Preferred Shares (to the extent provided for when the Indebtedness, Disqualified Stock or Preferred Shares on which such interest or dividend is paid was originally issued) shall not be deemed to be an Incurrence of Indebtedness or an issuance of Disqualified Stock or Preferred Shares for purposes of this Section 4.09; *provided* that in each case the amount thereof is for all other purposes included in the Consolidated Interest Expense and Indebtedness of the Company or its Restricted Subsidiary as accrued.

(4) Neither the Company nor any Subsidiary Guarantor shall Incur any Indebtedness, including Permitted Debt, that is contractually subordinated in right of payment to any other Indebtedness of the Company or such Subsidiary Guarantor, as applicable, unless such Indebtedness is also contractually subordinated in right of payment to the Notes or the Subsidiary Guarantee, as applicable, on substantially identical terms; *provided, however*, that no Indebtedness of the Company or a Subsidiary Guarantor shall be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Company or such Subsidiary Guarantor, as applicable, solely by virtue of collateral or lack thereof.

(5) Notwithstanding any other provision of this Section 4.09, the maximum amount of Indebtedness that may be Incurred pursuant to this Section 4.09 will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rate of currencies.

(6) For purposes of determining compliance with this Section 4.09, in the event that an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (2)(i) through (xv) above, or is entitled to be Incurred pursuant to paragraph (1) of this Section 4.09, the Company shall be permitted to classify such item of Indebtedness on the date of its Incurrence or later reclassify all or a portion of such item of Indebtedness, in any manner that complies with this Section. Indebtedness under Credit Facilities outstanding on the date on which Notes are first issued and authenticated under this Indenture shall be deemed to have been Incurred on such date in reliance on the exception provided by clause (i) of paragraph (2) of this Section 4.09.

*Section 4.10.* **Restricted Payments**.

(a) The Company shall not make, and shall not permit any Restricted Subsidiary to make, directly or indirectly, any Restricted Payment, unless, at the time of and after giving effect to such Restricted Payment,

(1) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment; and

(2) the Company would, at the time of such Restricted Payment and after giving *pro forma* effect thereto as if such Restricted Payment had been made at the beginning of the applicable fiscal quarter, have been permitted to Incur at least US$1.00 of additional Indebtedness, other than Permitted Debt, pursuant to the Debt to Cash Flow Ratio test set forth in Section 4.09(1) hereof; and

(3) such Restricted Payment, together with the aggregate amount of all other Restricted Payments declared or made by the Company and its Restricted Subsidiaries after October 8, 2003, excluding Restricted Payments made pursuant to clauses (2), (3), (4), (6), (7), (8), (9) and (10) of paragraph (b) below, shall not exceed, at the date of determination, the sum, without duplication, of:

(i) an amount equal to the Company's Consolidated Cash Flow from October 1, 2003 to the end of the Company's most recently ended full fiscal quarter for which internal financial statements are available, taken as a single accounting period, less 1.5 times the Company's Consolidated Interest Expense from the October 1, 2003 to the end of the Company's most recently ended full fiscal quarter for which internal financial statements are available, taken as a single accounting period (or, if such amount for such period is a deficit, minus 100% of such deficit); plus

(ii) an amount equal to 100% of Capital Stock Sale Proceeds, less any such Capital Stock Sale Proceeds used in connection with:

(A) an Investment made pursuant to clause (6) of the definition of "Permitted Investments;" or

(B) an Incurrence of Indebtedness pursuant to Section 4.09(2)(viii) hereof; plus

(iii) to the extent that any Restricted Investment that was made after October 8, 2003 is sold for cash or otherwise liquidated or repaid for cash (except to the extent any such payment or proceeds are included in the calculation of Consolidated Cash Flow), the lesser of (i) the cash return of capital with respect to such Restricted Investment, less the cost of disposition, if any, and (ii) the initial amount of such Restricted Investment; plus

(iv) to the extent that the Board of Directors of the Company designates any Unrestricted Subsidiary that was designated as such after October 8, 2003 as a Restricted Subsidiary, the lesser of (i) the aggregate Fair Market Value of all Investments owned by the Company and the Restricted Subsidiaries in such Subsidiary at the time such Subsidiary was designated as an Unrestricted Subsidiary and (ii) the then aggregate Fair Market Value of all Investments owned by the Company and the Restricted Subsidiaries in such Unrestricted Subsidiary.

(b) The provisions of paragraph (a) above shall not prohibit:

(1) so long as no Default has occurred and is continuing or would be caused thereby, the payment of any dividend within 60 days after the date the dividend is declared, if at that date of declaration such payment would have complied with the provisions of this Indenture; *provided, however,* that such dividend shall be included in the calculation of the amount of Restricted Payments;

(2) so long as no Default has occurred and is continuing or would be caused thereby, the redemption, repurchase, retirement, defeasance or other acquisition of any Subordinated Indebtedness of the Company or any Subsidiary Guarantor or of any Equity Interests of the Company in exchange for, or out of the net cash proceeds of the substantially concurrent sale, other than to a Subsidiary of the Company or an employee stock ownership plan or to a trust established by the Company or any Subsidiary of the Company for the benefit of its employees, of, Equity Interests of the Company (other than Disqualified Stock or Back-to-Back Securities); provided that the amount of any such net cash proceeds that are utilized for any such redemption, repurchase, retirement, defeasance or other acquisition shall be excluded from clause (a)(3)(ii) above;

(3) so long as no Default has occurred and is continuing or would be caused thereby, the defeasance, redemption, repurchase or other acquisition of Subordinated Indebtedness of the Company or any Subsidiary Guarantor with the net cash proceeds from an Incurrence of Permitted Refinancing Indebtedness;

(4) any payment by the Company or a Restricted Subsidiary to any one of the other of them;

(5) so long as no Default has occurred and is continuing or would be caused thereby, the repurchase, redemption or other acquisition or retirement for value by the Company of any Equity Interests of the Company held by any member of the management of the Company or any of its Subsidiaries pursuant to any management equity subscription agreement or stock option agreement in effect as of October 8, 2003; *provided, however,* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests shall not exceed US$5.0 million in any twelve-month period;

(6) payments of any kind made in connection with or in respect of Back-to-Back Securities; *provided, however,* that to the extent such payments shall be made to Affiliates of the Company (other than its Subsidiaries), all corresponding payments required to be paid by such Affiliates pursuant to the related Back-to-Back Securities shall be received, immediately prior to or concurrently with any such payments, by all applicable Videotron Entities;

(7) so long as no Default has occurred and is continuing or would be caused thereby, any Tax Benefit Transaction;

(8) so long as no Default has occurred and is continuing or would be caused thereby, the payment of any Management Fees or other similar expenses by the Company to its direct or indirect parent company for bona fide services (including reimbursement for expenses Incurred in connection with, or allocation of corporate expenses in relation to, providing such services) provided to, and directly related to the operations of, the Company and the Restricted Subsidiaries, in an aggregate amount not to exceed 1.5% of Consolidated Revenues in any twelve-month period;

(9) so long as no Default has occurred and is continuing or would be caused thereby, other Restricted Payments since October 8, 2003 in an aggregate amount not to exceed US$100.0 million; and

(10) so long as no Default has occurred and is continuing or would be caused thereby and the Debt to Cash Flow Ratio is no greater than 5.0 to 1 (calculated on a *pro forma* basis as if such payment, including any related financing transaction, had occurred at the beginning of the applicable fiscal quarter), the payment of dividends or distributions to Quebecor Media or the repayment of the QMI Subordinated Loan, in an aggregate amount not to exceed Cdn$200.0 million since October 8, 2003.

(c) The amount of any Restricted Payment, other than those effected in cash, shall be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued to or by the Company or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment.

(d) For purposes of this Section 4.10, if (i) any Videotron Entity ceases to be the obligor under or issuer of any Back-to-Back Securities and a Person other than a Videotron Entity becomes the obligor thereunder (or the issuer of any Back-to-Back Preferred Shares) or (ii) any Restricted Subsidiary that is an obligor under or issuer of any Back-to-Back Securities ceases to be a Restricted Subsidiary other than by consolidation or merger with the Company or another Restricted Subsidiary, then the Company or such Restricted Subsidiary shall be deemed to have made a Restricted Payment in an amount equal to the accreted value of such Back-to-Back Debt (or the subscription price of any Back-to-Back Preferred Shares) at the time of the assumption thereof by such other Person or at the time such Restricted Subsidiary ceases to be a Restricted Subsidiary.

*Section 4.11.* **Liens**.

The Company shall not, and shall not permit any Restricted Subsidiary to, directly or indirectly, create, Incur, assume or suffer to exist or become effective any Lien of any kind on any asset owned on October 8, 2003 or thereafter acquired, except Permitted Liens, unless the Company or such Restricted Subsidiary has made or will make effective provision to secure the Notes and any applicable Subsidiary Guarantees equally and ratably with the obligations of the Company or such Restricted Subsidiary secured by such Lien for so long as such obligations are secured by such Lien.

*Section 4.12.* **Asset Sales**.

(a) The Company shall not, and shall not permit any Restricted Subsidiary to, consummate an Asset Sale unless:

(1) the Company, or the Restricted Subsidiary, as the case may be, receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of; and

(2) at least 75% of the consideration received in such Asset Sale by the Company or such Restricted Subsidiary is in the form of cash or Cash Equivalents. For purposes of this clause (3), each of the following shall be deemed to be cash:

(i) any Indebtedness or other liabilities, as shown on the Company's or such Restricted Subsidiary's most recent balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and Indebtedness that are by their terms *pari passu* with the Notes or any Subsidiary Guarantee and liabilities to the extent owed to the Company or any Affiliate of the Company), that are assumed by the transferee of any such assets pursuant to a written agreement that releases the Company or such Restricted Subsidiary from further liability with respect to such Indebtedness or liabilities; and

(ii) any securities, notes or other obligations received by the Company or any such Restricted Subsidiary from such transferee that are converted within 180 days of the applicable Asset Sale by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in such conversion.

(b) Within 360 days after the receipt of any Net Proceeds from an Asset Sale, the Company may apply those Net Proceeds at its option:

(1) to permanently repay or reduce (i) Indebtedness, other than Subordinated Indebtedness, of the Company or a Subsidiary Guarantor secured by such assets, (ii) Indebtedness of the Company or a Subsidiary Guarantor under Credit Facilities or other Indebtedness of the Company that is by its terms *pari passu* with the Notes, or (iii) Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor, and, in each case, if the Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto;

(2) to acquire, or enter into a binding agreement to acquire, all or substantially all of the assets (other than cash, Cash Equivalents and securities) of any Person engaged in a Permitted Business; *provided, however,* that any such commitment shall be subject only to customary conditions (other than financing), and such acquisition shall be consummated no later than 180 days after the end of such 360-day period;

(3) to acquire, or enter into a binding agreement to acquire, Voting Stock of a Person engaged in a Permitted Business from a Person that is not an Affiliate of the Company; *provided, however,* that such commitment shall be subject only to customary conditions (other than financing) and such acquisition shall be consummated no later than 180 days after the end of such 360-day period; and *provided, further, however,* that (a) after giving effect thereto, the Person so acquired becomes a Restricted Subsidiary and (b) such acquisition is otherwise made in accordance with this Indenture, including, without limitation, Section 4.10 hereof; or

(4) to acquire, or enter into a binding agreement to acquire, other long-term assets (other than securities) that are used or useful in a Permitted Business; *provided, however,* that such commitment shall be subject only to customary conditions (other than financing) and such acquisition shall be consummated no later than 180 days after the end of such 360-day period.

Pending the final application of any Net Proceeds, the Company may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by this Indenture.

(c) Any Net Proceeds from Asset Sales that are not applied, invested or segregated from the general funds of the Company for investment in identified assets pursuant to a binding agreement, in each case as provided in paragraph (c) above shall constitute Excess Proceeds; *provided, however,* that the amount of any Net Proceeds that ceases to be so segregated as contemplated in paragraph (c) above shall also constitute "Excess Proceeds" at the time any such Net Proceeds cease to be so segregated; *provided further, however,* that the amount of any Net Proceeds that continues to be segregated for investment and that is not actually reinvested within twenty-four months from the date of the receipt of such Net Proceeds shall also constitute "Excess Proceeds."

(d) When the aggregate amount of Excess Proceeds exceeds US$100.0 million, the Company shall make an offer (an "*Asset Sale Offer*") to all Holders of Notes and all holders of other Indebtedness that is *pari passu* in right of payment with the Notes or any Subsidiary Guarantee containing provisions similar to those set forth in this Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets, to purchase the maximum principal amount of Notes and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds in accordance with the procedures set forth in Section 3.09 hereof. The offer price in any Asset Sale Offer shall be equal to 100% of principal amount of the Notes and such other *pari passu* Indebtedness, plus accrued and unpaid interest to (but excluding) the date of purchase, and shall be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer and all Holders of Notes have been given the opportunity to tender their Notes for purchase in accordance with such Asset Sale Offer and this Indenture, the Company may use such Excess Proceeds for any purpose not otherwise prohibited by this Indenture. If the aggregate principal amount of Notes and such other *pari passu* Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Notes and such other *pari passu* Indebtedness shall be purchased on a pro rata basis (subject to Notes being in denominations of $1,000 or integral multiples of $1,000 in excess thereof) based on the principal amount of Notes and such other *pari passu* Indebtedness tendered. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds shall be reset at zero.

The Company shall comply with the requirements of applicable securities laws and regulations to the extent such laws and regulations are applicable in connection with each repurchase of Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Asset Sales provisions of this Indenture, the Company shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under the Asset Sale provisions of this Indenture by virtue of such conflict.

*Section 4.13.* **Dividend and Other Payment Restrictions Affecting Subsidiaries**.

(a) The Company shall not, and shall not permit any Restricted Subsidiary to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Equity Interests to the Company or any other Restricted Subsidiary, or with respect to any other interest or participation in, or measured by, its profits, or pay any liabilities owed to the Company or any other Restricted Subsidiary;

(2) make loans or advances, or guarantee any such loans or advances, to the Company or any other Restricted Subsidiary; or

(3) transfer any of its properties or assets to the Company or any other Restricted Subsidiary.

(b) The restrictions set forth in paragraph (a) above shall not apply to encumbrances or restrictions existing under or by reason of:

(1) agreements governing Existing Indebtedness and Credit Facilities as in effect on October 8, 2003 and any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings thereof; *provided, however,* that such amendments, modifications, restatements, renewals, increases, supplements, refundings, replacement or refinancings are no more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in such Existing Indebtedness and Credit Facilities, as in effect on October 8, 2003;

(2) this Indenture and the Notes;

(3) applicable law or any applicable rule, regulation or order;

(4) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Company or any Restricted Subsidiary as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was Incurred or issued in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided, however,* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of this Indenture to be Incurred at the time of such acquisition;

(5) customary non-assignment provisions in leases entered into in the ordinary course of business and consistent with past practices;

(6) purchase money obligations for property acquired in the ordinary course of business that impose restrictions on the property so acquired of the nature described in clause (3) of paragraph (a) above;

(7) any agreement for the sale or other disposition of a Restricted Subsidiary that restricts distributions by such Restricted Subsidiary pending its sale or other disposition;

(8) Permitted Refinancing Indebtedness; *provided, however,* that any restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are no more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced; *provided, further, however,* that if such Permitted Refinancing Indebtedness could not be entered into on commercially reasonable terms without the inclusion of dividend and other payment restrictions that are materially more restrictive than those contained in the existing Indebtedness (as determined in good faith by the Board of Directors of the Company), the Company or its Restricted Subsidiary may enter into such Permitted Refinancing Indebtedness, *provided,* that the dividend and other payment restrictions contained therein will not materially impair the Company's ability to make payments on the Notes (as determined in good faith by the Board of Directors of the Company);

(9) Liens securing Indebtedness that is permitted to be secured without also securing the Notes or the applicable Subsidiary Guarantee pursuant to Section 4.11 hereof that limit the right of the debtor to dispose of the assets subject to any such Lien;

(10) provisions with respect to the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, stock sale agreements and other similar agreements entered into in the ordinary course of business;

(11) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business;

(12) any Indebtedness or any agreement pursuant to which such Indebtedness was issued if (a) the encumbrance or restriction applies only upon a payment or financial covenant default or event of default contained in such Indebtedness or agreement, (b) such encumbrance or restriction is not materially more disadvantageous to the Holders than is customary in comparable financings (as determined in good faith by the Board of Directors of the Company) and (c) such encumbrance or restriction will not materially impair the Company's ability to make payments on the Notes (as determined in good faith by the Board of Directors of the Company); and

(13) Non-Recourse Accounts Receivable Entity Indebtedness or other contractual requirements of an Accounts Receivable Entity in connection with a Qualified Receivables Transaction; *provided* that such restrictions apply only to such Accounts Receivables Entity or the receivables which are subject to the Qualified Receivables Transaction.

*Section 4.14.* **Transactions with Affiliates**.

(a) The Company shall not, and shall not permit any Restricted Subsidiary to, directly or indirectly, make any payment to, or sell, lease, transfer, exchange or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction or series of transactions, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate, officer or director of the Company (each, an "*Affiliate Transaction*") unless:

(1) such Affiliate Transaction is on terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable arm's length transaction by the Company or such Restricted Subsidiary with an unrelated Person; and

(2) with respect to any Affiliate Transaction or series of related Affiliate Transactions with a fair market value in excess of US$50.0 million, such Affiliate Transaction or series of related Affiliate Transactions has been approved by a majority of the disinterested members of the Board of Directors of the Company; *provided,* that if the fair market value exceeds US$100.0 million, the approval of the disinterested members of the Board of Directors of the Company shall be based upon an opinion or appraisal issued by an independent accounting, appraisal or investment banking firm of national standing in the United States or Canada; *provided, further, however,* that no such opinion or appraisal shall be required in respect of Consolidation Transactions.

(b) The following items shall be deemed not to constitute Affiliate Transactions and, therefore, shall not be subject to the provisions of paragraph (a) above:

(1) any employment agreement entered into by the Company or any Restricted Subsidiary in the ordinary course of business and consistent with the past practice of the Company or such Restricted Subsidiary;

(2) transactions between or among the Company and/or the Restricted Subsidiaries;

(3) transactions with a Person that is an Affiliate of the Company solely because the Company owns an Equity Interest in such Person, *provided* such transactions are on terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable arm's length transaction by the Company or such Restricted Subsidiary with an unrelated Person;

(4) payment of reasonable directors fees to Persons who are not otherwise Affiliates of the Company;

(5) sales of Equity Interests of the Company, other than Disqualified Stock or Back-to-Back Securities, to Affiliates of the Company;

(6) any agreement or arrangement as in effect on October 8, 2003 or any amendment thereto or any transaction contemplated thereby, including pursuant to any amendment thereto, in any replacement agreement or arrangement thereto so long as any such amendment or replacement agreement or arrangement is not more disadvantageous to the Company or the Restricted Subsidiaries, as the case may be, in any material respect than the original agreement as in effect on October 8, 2003;

(7) Restricted Payments that are permitted by the provisions of Section 4.10 hereof;

(8) Permitted Investments;

(9) any Tax Benefit Transaction; and

(10) Transactions effected as part of a Qualified Receivables Transaction.

*Section 4.15.* **[Reserved]**

*Section 4.16.* **[Reserved]**

*Section 4.17.* **Designation of Restricted and Unrestricted Subsidiaries**.

(a) The Board of Directors of the Company may designate any Subsidiary to be an Unrestricted Subsidiary if such Subsidiary:

(1) has no Indebtedness other than Non-Recourse Debt;

(2) does not own any Equity Interest of any Restricted Subsidiary, or hold any Liens on any property of the Company or any of its Restricted Subsidiaries;

(3) is not party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Company;

(4) is a Person with respect to which neither the Company nor any Restricted Subsidiary has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results;

(5) except in the case of a Subsidiary Guarantor that is designated as an Unrestricted Subsidiary in accordance with this Indenture, has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of the Company or any Restricted Subsidiary;

(6) has at least one director on its Board of Directors that is not a director or executive officer of the Company or any Restricted Subsidiary and has at least one executive officer that is not a director or executive officer of the Company or any Restricted Subsidiary; and

(7) such designation would not cause a Default or Event of Default.

(b) Any designation of a Subsidiary of the Company as an Unrestricted Subsidiary shall be evidenced to the Trustee by filing with the Trustee a certified copy of the Board Resolution giving effect to such designation and an Officers' Certificate certifying that such designation complied with the provisions of paragraph (a) above and was permitted by the provisions of Section 4.10 hereof. If, at any time, any Unrestricted Subsidiary would fail to meet the requirements of the provisions of paragraph (a) above, it shall thereafter cease to be an Unrestricted Subsidiary for purposes of this Indenture and any Preferred Shares of such Subsidiary shall be deemed to be issued and any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date and, if such Preferred Shares are not permitted to be issued or such Indebtedness is not permitted to be Incurred as of such date under the provisions of Section 4.09 hereof, the Company shall be in default of such Section.

(c) If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Company and the Restricted Subsidiaries in the Subsidiary so designated shall be deemed to be an Investment made as of the time of such designation and shall either reduce the amount available for Restricted Payments under Section 4.10(a) hereof or reduce the amount available for future Investments under one or more clauses of the definition of Permitted Investments, as the Company shall determine. Such designation shall be permitted only if such Investment would be permitted at such time and if such Restricted Subsidiary otherwise meets the requirements of the provisions of paragraph (a) above. Upon designation of a Restricted Subsidiary as an Unrestricted Subsidiary in compliance with this Section 4.17, such Subsidiary shall be released from any Subsidiary Guarantee previously made by such Subsidiary in accordance with the provisions of Section 10.05 hereof.

(d) The Board of Directors of the Company may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided, however,* that (i) such designation shall be deemed to be an Incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation shall only be permitted if such Indebtedness is permitted under the provisions of Section 4.09 hereof, calculated on a *pro forma* basis as if such designation had occurred at the beginning of the most recently ended full fiscal quarter for which internal financial statements are available; (ii) all outstanding Investments owned by such Unrestricted Subsidiary shall be deemed to be made as of the time of such designation and such Investments shall only be permitted if such Investments would be permitted under the provisions of Section 4.10 hereof; (iii) all Liens upon property or assets of such Unrestricted Subsidiary existing at the time of such designation would be permitted under the provisions of Section 4.11 hereof; and (iv) no Default or Event of Default would be in existence immediately following such designation.

*Section 4.18.* **Repurchase at the Option of Holders Upon a Change of Control Triggering Event**.

(1) Upon the occurrence of a Change of Control Triggering Event, the Company shall, within 30 days of a Change of Control Triggering Event, make an offer (the "*Change of Control Offer*") pursuant to the procedures set forth in Section 3.09 hereof. Each Holder shall have the right to accept such offer and require the Company to repurchase all or any part (equal to $1,000 or an integral multiple of $1,000 in excess thereof) of such Holder's Notes pursuant to the Change of Control Offer at a purchase price, in cash (the "*Change of Control Amount*"), equal to 101% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest on the Notes repurchased to (but excluding) the purchase date.

(2) The Company shall not be required to make a Change of Control Offer upon a Change of Control Triggering Event if a third party makes a Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in this Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes or portions of Notes properly tendered and not withdrawn under the Change of Control Offer.

*Section 4.19.* **Future Guarantors**

The Company shall cause each Person that becomes a Wholly Owned Restricted Subsidiary of the Company following the Issue Date to become a Subsidiary Guarantor and to execute a supplemental indenture and deliver an Opinion of Counsel to the Trustee. In addition, the Company shall not permit any of its Restricted Subsidiaries, directly or indirectly, to guarantee any other Indebtedness (including any Back-to-Back Debt) of the Company or any of its Restricted Subsidiaries, unless such Restricted Subsidiary is a Subsidiary Guarantor or simultaneously executes and delivers a supplemental indenture providing for a Subsidiary Guarantee of the payment of the Notes by such Restricted Subsidiary, which Subsidiary Guarantee shall be senior to or *pari passu* with such Subsidiary's guarantee of such other Indebtedness. The form of the Subsidiary Guarantee is attached hereto as Exhibit E.

*Section 4.20.* **Additional Amounts**.

(1) All payments made by or on behalf of the Company or the Subsidiary Guarantors on or with respect to the Notes pursuant to this Indenture shall be made without withholding or deduction for any Taxes imposed by any Canadian Taxing Authority, unless required by law or the interpretation or administration thereof by the relevant Canadian Taxing Authority. If the Company or any Subsidiary Guarantor (or any other payor) is required to withhold or deduct any amount on account of Taxes imposed by any Canadian Taxing Authority from any payment made under or with respect to any Notes that are outstanding on the date of the required payment, it shall:

(i) make such withholding or deduction;

(ii) remit the full amount deducted or withheld to the relevant government authority in accordance with applicable law;

(iii) pay the additional amounts ("*Additional Amounts*") as may be necessary so that the net amount received by each holder (including Additional Amounts) after such withholding or deduction will not be less than the amount the holder would have received if such Taxes had not been withheld or deducted;

(iv) furnish to the Holders, within 30 days after the date the payment of any Taxes is due, certified copies of tax receipts evidencing such payment by the Company or such Subsidiary Guarantor;

(v) indemnify and hold harmless each Holder (other than an Excluded Holder, as defined in paragraph (2) below) for the amount of (a) any Taxes paid by each such Holder as a result of payments made on or with respect to the Notes, (b) any liability (including penalties, interest and expenses) arising from or with respect to such payments and (c) any Taxes imposed with respect to any reimbursement under the foregoing clauses (a) or (b), but excluding any such Taxes that are in the nature of Taxes on net income, taxes on capital, franchise taxes, net worth taxes and similar taxes; and

(vi) at least 30 days prior to each date on which any payment under or with respect to the Notes is due and payable, if the Company or any Subsidiary Guarantor becomes obligated to pay Additional Amounts with respect to such payment, deliver to the Trustee an Officers' Certificate stating the amounts so payable and such other information necessary to enable the Trustee to pay such Additional Amounts to Holders on the payment date.

(2) Notwithstanding the provisions of paragraph (1) above, no Additional Amounts shall be payable to a person (an "*Excluded Holder*") in respect of a payment made to such person under or with respect to a Note:

(i) if such person is subject to such Taxes by reason of its being connected with Canada or any province or territory thereof otherwise than by the mere acquisition, holding or disposition of Notes or the receipt of payments thereunder;

(ii) if such person waives its right to receive Additional Amounts;

(iii) if the Company or such Subsidiary Guarantor does not deal at arm's length, within the meaning of the Income Tax Act (Canada), with such person at the time of such payment;

(iv) if the Company or such Subsidiary Guarantor does not deal at arm's length, within the meaning of the Income Tax Act (Canada), with another person to whom the Company or such Subsidiary Guarantor has an obligation to pay an amount in respect of the Note; or

(v) to the extent that the Taxes giving rise to such Additional Amounts would not have been imposed but for such person being, or not dealing at arm's-length (within the meaning of the Income Tax Act (Canada)) with, a "specified shareholder" of the Company for purposes of the thin capitalization rules in the Income Tax Act (Canada).

Any reference, in any context in this Indenture, to the payment of principal, premium, if any, redemption price, Change of Control Amount, offer price and interest or any other amount payable under or with respect to any Note, shall be deemed to include the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable.

The obligations described under this Section 4.20 will survive any termination, defeasance or discharge of this Indenture and will apply *mutatis mutandis* to any jurisdiction in which any successor Person to the Company or any Subsidiary Guarantor, as applicable, is organized or any political subdivision or taxing authority or agency thereof or therein.

It is understood for purposes of this Section 4.20 that the determination of the amount of Additional Amounts shall be made at the beneficial owner level.

*Section 4.21.* **Business Activities**.

The Company shall not, and shall not permit any Restricted Subsidiary to, engage in any business other than the Permitted Businesses, except to such extent as would not be material to the Company and its Restricted Subsidiaries taken as a whole.

*Section 4.22.* **Covenant Termination.**

Notwithstanding anything to the contrary set forth in this Indenture, if, on any date following the Issue Date, (i) the Notes reach Investment Grade Status and (ii) no Default has occurred and is continuing under this Indenture, then, beginning on that date and continuing at all times thereafter regardless of any subsequent changes in the ratings of the Notes, the Company will be under no obligation to comply with the terms and provisions of Section 4.09, Section 4.10, Section 4.12, Section 4.13, Section 4.14, Section 4.17(d)(i), Section 4.21 and Sections 5.01(1)(iv) and 5.01(2)(iv), and such covenants, terms and provisions shall cease to apply to the Notes.

## ARTICLE 5.
## SUCCESSORS

*Section 5.01.* **Merger, Consolidation and Sale of Assets of the Company and Subsidiary Guarantors**.

(1) The Company may not directly or indirectly, (i) consolidate, merge or amalgamate with or into another Person, whether or not the Company is the surviving corporation, or (ii) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and the Restricted Subsidiaries, taken as a whole, in one or more related transactions, to another Person, unless, in either case,

(i) either (a) the Company is the surviving corporation, or (b) the Person formed by or surviving any such consolidation, merger or amalgamation (if other than the Company) or to which such sale, assignment, transfer, conveyance or other disposition shall have been made (the "*Surviving Company*") is a corporation organized or existing under the laws of the United States, any state of the United States, the District of Columbia, Canada or any province or territory of Canada;

(ii) the Surviving Company expressly assumes all the obligations of the Company under the Notes and this Indenture pursuant to agreements reasonably satisfactory to the Trustee;

(iii) immediately after giving effect to such transaction no Default or Event of Default exists; and

(iv) the Company or the Surviving Company shall, on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable fiscal quarter, be permitted to Incur at least US$1.00 of additional Indebtedness pursuant to the Debt to Cash Flow Ratio test set forth in Section 4.09(1) hereof.

(2) Unless in connection with a disposition by the Company or a Subsidiary Guarantor of its entire ownership interest in a Subsidiary Guarantor or all or substantially all the assets of a Subsidiary Guarantor permitted by, and in accordance with the applicable provisions of, this Indenture (including, without limitation, the provisions of Section 4.12 hereof), the Company shall cause each Subsidiary Guarantor not to directly or indirectly, (i) consolidate, merge or amalgamate with or into another Person, whether or not such Subsidiary Guarantor is the surviving corporation, or (ii) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of such Subsidiary Guarantor, in one or more related transactions, to another Person, unless, in either case,

(i) either (a) such Subsidiary Guarantor is the surviving corporation, or (b) the Person formed by or surviving any such consolidation, merger or amalgamation (if other than such Subsidiary Guarantor) or to which such sale, assignment, transfer, conveyance or other disposition shall have been made (the "*Surviving Guarantor*") is a corporation, limited liability company or limited partnership organized or existing under the laws of the United States, any state of the United States, the District of Columbia, Canada or any province or territory of Canada;

(ii) the Surviving Guarantor expressly assumes all the obligations of such Subsidiary Guarantor under its Subsidiary Guarantee and this Indenture pursuant to agreements reasonably satisfactory to the Trustee;

(iii) immediately after giving effect to such transaction no Default or Event of Default exists; and

(iv) such Subsidiary Guarantor or the Surviving Guarantor shall, on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable fiscal quarter, be permitted to Incur at least US$1.00 of additional Indebtedness pursuant to the Debt to Cash Flow Ratio test set forth in Section 4.09(1) hereof.

(3) In addition, the Company shall not, and shall cause each Subsidiary Guarantor not to, directly or indirectly, lease all or substantially all of its properties or assets, in one or more related transactions, to any other Person. Clauses (1)(iv) and (2)(iv) of this Section 5.01 shall not apply to a merger, consolidation or amalgamation, or a sale, assignment, transfer, conveyance or other disposition of assets, between or among the Company and any Restricted Subsidiary.

*Section 5.02.* **Successor Corporation Substituted**.

Each Surviving Company and Surviving Guarantor shall succeed to, and be substituted for, and may exercise every right and power of the Company or a Subsidiary Guarantor, as applicable, under this Indenture; *provided, however,* that in the case of:

(1) a sale, transfer, assignment, conveyance or other disposition (unless such sale, transfer, assignment, conveyance or other disposition is of all or substantially all of the assets of the Company and the Restricted Subsidiaries, taken as a whole, or in the case of a Subsidiary Guarantor, such sale, transfer, assignment, conveyance or other disposition is of all or substantially all of the assets of such Subsidiary Guarantor or all of the Capital Stock of such Subsidiary Guarantor to a Person that is not (either before or after giving effect to such transactions) a Subsidiary of the Company), or

(2) a lease,

the predecessor company shall not be released from any of the obligations or covenants under this Indenture, including with respect to the payment of the Notes and obligations under the Subsidiary Guarantees.

**ARTICLE 6.**

**DEFAULTS AND REMEDIES**

*Section 6.01.* **Events of Default**.

Each of the following is an "Event of Default:"

(i) default for 30 days in the payment when due of interest on, or with respect to, the Notes;

(ii) default in payment, when due at Stated Maturity, upon acceleration, redemption, required repurchase or otherwise, of the principal of, or premium, if any, on the Notes;

(iii) failure by the Company or any Restricted Subsidiary to comply with the provisions of Section 4.12, 4.18 or 5.01 hereof;

(iv) failure by the Company for 90 days after written notice thereof has been given to the Company by the Trustee, or to the Company and the Trustee by the Holders of at least 25% of the aggregate principal amount of the Notes outstanding, to comply with the covenants or agreements in Section 4.03 hereof;

(v) failure by the Company or any Restricted Subsidiary for 60 days after written notice thereof has been given to the Company by the Trustee, or to the Company and the Trustee by the Holders of at least 25% of the aggregate principal amount of the Notes outstanding to comply with any of its other covenants or agreements in this Indenture (other than those covenants or agreements in Sections 4.03, 4.12, 4.18 and 5.01 hereof);

(vi) default under any mortgage, hypothec, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any Restricted Subsidiary, or the payment of which is guaranteed by the Company or any Restricted Subsidiary, whether such Indebtedness or guarantee now exists, or is created after the Issue Date, if that default:

(A) is caused by a failure to pay principal of, or interest or premium, if any, on, such Indebtedness when due at the final maturity of such Indebtedness (a "*Payment Default*"); or

(B) results in the acceleration of such Indebtedness prior to its Stated Maturity,

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates US$25.0 million or more;

(vii) failure by the Company or any Restricted Subsidiary to pay final, non-appealable judgments aggregating in excess of US$25.0 million, which judgments are not paid, discharged or stayed for a period of 60 days;

(viii) any Subsidiary Guarantee of a Significant Subsidiary ceases, or the Subsidiary Guarantees of any group of Subsidiaries that, when taken together, would constitute a Significant Subsidiary cease, to be in full force and effect (other than in accordance with the terms of any such Subsidiary Guarantee) or any Subsidiary Guarantor that is a Significant Subsidiary denies or disaffirms its obligations under its Subsidiary Guarantee, or a group of Subsidiary Guarantors that, when taken together, would constitute a Significant Subsidiary deny or disaffirm their obligations under their respective Subsidiary Guarantees;

(ix) the Company or any of its Significant Subsidiaries that are Restricted Subsidiaries or any group of Restricted Subsidiaries that, when taken together, would constitute a Significant Subsidiary, pursuant to or within the meaning of any Bankruptcy Law:

(A) commences a voluntary case or gives notice of intention to make a proposal under any Bankruptcy Law;

(B) consents to the entry of an order for relief against it in an involuntary case or consents to its dissolution or winding up;

(C) consents to the appointment of a receiver, interim receiver, receiver and manager, liquidator, trustee or custodian of it or for all or substantially all of its property;

(D) makes a general assignment for the benefit of its creditors;

(E) admits in writing its inability to pay its debts as they become due or otherwise admits its insolvency; or

(F) seeks a stay of proceedings against it or proposes or gives notice or intention to propose a compromise, arrangement or reorganization of any of its debts or obligations under any Bankruptcy Law; and

(x) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against the Company or any of its Significant Subsidiaries that are Restricted Subsidiaries or any group of Restricted Subsidiaries that, when taken together, would constitute a Significant Subsidiary, in an involuntary case; or

(B) appoints a receiver, interim receiver, receiver and manager, liquidator, trustee or custodian of the Company or any of its Significant Subsidiaries that are Restricted Subsidiaries or any group of Restricted Subsidiaries that, when taken together, would constitute a Significant Subsidiary, or for all or substantially all of the property of the Company or any of its Significant Subsidiaries that are Restricted Subsidiaries or any group of Restricted Subsidiaries that, when taken together, would constitute a Significant Subsidiary;

(C) orders the liquidation of the Company or any of its Significant Subsidiaries that are Restricted Subsidiaries or any group of Restricted Subsidiaries that, when taken together, would constitute a Significant Subsidiary; or

(D) orders the presentation of any plan or arrangement, compromise or reorganization of the Company or any of its Significant Subsidiaries that are Restricted Subsidiaries or any group of Restricted Subsidiaries that, when taken together, would constitute a Significant Subsidiary;

and such order or decree remains unstayed and in effect for 60 consecutive days.

*Section 6.02.* **Acceleration**.

If any Event of Default (other than those of the type described in Section 6.01(ix) or (x) occurs and is continuing, the Trustee may, and the Trustee upon the request of Holders of 25% in principal amount of the outstanding Notes shall, or the Holders of at least 25% in principal amount of outstanding Notes may, declare the principal of all the Notes, together with all accrued and unpaid interest, premium, if any, to be due and payable by notice in writing to the Company and the Trustee specifying the respective Event of Default and that such notice is a notice of acceleration (the "*Acceleration Notice*"), and the same shall become immediately due and payable.

In the case of an Event of Default specified in Section 6.01(ix) or (x) hereof, all outstanding Notes shall become due and payable immediately without further action or notice by the Trustee or the Holders. Holders may not enforce this Indenture or the Notes except as provided in this Indenture.

At any time after a declaration of acceleration with respect to the Notes, the Holders of a majority in principal amount of the Notes then outstanding (by notice to the Trustee) may rescind and cancel such declaration and its consequences if:

(1) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction;

(2) all existing Defaults and Events of Default have been cured or waived except non-payment of principal of or interest on the Notes that has become due solely by such declaration of acceleration;

(3) to the extent the payment of such interest is lawful, interest (at the same rate specified in the Notes) on overdue installments of interest and overdue payments of principal which has become due otherwise than by such declaration of acceleration has been paid;

(4) the Company has paid the Trustee its reasonable compensation and reimbursed the Trustee for its reasonable expenses, disbursements and advances; and

(5) in the event of the cure or waiver of an Event of Default of the type described in Section 6.01(ix) or (x), the Trustee has received an Officers' Certificate and Opinion of Counsel that such Event of Default has been cured or waived.

In the case of an Event of Default with respect to the Notes occurring by reason of any willful action or inaction taken or not taken by the Company or on the Company's behalf with the intention of avoiding payment of the premium that the Company would have been required to pay if the Company had then elected to redeem the Notes pursuant to Section 3.07 hereof, an equivalent premium shall also become and be immediately due and payable to the extent permitted by law upon the acceleration of the Notes.

*Section 6.03.* **Other Remedies**.

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal, premium, if any, and interest on the Notes or to enforce the performance of any provision of the Notes or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding, and any such proceeding instituted by the Trustee shall be brought in its own name on behalf of the Holders of Notes and as the *fondé de pouvoir* (holder of the power of attorney) of the Holders of the Notes, and any recovery of judgment shall be for the rateable benefit of the Holders of the Notes subject to the provisions of this Indenture. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies shall be cumulative to the extent permitted by law.

*Section 6.04.* **Waiver of Past Defaults**.

The Holders of at least a majority in aggregate principal amount of the Notes then outstanding by notice to the Trustee may on behalf of the Holders of all of the Notes waive any existing Default or Event of Default, and its consequences, except a continuing Default or Event of Default (i) in the payment of the principal of or interest on the Notes and (ii) in respect of a covenant or provision which under this Indenture cannot be modified or amended without the consent of the Holder of each Note affected by such modification or amendment. Upon any waiver of a Default or Event of Default such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed cured for every purpose of this Indenture, but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon.

*Section 6.05.* **Control by Majority**.

Subject to Section 7.01, Section 7.02(5) (including the Trustee's receipt of the security or indemnification described therein) and Section 7.06 hereof, in case an Event of Default shall occur and be continuing, the Holders of at least a majority in aggregate principal amount of the Notes then outstanding shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee with respect to the Notes; *provided, however*, the Trustee may refuse to follow any direction from the Holders of at least a majority in aggregate principal amount of the Notes then outstanding that conflicts with applicable law or this Indenture, or that the Trustee determines in good faith may be unduly prejudicial to the rights of the Holders not joining in the giving of such direction, and may take any other action it deems proper that is not inconsistent with such direction.

*Section 6.06.* **Limitation on Suits**.

No Holder shall have any right to institute any proceeding with respect to this Indenture, or for the appointment of a receiver or trustee, or for any remedy thereunder, unless:

(1) such Holder has previously given to the Trustee written notice of a continuing Event of Default,

(2) Holders of at least 25% in aggregate principal amount of the Notes then outstanding have made written request and offered indemnity satisfactory to the Trustee to institute such proceeding as trustee, and

(3) the Trustee shall not have received from the Holders of a majority in aggregate principal amount of the Notes then outstanding a direction inconsistent with such request and shall have failed to institute such proceeding within 60 days.

The preceding limitations shall not apply to a suit instituted by a Holder for enforcement of payment of principal of, and premium, if any, or interest on, a Note on or after the respective due dates for such payments set forth in such Note.

A Holder may not use this Indenture to affect, disturb or prejudice the rights of another Holder or to obtain a preference or priority over another Holder.

*Section 6.07.* **Rights of Holders to Receive Payment**.

Notwithstanding any other provision of this Indenture (including, without limitation, Section 6.06 hereof), the right of any Holder to receive payment of principal, premium, if any, and interest on the Notes held by such Holder, on or after the respective due dates expressed in the Notes (including in connection with an offer to purchase), or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

*Section 6.08*. **Collection Suit by Trustee**.

If an Event of Default specified in Section 6.01 (i) or (ii) occurs and is continuing, the Trustee is authorized to recover judgment in its own name on behalf of all the Holders of Notes and as the *fondé de pouvoir* (holder of the power of attorney) against the Company for the whole amount of principal of, premium, if any, and interest then due and owing (together with interest on overdue principal and, to the extent lawful, interest) and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

*Section 6.09*. **Trustee May File Proofs of Claim**.

The Trustee shall be authorized in its own name on behalf of the Holders of Notes and as the *fondé de pouvoir* (holder of the power of attorney) of the Holders of the Notes to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders allowed in any judicial proceedings relative to the Company (or any other obligor upon the Notes), its creditors or its property and shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claims and any custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due to the Trustee under Section 7.06 hereof. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee and its agents and counsel, and any other amounts due to the Trustee under Section 7.06 hereof out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a Lien on, and shall be paid out of, any and all distributions, moneys, securities and any other properties that the Holders may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

*Section 6.10.* **Priorities**.

If the Trustee collects any money pursuant to this Article 6, it shall be held in trust by the Trustee and paid out in the following order:

*First:* to the Trustee, its agents and attorneys for amounts due under Section 7.06 hereof, including payment of all compensation, expenses and liabilities Incurred, and all advances made, by the Trustee and the costs and expenses of collection;

*Second:* to Holders for amounts due and unpaid on the Notes for principal, premium, if any, and interest ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal, premium, if any, and interest, respectively; and

*Third:* to the Company or to such party as a court of competent jurisdiction shall direct.

The Trustee may fix a record date and payment date for any payment to Holders pursuant to this Section 6.10.

*Section 6.11*. **Undertaking for Costs**.

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 shall not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.07 hereof, or a suit by Holders of more than 10% in principal amount of the then outstanding Notes.

**ARTICLE 7.**

**TRUSTEE**

*Section 7.01.* **Duties of Trustee**.

(1) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent Person would exercise or use under the circumstances in the conduct of such Person's own affairs.

(2) Except during the continuance of an Event of Default:

(i) the duties of the Trustee shall be determined solely by the express provisions of this Indenture and the Trustee need perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture (but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein).

(3) The Trustee may not be relieved from liabilities for its own negligent action, its own negligent failure to act, or its own wilful misconduct, except that:

(i) this paragraph does not limit the effect of paragraph (2) of this Section;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05 hereof.

(4) Whether or not therein expressly so provided, every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (1), (2) and (3) of this Section 7.01.

(5) No provision of this Indenture shall require the Trustee to expend or risk its own funds or Incur any financial liability. The Trustee shall be under no obligation to exercise any of its rights and powers under this Indenture at the request of any Holders, unless such Holders shall have offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

(6) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

*Section 7.02.* **Rights of Trustee**.

(1) The Trustee may conclusively rely upon any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in any such document.

(2) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel or both. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel. The Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection from liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(3) The Trustee shall not be liable for any action it takes or omits to take in good faith that it believes to be authorized or within the rights or powers conferred upon it by this Indenture.

(4) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Company shall be sufficient if signed by an Officer of the Company.

(5) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities that might be Incurred by it in compliance with such request or direction.

(6) The Trustee shall not be deemed to have notice of any Default or Event of Default unless a Responsible Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a Default or Event of Default is received by a Responsible Officer of the Trustee at the Corporate Trust Office of the Trustee from the Company or the Holders of 25% in aggregate principal amount of the outstanding Notes, and such notice references the specific Default or Event of Default, the Notes and this Indenture.

(7) The Trustee shall not be required to give any bond or surety in respect of the performance of its power and duties hereunder.

(8) The Trustee shall have no duty to inquire as to the performance of the Company's covenants herein.

(9) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

*Section 7.03.* **Individual Rights of Trustee**.

The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Company or any Subsidiary Guarantor or any Affiliate of the Company with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights and duties. The Trustee shall also be subject to Section 7.09.

*Section 7.04.* **Trustee's Disclaimer**.

The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Notes, it shall not be accountable for the Company's use of the proceeds from the Notes or any money paid to the Company or upon the Company's direction under any provision of this Indenture, it shall not be responsible for the use or application of any money received by any Paying Agent other than the Trustee, and it shall not be responsible for any statement or recital herein or any statement in the Notes or any other document in connection with the sale of the Notes or pursuant to this Indenture other than its certificate of authentication.

*Section 7.05.* **Notice of Defaults**.

If a Default or Event of Default occurs and is continuing and if it is known to the Trustee, the Trustee shall mail to Holders a notice of the Default or Event of Default within 90 days after it occurs. Except in the case of a Default or Event of Default in payment of principal of, premium, if any, or interest on any Note, the Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the Holders.

*Section 7.06.* **Compensation and Indemnity**.

The Company shall pay to the Trustee from time to time reasonable compensation for its acceptance of this Indenture and services hereunder. The Company shall reimburse the Trustee promptly upon request for all reasonable disbursements, advances and expenses Incurred or made by it in addition to the compensation for its services (including the reasonable compensation, disbursements and expenses of the Trustee's agents and counsel), except any such disbursement, advance or expense as may be attributable to its negligence, wilful misconduct or bad faith.

The Company shall indemnify the Trustee (in its capacity as Trustee) or any predecessor Trustee (in its capacity as Trustee) against any and all losses, claims, damages, penalties, fines, liabilities or expenses, including incidental and out-of-pocket expenses and reasonable attorneys fees (for purposes of this Article 7, "*losses*") Incurred by it arising out of or in connection with the acceptance or administration of its duties under this Indenture, including the costs and expenses of enforcing this Indenture against the Company (including this Section 7.06) and defending itself against any claim (whether asserted by the Company or any Holder or any other Person) or liability in connection with the exercise or performance of any of its powers or duties hereunder, except to the extent such losses may be attributable to its negligence, wilful misconduct or bad faith. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Company shall not relieve the Company of its obligations hereunder. The Company shall defend the claim, and the Trustee shall cooperate in the defense. The Trustee may have separate counsel if the Trustee has been reasonably advised by counsel that there may be one or more legal defenses available to it that are different from or additional to those available to the Company and in the reasonable judgment of such counsel it is advisable for the Trustee to engage separate counsel, and the Company shall pay the reasonable fees and expenses of such counsel. The Company need not pay for any settlement made without its consent, which consent shall not be unreasonably withheld. The Company need not reimburse any expense or indemnify against any loss Incurred by the Trustee through the Trustee's own negligence, wilful misconduct or bad faith.

The obligations of the Company under this Section 7.06 shall survive the satisfaction and discharge of this Indenture, the resignation or removal of the Trustee and payment in full of the Notes.

To secure the Company's payment obligations in this Section, the Trustee shall have a Lien prior to the Notes on all money or property held or collected by the Trustee, except that held in trust to pay principal, premium, if any, and interest on particular Notes. Such Lien shall survive the satisfaction and discharge of this Indenture.

When the Trustee Incurs expenses or renders services after an Event of Default specified in Section 6.01(ix) or (x) hereof occurs, the expenses and the compensation for the services (including the fees and expenses of its agents and counsel) are intended to constitute expenses of administration under any Bankruptcy Law.

*Section 7.07.* **Replacement of Trustee**.

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 7.07.

The Trustee may resign in writing at any time upon 30 days' prior notice to the Company and be discharged from the trust hereby created by so notifying the Company. The Holders of a majority in principal amount of the then outstanding Notes may remove the Trustee by so notifying the Trustee and the Company in writing. The Company may remove the Trustee if:

(1) the Trustee fails to comply with Section 7.09 hereof;

(2) the Trustee is adjudged bankrupt or insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(3) a custodian or public officer takes charge of the Trustee or its property; or

(4) the Trustee becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason (the Trustee in such event being referred to herein as the retiring Trustee), the Company shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in principal amount of the then outstanding Notes may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

If a successor Trustee does not take office within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company, or the Holders of at least 10% in principal amount of the then outstanding Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee, after written request by any Holder who has been a Holder for at least six months, fails to comply with Section 7.09 hereof, such Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders. Subject to the Lien provided for in Section 7.06 hereof, the retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee *provided, however;* that all sums owing to the Trustee hereunder shall have been paid. Notwithstanding replacement of the Trustee pursuant to this Section 7.07, the Company's obligations under Section 7.06 hereof shall continue for the benefit of the retiring Trustee.

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

*Section 7.08.* **Successor Trustee by Merger, Etc.**

If the Trustee consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation or banking association, the successor corporation or banking association without any further act shall, if such successor corporation or banking association is otherwise eligible hereunder, be the successor Trustee.

*Section 7.09.* **Eligibility, Disqualification**.

There shall at all times be a Trustee hereunder that is a Person organized and doing business under the laws of Canada or of any province thereof that is authorized under such laws to exercise corporate trustee power. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect specified in this Article.

The Trustee represents to the Company that at the date of the execution and delivery of this Indenture there exists no material conflict of interest in the role of the Trustee as a fiduciary hereunder. If at any time a material conflict of interest exists in the Trustee's role as a fiduciary hereunder the Trustee shall, within 90 days after ascertaining that such a material conflict of interest exists, either eliminate the same or else resign as Trustee hereunder by giving notice in writing to the Company at least 21 days prior to such resignation and shall thereupon be discharged from all further duties and liabilities hereunder.

*Section 7.10.* **Acceptance of Trust**.

The Trustee hereby accepts any and all trusts created or constituted for the purposes of this Indenture, including Sections 2.04, 6.10, 8.04, 8.05, 8.06, 11.01, 11.02 and 11.03, or any Notes, agrees to perform the same upon the terms and conditions herein set forth and, to the extent any such terms and conditions conflict with any provisions of applicable law, such terms and conditions shall prevail to the extent that such provisions do not constitute provisions of public order.

*Section 7.11.* **Fondé de Pouvoir**.

The Trustee hereby agrees to act as the *fondé de pouvoir* (holder of the power of attorney) for the Holders of the Notes to the extent necessary or desirable for the purposes of this Indenture and each Holder by receiving and holding the Notes accepts and confirms the appointment of the Trustee as *fondé de pouvoir* (holder of the power of attorney) of such Holder to the extent necessary for the purposes hereof and in accordance with and subject to the provisions hereof, including with respect to and in connection with the guarantees contemplated by Article 10 of this Indenture.

To the extent necessary and for greater certainty (but without in any way detracting from custom and usage applicable with regards to the relationship between the Company, the Trustee and the Holders hereunder) and subject to any applicable law of public order, the Trustee and the Company hereby agree with regards to the Trustee so acting as *fondé de pouvoir* (holder of the power of attorney) of the Holders hereunder and each Holder by receiving and holding same agrees with the Company and the Trustee that:

(1) notwithstanding any other provision hereof and except as may be otherwise set forth in any request, demand, authorization, direction, notice, consent, waiver or other action given or taken by Holders of Notes pursuant to this Indenture, relating thereto, no Holder shall be liable to third parties for acts performed by the Trustee (or any other person appointed by the Trustee to perform all or any of its rights, powers, trusts or duties hereunder) during the exercise of its rights, powers and trusts and the performance of its duties under this Indenture or for injury caused to such parties by the fault of the Trustee (or any such person), or for contracts entered into in favour of such parties, during such performance and the Trustee (or any such person) alone shall be so liable subject to any rights or recourses which the Trustee (or any such person) may have hereunder or under any applicable law against the Company or any other person (other than a Holder) in connection with any such liability;

(2) except as otherwise expressly provided herein or in any request, demand, authorization, direction, notice, consent, waiver or other action given or taken by Holders of Notes pursuant to this Indenture, the Trustee shall not be entitled to receive from the Holders any remuneration or compensation for any services rendered by the Trustee hereunder or reimbursement of any costs, expenses, liabilities, disbursements or advances Incurred or made by the Trustee in accordance with any provision of this Indenture or interest thereon;

(3) notwithstanding any other provision hereof and except as may be otherwise set forth in any request, demand, authorization, direction, notice, consent, waiver or other action given or taken by Holders of Notes pursuant to this Indenture, relating thereto, no Holder shall be liable to compensate the Trustee for any injury suffered by it by reason of the performance of its rights, powers, trusts or duties hereunder subject to any rights or recourses which the Trustee may have hereunder or under any applicable law against the Company or any other person (other than a Holder) in connection with such injury;

(4) neither the death nor bankruptcy of a Holder shall terminate the Trustee's rights, powers, trusts or duties hereunder with respect to the Notes held by such Holder which shall continue to apply in favour of the Holder or Holders who have acquired such Notes from such deceased or bankrupt Holder;

(5) the bankruptcy of the Trustee shall not terminate its rights, powers, trusts or duties hereunder provided that such rights, powers, trusts or duties are assumed by a successor Trustee appointed in accordance with the provisions of Section 7.07;

(6) so long as any Notes remain outstanding, (i) each Holder hereby renounces its right to revoke any mandate relationship created between such Holder and the Trustee hereunder and (ii) the Trustee hereby agrees that it will not revoke any such mandate relationship except through a resignation pursuant to and in compliance with the provisions of Section 7.07; and

(7) except as otherwise expressly provided herein or in any request, demand, authorization, direction, notice, consent, waiver or other action given or taken by Holders of Notes pursuant to this Indenture, the Trustee shall not be obliged to render any account to the Holders nor return to the Holders any amounts which it has received in the performance of its duties hereunder nor pay any interest to the Holders on such amounts.

*Section 7.12*. **Company Status**.

The Company represents and warrants that it is filing with the Commission as a Foreign Private Issuer (as such term is defined in the Exchange Act) and has delivered to the Trustee an officers' certificate certifying such "reporting issuer" status and other information as the Trustee has requested, including, but not limited to, the Central Index Key that has been assigned for filing purposes. Should the Company cease to file as a Foreign Private Issuer, the Company covenants to deliver to the Trustee an officers' certificate (in a form provided by the Trustee) certifying a change in "reporting issuer" status and such other information as the Trustee may require at such given time. The Company understands that the Trustee is relying upon the foregoing representation, warranty and covenant in order to meet certain Commission obligations with respect to those clients who are filing with the Commission.

## ARTICLE 8.
## LEGAL DEFEASANCE AND COVENANT DEFEASANCE

*Section 8.01*. **Option to Effect Legal Defeasance or Covenant Defeasance**.

The Company may, at its option and at any time, elect to have either Section 8.02 or 8.03 hereof be applied to all outstanding Notes upon compliance with the conditions set forth in this Article 8.

*Section 8.02*. **Legal Defeasance and Discharge**.

Upon the Company's exercise under Section 8.01 hereof of the option applicable to this Section 8.02, the Company shall, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, be deemed to have been discharged from its obligations with respect to all outstanding Notes on the date the conditions set forth below are satisfied (hereinafter, "*Legal Defeasance*") and each Subsidiary Guarantor shall be released from all of its obligations under its Subsidiary Guarantee. For this purpose, Legal Defeasance means that the Company shall be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes, which shall thereafter be deemed to be "outstanding" only for the purposes of Section 8.05 hereof and the other Sections of this Indenture referred to in (a), (b) and (d) below, and to have satisfied all its other obligations under the Notes and this Indenture (and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging the same), except for the following provisions which shall survive until otherwise terminated or discharged hereunder: (a) the rights of Holders of outstanding Notes to receive solely from the trust fund described

in Section 8.04 hereof, and as more fully set forth in such Section, payments in respect of the principal of, premium, if any, or interest and Additional Amounts on such Notes when such payments are due, (b) the Company's obligations with respect to such Notes under Article 2 and Sections 4.01 and 4.02 hereof, (c) the rights, powers, trusts, duties and immunities of the Trustee hereunder and the Company's obligations and the Subsidiary Guarantor's in connection therewith and (d) this Article 8. If the Company exercises under Section 8.01 hereof the option applicable to this Section 8.02, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, payment of the Notes may not be accelerated because of an Event of Default. Subject to compliance with this Article 8, the Company may exercise its option under this Section 8.02 notwithstanding the prior exercise of its option under Section 8.03 hereof.

*Section 8.03*. **Covenant Defeasance**.

Upon the Company's exercise under Section 8.01 hereof of the option applicable to this Section 8.03, the Company shall, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, be released from its obligations under the covenants contained in Sections 4.05 and 4.06, 4.09 through 4.19, and 4.21 hereof, and the operation of Sections 5.01(1)(iv) and (2)(iv) hereof, with respect to the outstanding Notes on and after the date the conditions set forth in Section 8.04 hereof are satisfied (hereinafter, "*Covenant Defeasance*") and each Subsidiary Guarantor shall be released from all of its obligations under its Subsidiary Guarantee with respect to such covenants in connection with such outstanding Notes and the Notes shall thereafter be deemed not "outstanding" for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed "outstanding" for all other purposes hereunder (it being understood that such Notes shall not be deemed outstanding for accounting purposes). For this purpose, Covenant Defeasance means that, with respect to the outstanding Notes, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 6.01 hereof, but, except as specified above, the remainder of this Indenture and such Notes shall be unaffected thereby. If the Company exercises under Section 8.01 hereof the option applicable to this Section 8.03, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, payment of the Notes may not be accelerated because of an Event of Default specified in clause (iii) (with respect to the covenants contained in Sections 4.12 or 4.18 or Section 5.01(1)(iv) or (2)(iv) hereof), (iv), (v) (with respect to Sections 4.05, 4.06, 4.11, 4.13 through 4.17, 4.19 and 4.21 hereof), (vi), (vii), (viii), (ix) and (x) of such Section 6.01 (but in the case of (ix) and (x) of Section 6.01 hereof, with respect to Significant Subsidiaries that are Restricted Subsidiaries or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary only) or because of the Company's failure to comply with Section 5.01(1)(iv) or (2)(iv) hereof.

*Section 8.04*. **Conditions to Legal or Covenant Defeasance**.

The following shall be the conditions to the application of either Section 8.02 or 8.03 hereof to the outstanding Notes.

In order to exercise Legal Defeasance or Covenant Defeasance:

(1) the Company shall irrevocably deposit with the Trustee, as mandatary and depositary, in trust, for the benefit of the Holders cash in Canadian dollars, non-callable Government Securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent accountants, to pay the principal of, or interest and premium and Additional Amounts, if any, on the outstanding notes on the Stated Maturity or on the applicable date of redemption, as the case may be, and the Company shall specify whether the Notes are being defeased to maturity or to a particular date of redemption;

(2) in the case of Legal Defeasance, the Company shall deliver to the Trustee an Opinion of United States counsel reasonably acceptable to the Trustee confirming that (a) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (b) since the Issue Date, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such opinion of counsel shall confirm that, the Holders of the outstanding

Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred, and the Company shall have delivered to the Trustee an opinion of Counsel in Canada reasonably acceptable to the Trustee confirming that the Holders of the outstanding Notes will not recognize income, gain or loss for Canadian federal income tax purposes as a result of such Legal Defeasance and will be subject to Canadian federal income tax (including withholding tax) on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Company shall have delivered to the Trustee an opinion of United States counsel reasonably acceptable to the trustee confirming that the Holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred, and the Company shall deliver to the Trustee an Opinion of Counsel in Canada reasonably acceptable to the Trustee confirming that Holders of the outstanding Notes will not recognize income, gain or loss for Canadian federal income tax purposes as a result of such Covenant Defeasance and will be subject to Canadian federal income tax (including withholding tax) on the same amounts, in the same manner and at the same time as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default shall have occurred and be continuing either (a) on the date of such deposit, or (b) insofar as Events of Default from bankruptcy or insolvency events are concerned, at any time in the period ending on the 91st day after the date of deposit, other than, in each case, a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit;

(5) such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under any material agreement or instrument, to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;

(6) the Company shall deliver to the Trustee an Opinion of Counsel to the effect that, assuming no intervening bankruptcy of the Company or any Subsidiary Guarantor between the date of deposit and the 91st day following such deposit and assuming that no Holder is an "insider" of the Company under applicable Bankruptcy Law, after the 91st day following such deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally;

(7) the Company shall deliver to the Trustee an Officers' Certificate stating that such deposit was not made by the Company with the intent of preferring the Holders of Notes over the other creditors of the Company with the intent of defeating, hindering, delaying or defrauding creditors of the Company or others;

(8) if the Notes are to be redeemed prior to their Stated Maturity, the Company must deliver to the Trustee irrevocable instructions to redeem all of the Notes on the specified redemption date; and

(9) the Company shall deliver to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

*Section 8.05*. **Deposited Cash and Government Securities to be Held in Trust, Other Miscellaneous Provisions**.

Subject to Section 8.06 hereof, all cash and non-callable Government Securities (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively for purposes of this Section 8.05, the "*Trustee*") pursuant to Section 8.04 hereof in respect of the outstanding Notes shall be held in trust and applied by the Trustee, in accordance with the provisions of such Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as Paying Agent) as the Trustee may determine, to the Holders of all sums due and to become due thereon in respect of principal, premium, if any, and interest but such cash and securities need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or non-callable Government Securities deposited pursuant to Section 8.04 hereof or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the outstanding Notes.

Anything in this Article 8 to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon the request of the Company any cash or non-callable Government Securities held by it as provided in Section 8.04 hereof which, in the opinion of a nationally recognized firm of independent certified public accountants of recognized international standing expressed in a written certification thereof delivered to the Trustee (which may be the certification delivered under Section 8.04(1) hereof), are in excess of the amount thereof that would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

*Section 8.06*. **Repayment to Company**.

Subject to any applicable laws relating to abandoned property, any cash or non-callable Government Securities deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal, premium, if any, or interest on any Note and remaining unclaimed for two years after such principal, premium, if any, or interest has become due and payable shall be paid to the Company on its request or (if then held by the Company) shall be discharged from such trust; and the Holder shall thereafter, as an unsecured creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such cash and securities, and all liability of the Company as trustee thereof, shall thereupon cease; *provided, however*, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in *The Globe and Mail* (national edition) and *Le Journal de Montréal*, notice that such cash and securities remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such notification or publication, any unclaimed balance of such cash and securities then remaining shall be repaid to the Company.

*Section 8.07*. **Reinstatement**.

If the Trustee or Paying Agent is unable to apply any cash or non-callable Government Securities in accordance with Section 8.02 or 8.03 hereof, as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Company's obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 8.02 or 8.03 hereof until such time as the Trustee or Paying Agent is permitted to apply all such cash and securities in accordance with Section 8.02 or 8.03 hereof, as the case may be; *provided, however*, that, if the Company makes any payment of principal of, premium, if any, or interest on any Note following the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders to receive such payment from the cash and securities held by the Trustee or Paying Agent.

## ARTICLE 9.
## AMENDMENT, SUPPLEMENT AND WAIVER

*Section 9.01*. **Without Consent of Holders of Notes**.

Notwithstanding Section 9.02 of this Indenture, the Company and the Trustee may amend or supplement this Indenture or the Notes without the consent of any Holder to:

(1) cure any ambiguity, defect or inconsistency;

(2) provide for uncertificated Notes in addition to or in place of certificated Notes;

(3) provide for the assumption of the obligations of the Company and/or a Subsidiary Guarantor to Holders in the case of a merger, consolidation, or amalgamation or sale of all or substantially all of the assets of the Company and/or a Subsidiary Guarantor; *provided, however*, that the Company shall deliver to the Trustee (a) an opinion of United States counsel to the effect that Holders of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such assumption by a successor corporation and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such assumption had not occurred, and (b) an Opinion of Counsel in Canada to the effect that Holders will not recognize income, gain or loss for Canadian federal tax purposes as a result of such assumption by a successor corporation and will be subject to Canadian federal taxes (including withholding taxes) on the same amounts, in the same manner and at the same times as would have been the case if such assumption had not occurred;

(4) make any change that would provide any additional rights or benefits to the Holders or that does not adversely affect the legal rights under this Indenture of any such Holder;

(5) add additional guarantees with respect to the Notes or release Subsidiary Guarantors from Subsidiary Guarantees as provided or permitted by the terms of this Indenture;

(6) provide for the issuance of Additional Notes in accordance with this Indenture;

(7) to conform the text of this Indenture or the Notes to any provision of the "Description of Notes" section of the Final Offering Memorandum for the Notes, dated June 3, 2013, to the extent that such provision in such "Description of Notes" section was intended to be a verbatim recitation of a provision of this Indenture or the Notes, as set forth in an Officer's Certificate.

*Section 9.02.* **With Consent of Holders of Notes**.

Except as provided below in this Section 9.02, the Company and the Trustee may amend or supplement this Indenture and the Notes with the consent of the Holders of at least a majority in principal amount of the Notes, including Additional Notes, if any, then outstanding voting as a single class (including consents obtained in connection with a purchase of or tender offer or exchange offer for the Notes), and, subject to Sections 6.04 and 6.07 hereof, any existing Default or Event of Default (except a continuing Default or Event of Default (i) in the payment of principal, premium, if any, or interest on the Notes and (ii) in respect of a covenant or provision which under this Indenture cannot be modified or amended without the consent of the Holder of each Note affected by such modification or amendment ) or compliance with any provision of this Indenture or the Notes may be waived with the consent of the Holders of at least a majority in principal amount of the Notes, including Additional Notes, if any, then outstanding voting as a single class (including consents obtained in connection with a purchase of or tender offer or exchange offer for the Notes).

It shall not be necessary for any instrument or resolution evidencing the consent of the Holders under this Section to approve the particular form of any proposed amendment or supplemental indenture, but it shall be sufficient if such instrument or resolution shall approve the substance thereof; *provided*, however*, that the Trustee shall have the right to require an Opinion of Counsel to the effect that the proposed amendment or waiver conforms in substance to the consent of the Holders.*

Without the consent of each Holder, an amendment or waiver under this Section 9.02 may not (with respect to any Notes held by a non-consenting Holder):

(1) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the Stated Maturity of any Note or alter the provisions with respect to the redemption of the Notes;

(3) reduce the rate of or change the time for payment of interest on any Note;

(4) waive a Default or Event of Default in the payment of principal of, or interest or premium, if any, on the Notes, except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the Notes and a waiver of the payment default that resulted from such acceleration;

(5) make any Note payable in money other than that stated in the Notes;

(6) make any change in the provisions of this Indenture relating to waivers of past Defaults or the rights of Holders of Notes to receive payments of principal of, or interest or premium, if any, on the Notes, or to institute suit for the enforcement of any payment on or with respect to such Holders' Notes or any Subsidiary Guarantee;

(7) amend, change or modify the obligation of the Company to make and consummate an Asset Sale Offer with respect to any Asset Sale in accordance with the provisions of Section 4.12 hereof after the obligation to make and consummate such Asset Sale Offer has arisen or the obligation of the Company to make and consummate a Change of Control Offer in the event of a Change in Control Triggering Event in accordance with the provisions of Section 4.18 hereof after such Change of Control Triggering Event has occurred, including, in each case, amending, changing or modifying any definition relating thereto;

(8) except as otherwise permitted under the provisions of Section 5.01 hereof, consent to the assignment or transfer by the Company or any Subsidiary Guarantor of any of their rights or obligations under this Indenture;

(9) subordinate the Notes or any Subsidiary Guarantee to any other obligation of the Company or the applicable Subsidiary Guarantor;

(10) amend or modify any Subsidiary Guarantee in a manner that would adversely affect the Holders of the Notes or release any Subsidiary Guarantor from any of its obligations under its Subsidiary Guarantee or this Indenture (except in accordance with the terms of this Indenture);

(11) amend or modify the provisions of Section 4.20 hereof; or

(12) make any change in the preceding amendment and waiver provisions.

The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Persons entitled to consent to any supplemental indenture. If a record date is fixed, the Holders on such record date, or their duly designated proxies, and only such Persons, shall be entitled to consent to such supplemental indenture, whether or not such Holders remain Holders after such record date; *provided* that unless such consent shall have become effective by virtue of the requisite percentage having been obtained prior to the date which is 120 days after such record date, any such consent previously given shall automatically and without further action by any Holder be cancelled and of no further effect.

It shall not be necessary for the consent of the Holders under this Section 9.02 to approve the particular form of any proposed amendment or waiver, but it shall be sufficient if such consent approves the substance thereof.

After an amendment, supplement or waiver under this Section 9.02 becomes effective, the Company shall mail to the Holder of each Note affected thereby to such Holder's address appearing in the Security Register a notice briefly describing the amendment, supplement or waiver. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amended or supplemental indenture or waiver.

*Section 9.03*. **Revocation and Effect of Consents**.

Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder is a continuing consent by the Holder of a Note and every subsequent Holder of a Note or portion thereof that evidences the same debt as the consenting Holder's Note, even if notation of the consent is not made on any Note. However, any such Holder or subsequent Holder may revoke the consent as to its Note or portion thereof if the Trustee receives written notice of revocation before the date the waiver, supplement or amendment becomes effective. An amendment, supplement or waiver shall become effective in accordance with its terms and thereafter shall bind every Holder.

*Section 9.04*. **Notation on or Exchange of Notes**.

The Trustee may place an appropriate notation about an amendment, supplement or waiver on any Note thereafter authenticated. The Company in exchange for all Notes may issue and the Trustee shall, upon receipt of an Authentication Order, authenticate new Notes that reflect the amendment, supplement or waiver.

Failure to make the appropriate notation or issue a new Note shall not affect the validity and effect of such amendment, supplement or waiver.

*Section 9.05*. **Trustee to Sign Amendments, Etc.**

The Trustee shall sign any amended or supplemental indenture authorized pursuant to this Article 9 if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. The Company may not sign an amendment or supplemental indenture until the Board of Directors approves it. In executing any amended or supplemental indenture, the Trustee shall be entitled to receive and (subject to Section 7.01 hereof) shall be fully protected in relying upon an Officers' Certificate and an Opinion of Counsel stating that the execution of such amended or supplemental indenture is authorized or permitted by this Indenture and that such amended or supplemental indenture is the legal, valid and binding obligations of the Company (and, if applicable, any guarantor hereunder and thereunder) enforceable against it (and any applicable guarantor) in accordance with its terms, subject to customary exceptions and that such amended or supplemental indenture complies with the provisions hereof.

## ARTICLE 10.
## SUBSIDIARY GUARANTEES

*Section 10.01*. **Guarantee**.

Subject to this Article 10, each of the Subsidiary Guarantors hereby unconditionally guarantees to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns (a) the due and punctual payment of the principal of, premium, if any, and interest on the Notes, subject to any applicable grace period, whether at maturity, by acceleration, redemption or otherwise, the due and punctual payment of interest on the overdue principal and premium, if any, and to the extent permitted by law, interest, and the due and punctual performance of all other obligations of the Company to the Holders or the Trustee hereunder or thereunder, all in accordance with the terms hereof and thereof; and (b) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that same shall be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at maturity, by acceleration pursuant to Section 6.02 hereof, redemption or otherwise. Failing payment when due of any amount so guaranteed or any performance so guaranteed for whatever reason, the Subsidiary Guarantors shall be solidarily (jointly and severally) obligated to pay the same immediately. Each Subsidiary Guarantor agrees that this is a guarantee of payment and not a guarantee of collection.

Each Subsidiary Guarantor hereby agrees that its obligations with regard to its Subsidiary Guarantee shall be solidary, unconditional, irrespective of the validity or enforceability of the Notes or the obligations of the Company under this Indenture, the absence of any action to enforce the same, the recovery of any judgment against the Company or any other obligor with respect to this Indenture, the Notes or the Obligations of the Company under this Indenture or the Notes, any action to enforce the same or any other circumstances (other than complete performance) which might otherwise constitute a legal or equitable discharge or defense of a Subsidiary Guarantor. Each Subsidiary Guarantor further, to the extent permitted by law, waives and relinquishes all claims, rights and remedies accorded by applicable law to guarantors and agrees not to assert or take advantage of any such claims, rights or remedies, including but not limited to: (a) any right to require any of the Trustee, the Holders or the Company (each a "*Benefited Party*"), as a condition of payment or performance by such Subsidiary Guarantor, to (1) proceed against the Company, any other guarantor (including any other Subsidiary Guarantor) of the Obligations under the Subsidiary Guarantees or any other Person, (2) proceed against or exhaust any security held from the Company, any such other guarantor or any other Person, (3) proceed against or have resort to any balance of any deposit account or credit on the books of any Benefited Party in favor of the Company or any other Person, or (4) pursue any other remedy in the power of any Benefited Party whatsoever; (b) any defense arising by reason of the incapacity, lack of authority or any disability or other defense of the Company including any defense based on or arising out of the lack of validity or the unenforceability of the Obligations under the Subsidiary Guarantees or any agreement or instrument relating thereto or by reason of the cessation of the liability of the Company from any cause other than payment in full of the Obligations under the Subsidiary Guarantees; (c) any defense based upon any statute or rule of law which provides that the obligation of a surety must be neither larger in amount nor in other respects more burdensome than that of the principal, and any defense or termination of its Subsidiary Guarantee pursuant to Article 2362 of the Civil Code; (d) any defense based upon any Benefited Party's errors or omissions in the administration of the Obligations under the Subsidiary Guarantees, except behavior which amounts to bad faith; (e) (1) any principles or provisions of law, statutory or otherwise, which are or might be in conflict with the terms of the Subsidiary Guarantees and any legal or equitable discharge of such Subsidiary Guarantor's obligations hereunder, (2) the benefit of any prescription of such Subsidiary Guarantor's liability hereunder or the enforcement hereof, (3) any rights to set-offs, recoupments and counterclaims and (4) promptness, diligence and any requirement that any Benefited Party protect, secure, perfect or insure any security interest or lien or any property subject thereto; (f) notices, demands, presentations, protests, notices of protest, notices of dishonor and notices of any action or inaction, including acceptance of the Subsidiary Guarantees, notices of default under the Notes or any agreement or instrument related thereto, notices of any renewal, extension or modification of the Obligations under the Subsidiary Guarantees or any agreement related thereto, and notices of any extension of credit to the Company and any right to consent to any thereof; (g) any defenses or benefits that may be derived from or afforded by law which limit the liability of or exonerate guarantors or sureties, or which may conflict with the terms of the Subsidiary Guarantees, and (h) any rights to be provided information pursuant to Article 2345 of the Civil Code. Except to the extent expressly provided herein, including Sections 8.02, 8.03 and 10.05 hereof, each Subsidiary Guarantor hereby covenants that its Subsidiary Guarantee shall not be discharged except by complete performance of the obligations contained in its Subsidiary Guarantee and this Indenture.

If any Holder or the Trustee is required by any court or otherwise to return to the Company, the Subsidiary Guarantors or any custodian, trustee, liquidator or other similar official acting in relation to either the Company or the Subsidiary Guarantors, any amount paid by either to the Trustee or such Holder, this Subsidiary Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect.

Each Subsidiary Guarantor agrees that it shall not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby. Each Subsidiary Guarantor further agrees that, as between the Subsidiary Guarantors, on the one hand, and the Holders and the Trustee, on the other hand, (x) the maturity of the obligations guaranteed hereby may be accelerated as provided in Section 6.02 hereof for the purposes of this Subsidiary Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby and (y) in the event of any declaration of acceleration of such obligations as provided in Section 6.02 hereof, such obligations (whether or not due and payable) shall forthwith become due and payable by the Subsidiary Guarantors for the purpose of this Subsidiary Guarantee. The Subsidiary Guarantors shall have the right to seek contribution from any non-paying Subsidiary Guarantor so long as the exercise of such right does not impair the rights of the Holders under the Subsidiary Guarantee.

Each Subsidiary Guarantor hereby waives the benefits of discussion and division.

*Section 10.02.* **Limitation on Subsidiary Guarantor Liability**.

Each Subsidiary Guarantor, and by its acceptance of Notes, each Holder, hereby confirms that it is the intention of all such parties that the Subsidiary Guarantee of such Subsidiary Guarantor not constitute a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law to the extent applicable to any Subsidiary Guarantee. To effectuate the foregoing intention, the Trustee, the Holders and the Subsidiary Guarantors hereby irrevocably agree that the obligations of such Subsidiary Guarantor under this Article 10 shall be limited to the maximum amount as shall, after giving effect to such maximum amount and all other contingent and fixed liabilities of such Subsidiary Guarantor that are relevant under such laws, including, if applicable, its guarantee of all obligations under the Credit Agreement, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Subsidiary Guarantor in respect of the obligations of such other Subsidiary Guarantor under this Article 10, result in the obligations of such Subsidiary Guarantor under its Subsidiary Guarantee not constituting a fraudulent transfer or conveyance.

*Section 10.03.* **Execution and Delivery of Subsidiary Guarantee**.

To evidence its Subsidiary Guarantee set forth in Section 10.01 hereof, each Subsidiary Guarantor hereby agrees that a notation of such Subsidiary Guarantee in substantially the form included in Exhibit E attached hereto shall be endorsed by an Officer of such Subsidiary Guarantor on each Note authenticated and delivered by the Trustee and that this Indenture shall be executed on behalf of such Subsidiary Guarantor by its President or one of its Vice Presidents.

Each Subsidiary Guarantor hereby agrees that its Subsidiary Guarantee set forth in Section 10.01 hereof shall remain in full force and effect notwithstanding any failure to endorse on each Note a notation of such Subsidiary Guarantee.

If an Officer whose signature is on this Indenture or on the Subsidiary Guarantee no longer holds that office at the time the Trustee authenticates the Note on which a Subsidiary Guarantee is endorsed, the Subsidiary Guarantee shall be valid nevertheless.

The delivery of any Note by the Trustee, after the authentication thereof hereunder, shall constitute due delivery of the Subsidiary Guarantee set forth in this Indenture on behalf of the Subsidiary Guarantors.

*Section 10.04.* **Subsidiary Guarantors May Consolidate, Etc., on Certain Terms**.

Except as otherwise provided in Section 10.05 hereof, no Subsidiary Guarantor may consolidate, merge or amalgamate with or into (whether or not such Subsidiary Guarantor is the Surviving Guarantor) another Person whether or not affiliated with such Subsidiary Guarantor unless:

(1) subject to Section 10.05 hereof, the Person formed by or surviving any such consolidation, merger or amalgamation (if other than a Subsidiary Guarantor or the Company) unconditionally assumes all the obligations of such Subsidiary Guarantor, pursuant to a supplemental indenture in form and substance reasonably satisfactory to the Trustee, under this Indenture and the Subsidiary Guarantee on the terms set forth herein or therein; and

(2) the Subsidiary Guarantor or the Surviving Guarantor, as applicable, complies with the requirements of Article 5 hereof.

In case of any such consolidation, merger, amalgamation, sale or conveyance and upon the assumption by the successor Person, by supplemental indenture, executed and delivered to the Trustee and satisfactory in form to the Trustee, of the Subsidiary Guarantee endorsed upon the Notes and the due and punctual performance of all of the covenants and conditions of this Indenture to be performed by the Subsidiary Guarantor, such successor Person shall

succeed to and be substituted for the Subsidiary Guarantor with the same effect as if it had been named herein as a Subsidiary Guarantor. Such successor Person thereupon may cause to be signed any or all of the Subsidiary Guarantees to be endorsed upon all of the Notes issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee. All the Subsidiary Guarantees so issued shall in all respects have the same legal rank and benefit under this Indenture as the Subsidiary Guarantees theretofore and thereafter issued in accordance with the terms of this Indenture as though all of such Subsidiary Guarantees had been issued at the date of the execution hereof.

Except as set forth in Articles 4 and 5 hereof, and notwithstanding clauses (1) and (2) above, nothing contained in this Indenture or in any of the Notes shall prevent any consolidation, merger or amalgamation of a Subsidiary Guarantor with or into the Company or another Subsidiary Guarantor, or shall prevent any sale or conveyance of the property of a Subsidiary Guarantor as an entirety or substantially as an entirety to the Company or another Subsidiary Guarantor.

*Section 10.05.* **Releases Following Sale of Assets**.

In the event of a sale or other disposition of all of the Capital Stock of any Subsidiary Guarantor (including by way of consolidation, merger or amalgamation), in each case to a Person that is not (either before or after giving effect to such transaction) an Affiliate of the Company, then such Subsidiary Guarantor shall be released and relieved of any obligations under its Subsidiary Guarantee; *provided* that such sale or other disposition shall be subject to all applicable provisions of this Indenture, including without limitation Section 4.12 hereof. If a Subsidiary Guarantor is designated as an Unrestricted Subsidiary in accordance with the provisions of Section 4.17 hereof, such Subsidiary Guarantor shall be released and relieved of any obligations under its Subsidiary Guarantee. Upon delivery by the Company to the Trustee of an Officers' Certificate and an Opinion of Counsel to the effect that such sale or other disposition or designation was made by the Company in accordance with the provisions of this Indenture, including without limitation Section 4.12 hereof, the Trustee shall execute any documents reasonably required in order to evidence the release of any Subsidiary Guarantor from its obligations under its Subsidiary Guarantee.

Any Subsidiary Guarantor not released from its obligations under its Subsidiary Guarantee shall remain liable for the full amount of principal of and interest on the Notes and for the other obligations of any Subsidiary Guarantor under this Indenture.

## ARTICLE 11.
## SATISFACTION AND DISCHARGE

*Section 11.01.* **Satisfaction and Discharge**.

This Indenture shall be discharged and shall cease to be of further effect, except as to surviving rights of registration of transfer or exchange of the Notes, as to all Notes issued hereunder, and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when:

(1) either:

(i) all Notes that have been previously authenticated (except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has previously been deposited in trust or segregated and held in trust by the Company and is thereafter repaid to the Company or discharged from the trust) have been delivered to the Trustee for cancellation; or

(ii) all Notes that have not been previously delivered to the Trustee for cancellation (A) have become due and payable by reason of a making of a notice of redemption or otherwise or (B) will become due and payable within one year, and the Company or any Subsidiary

Guarantor has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the Holders, cash in Canadian dollars, non-callable Government Securities, or a combination thereof, in such amounts as will be sufficient without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not previously delivered to the Trustee for cancellation for principal, premium, and Additional Amounts, if any, and interest on the Notes to (but excluding) the date of deposit, in the case of Notes that have become due and payable, or to (but excluding) the Stated Maturity or redemption date, as the case may be;

(2) no Default or Event of Default shall have occurred and be continuing on the date of such deposit or shall occur as a result of such deposit and such deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Company or any Subsidiary Guarantor is a party or by which the Company or any Subsidiary Guarantor is bound;

(3) the Company or any Subsidiary Guarantor has paid or caused to be paid all other sums payable by it under this Indenture;

(4) the Company shall have delivered irrevocable instructions to the Trustee to apply the deposited money toward the payment of the Notes at maturity or the date of redemption, as the case may be; and

(5) the Company shall have delivered to the Trustee an Officers' Certificate and Opinion of Counsel stating that all conditions precedent under this Indenture relating to the satisfaction and discharge of this Indenture have been satisfied.

*Section 11.02*. **Deposited Cash and Government Securities to be Held in trust, Other Miscellaneous Provisions**.

Subject to Section 11.03 hereof, all cash and non-callable Government Securities (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively for purposes of this Section 11.02, the "*Trustee*") pursuant to Section 11.01 hereof in respect of the outstanding Notes shall be held in trust and applied by the Trustee, in accordance with the provisions of such Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as Paying Agent) as the Trustee may determine, to the Holders of such Notes of all sums due and to become due thereon in respect of principal, premium, if any, and interest but such cash and securities need not be segregated from other funds except to the extent required by law.

*Section 11.03*. **Repayment to Company**.

Subject to any applicable laws relating to abandoned property, any cash or non-callable Government Securities deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of, premium, if any, or interest on, any Note and remaining unclaimed for two years after such principal, and premium, if any, or interest has become due and payable shall be paid to the Company on its request or (if then held by the Company) shall be discharged from such trust; and the Holder shall thereafter, as an unsecured creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such cash and securities, and all liability of the Company as trustee thereof, shall thereupon cease; *provided, however*, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in *The Globe and Mail* (national edition) and *Le Journal de Montréal*, notice that such cash and securities remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such notification or publication, any unclaimed balance of such cash and securities then remaining shall be repaid to the Company.

*Section 11.04.* **Release of Subsidiary Guarantors upon Satisfaction and Discharge of Indenture**.

In the event the Company shall be irrevocably released from all of its obligations under this Indenture, each of the Subsidiary *Guarantors* shall also be released in respect of all of their respective obligations under the terms of this Indenture, the Notes or any Subsidiary Guarantee.

## ARTICLE 12.
## MISCELLANEOUS

*Section 12.01.* **Notices**.

Any notice or communication by the Company and/or a Subsidiary Guarantor or the Trustee to the other is duly given if in writing and delivered in person or mailed by first class mail (registered or certified, return receipt requested), facsimile transmission or overnight air courier guaranteeing next-day delivery, to the other's address:

If to the Company or a Subsidiary Guarantor:

Videotron Ltd.
612 St. Jacques Street
Montréal, Québec, H3C 4M8
Canada
Attention: Vice President, Legal Affairs
Facsimile No.: (514) 985-8834

With a copy to:

Norton Rose Fulbright Canada LLP
1 Place Ville-Marie
Suite 2500
Montreal, QC H3B 1R1
Attention: Peter J. Wiazowski
Facsimile No.: (514) 286-5474

If to the Trustee:

Computershare Trust Company of Canada
1500 University Street, 7th Floor
Montreal, Québec H3A 3S8

Attention: Manager, Corporate Trust Services
Facsimile No.: (514) 982-7677

The Company or the Trustee, by notice to the other, may designate additional or different addresses for subsequent notices or communications.

All notices and communications (other than those sent to the Trustee) shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when receipt acknowledged, if sent by facsimile transmission; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next-day delivery. All notices and communications to the Trustee shall be deemed duly given and effective only upon receipt.

Any notice or communication to a Holder shall be mailed by first class mail, certified or registered, return receipt requested, or by overnight air courier guaranteeing next-day delivery to its address shown on the Security Register. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.

If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

If the Company mails a notice or communication to Holders, it shall mail a copy to the Trustee and each Agent at the same time.

*Section 12.02.* **Certificate and Opinion as to Conditions Precedent**.

Upon any request or application by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee:

(1) an Officers' Certificate in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 12.03 hereof) stating that, in the opinion of the signers, all conditions precedent and covenants, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(2) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 12.03 hereof) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been complied with.

*Section 12.03.* **Statements Required in Certificate or Opinion**.

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(1) a statement that the Person making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of such Person, he or she has made such examination or investigation as is necessary to enable such Person to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been complied with.

With respect to matters of fact, an Opinion of Counsel may rely on an Officers' Certificate, certificates of public officials or reports or opinions of experts.

*Section 12.04.* **Rules by Trustee and Agents**.

The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

*Section 12.05.* **No Personal Liability of Directors, Officers, Employees and Shareholders**.

Subject to any applicable provisions of law which constitute provisions of public order, no past, present or future director, officer, employee, incorporator or shareholder of the Company or any Subsidiary Guarantor, as such, shall have any liability for any obligations of the Company or of the Subsidiary Guarantors under the Notes, this Indenture, the Subsidiary Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

*Section 12.06.* **Governing Law**.

THE LAWS OF THE PROVINCE OF QUÉBEC AND THE LAWS OF CANADA APPLICABLE THEREIN SHALL GOVERN AND BE USED TO CONSTRUE THIS INDENTURE AND THE NOTES.

*Section 12.07.* **No Adverse Interpretation of Other Agreements**.

This Indenture may not be used to interpret any other indenture, loan or debt agreement of the Company or its Subsidiaries or of any other Person. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

*Section 12.08.* **Successors**.

All covenants and agreements of the Company in this Indenture and the Notes shall bind its successors. All covenants and agreements of the Trustee in this Indenture shall bind its successors.

*Section 12.09.* **Severability**.

In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

*Section 12.10.* **Conversion of Currency**.

The Company covenants and agrees that the following provisions shall apply to conversion of currency in the case of the Notes and this Indenture.

(1) (i) If, for the purpose of obtaining judgment in, or enforcing the judgment of, any court in any country, it becomes necessary to convert into a currency (the "*judgment currency*") an amount due in any other currency (the "*Base Currency*"), then the conversion shall be made at the rate of exchange prevailing on the Business Day before the day on which the judgment is given or the order of enforcement is made, as the case may be (unless a court shall otherwise determine).

(ii) If there is a change in the rate of exchange prevailing between the Business Day before the day on which the judgment is given or an order of enforcement is made, as the case may be (or such other date as a court shall determine), and the date of receipt of the amount due, the Company shall pay such additional (or, as the case may be, such lesser) amount, if any, as may be necessary so that the amount paid in the judgment currency when converted at the rate of exchange prevailing on the date of receipt will produce the amount in the Base Currency originally due.

(2) In the event of the winding-up of the Company at any time while any amount or damages owing under the Notes and this Indenture, or any judgment or order rendered in respect thereof, shall remain outstanding, the Company shall indemnify and hold the Holders and the Trustee harmless against any deficiency arising or resulting from any variation in rates of exchange between (1) the date as of which the equivalent of the amount in U.S. Dollars or Canadian Dollars, as the case may be, due or contingently due under the Notes and this Indenture (other than under this paragraph (2)) is calculated for the purposes of such winding-up and (2) the final date for the filing of proofs of claim in such winding-up. For the purpose of this paragraph (2), the final date for the filing of proofs of claim in the winding-up of the Company shall be the date fixed by the liquidator or otherwise in accordance with the relevant provisions of applicable law as being the latest practicable date as at which liabilities of the Company may be ascertained for such winding-up prior to payment by the liquidator or otherwise in respect thereto.

(3) The obligations contained in paragraph (1)(ii) and (2) of this Section 12.10 shall constitute obligations of the Company separate and independent from its other respective obligations under the Notes and this Indenture, shall give rise to separate and independent causes of action against the Company, shall apply irrespective of any waiver or extension granted by any Holder or the Trustee or any of them from time to time and shall continue in full force and effect notwithstanding any judgment or order or the filing of any proof of claim in the winding-up of the Company for a liquidated sum in respect of amounts due hereunder (other than under paragraph (2) above) or under any such judgment or order. Any such deficiency as aforesaid shall be deemed to constitute a loss suffered by the Holders or the Trustee, as the case may be, and no proof or evidence of any actual loss shall be required by the Company or the liquidator or otherwise or any of them. In the case of paragraph (2) above, the amount of such deficiency shall not be deemed to be reduced by any variation in rates of exchange occurring between the said final date and the date of any liquidating distribution.

(4) The term "rate(s) of exchange" shall mean the rate of exchange quoted by Royal Bank of Canada at its central foreign exchange desk in its head office in Montréal at 12:00 noon (Montréal, Québec time) for purchases of the Base Currency with the judgment currency other than the Base Currency referred to in Subsections (a) and (b) above and includes any premiums and costs of exchange payable.

(5) The Trustee shall have no duty or liability with respect to monitoring or enforcing this Section 12.10.

*Section 12.11.* **Currency Equivalent**

Except as provided in Section 12.10, for purposes of the construction of the terms of this Indenture or of the Notes, in the event that any amount is stated herein in the currency of one nation (the "*First Currency*"), as of any date such amount shall also be deemed to represent the amount in the currency of any other relevant nation which is required to purchase such amount in the First Currency at the rate of exchange quoted by Royal Bank of Canada at its central foreign exchange desk in its head office in Montréal at 12:00 noon (Montréal, Québec time) on the date of determination.

*Section 12.12.* **Privacy Matters**

The parties acknowledge that federal and / or provincial legislation that addresses the protection of individuals' personal information (collectively, "*Privacy Laws*") applies to obligations and activities under this Indenture. None of the parties shall take or direct any action that would contravene applicable Privacy Laws. The Company shall, prior to transferring or causing to be transferred personal information to the Trustee, obtain and retain required consents of the relevant individuals to the collection, use and disclosure of their personal information, or shall have determined that such consents have previously been given upon which the parties can rely or are not required under the Privacy Laws. The Trustee shall use commercially reasonable efforts to ensure that its services hereunder comply with Privacy Laws. Specifically, the Trustee agrees: (i) to have a designated chief privacy officer; (ii) to maintain policies and procedures to protect personal information and to receive and respond to any privacy complaint or inquiry; (iii) to use personal information solely for the purposes of providing its services under or ancillary to this Indenture and not to use it for any other purpose except with the consent of or direction from the Company or the individual involved; (iv) not to sell or otherwise improperly disclose personal information to any third party; and (v) to employ administrative, physical and technological safeguards to reasonably secure and protect personal information against loss, theft, or unauthorized access, use or modification.

*Section 12.13.* **Counterpart Originals**

The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

*Section 12.14.* **Table of Contents, Headings, Etc.**

The Table of Contents, Cross-Reference Table and Headings in this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and shall in no way modify or restrict any of the terms or provisions hereof.

*Section 12.15.* **Trust Indenture Legislation**

(1) In this Article 12, the expression "*indenture legislation*" means the provisions, if any, of any statute of Canada or any province thereof, and of any regulations under any such statute, relating to trust indentures and to the rights, duties and obligations of trustees under trust indentures and of corporations issuing debt obligations under trust indentures, to the extent that such provisions are in the Opinion of Counsel at the time in force and applicable to this Indenture or the Company.

(2) The Company and the Trustee agree that each will at all times in relation to this Indenture and in relation to any action to be taken hereunder observe and comply with and be entitled to the benefits of the indenture legislation.

(3) If and to the extent that any provision of this Indenture limits, qualifies or conflicts with any mandatory requirement of indenture legislation, such mandatory requirement shall prevail.

*Section 12.16.* **Language of Indenture, Etc.**

The parties hereby acknowledge that they have expressly required this Indenture and all amendments thereto to be drawn up in the English language only. Any request, demand, authorization, direction, notice, consent, election or waiver required or permitted under this Indenture shall be in the English or French language. *Les parties reconnaissent avoir expressément demandé que la présente convention de même que tous amendements soient rédigés en anglais seulement*.

*Section 12.17.* **Force Majeure.**

In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder or other document or agreement entered into in connection herewith arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services, it being understood that the Trustee shall use the efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

*Section 12.18.* **Third Party Interests.**

The Company represents to the Trustee that any account to be opened by, or interest to be held by, the Trustee in connection with this Indenture, for or to the credit of the Company, either (i) is not intended to be used by or on behalf of any third party; or (ii) is intended to be used by or on behalf of a third party, in which case the Company hereto agrees to complete and execute forthwith a declaration in the Trustee's prescribed form as to the particulars of such third party.

*Section 12.19.* **Anti-money Laundering.**

The Trustee shall retain the right not to act and shall not be liable for refusing to act if, due to a lack of information or for any other reason whatsoever, the Trustee, in its sole judgment, determines that such act might cause it to be in non-compliance with any applicable anti-money laundering, anti-terrorist or economic sanctions legislation, regulation or guideline. Further, should the Trustee, in its sole judgment, determine at any time that its acting under this Indenture has resulted in its being in non-compliance with any applicable anti-money laundering, anti-terrorist or economic sanctions legislation, regulation or guideline, then it shall have the right to resign on ten (10) days written notice to the Company, provided (i) that the Trustee's written notice shall describe the circumstances of such non-compliance; and (ii) that if such circumstances are rectified to the Trustee's satisfaction within such ten (10) day period, then such resignation shall not be effective.

## ARTICLE 13.
## MEETINGS OF HOLDERS OF NOTES

*Section 13.01.* **Purposes for which Meetings may be Called**

A meeting of Holders of Notes may be called at any time and from time to time pursuant to this Article to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action authorized by this Indenture to be made, given or taken by Holders of Notes.

*Section 13.02.* **Call, Notice and Place of Meetings**

(1) The Trustee may and shall, at the request of the Company or the Holders pursuant to Section 13.02(2) at any time call a meeting of Holders of Notes for any purpose specified in Section 13.01, to be held at such time and at such place in the City of Montreal as the Trustee or, in case of its failure to act, the Company or the Holders calling the meeting, shall determine. Notice of every meeting of Holders of Notes, setting forth the time and the place of such meeting and in general terms the action(s) proposed to be taken at such meeting, shall be given to each Holder of outstanding Notes in the manner provided in this Indenture not less than 21 nor more than 50 days prior to the date fixed for the meeting.

(2) In case at any time the Company, pursuant to a Board Resolution, or the Holders of at least 25% in principal amount of the outstanding Notes shall have requested the Trustee to call a meeting of Holders of Notes for any purpose specified in Section 13.01, by written request setting forth in reasonable detail the action(s) proposed to be taken at the meeting, and the Trustee shall not have either given the notice of such meeting or made the publication of the notice of such meeting within 21 days after receipt of such request or shall not thereafter proceed to cause the meeting to be held as provided herein, then the Company, or the Holders of outstanding Notes in the amount above specified, as the case may be, may determine the time and the place in the City of Montreal for such meeting and may call such meeting for such purposes by giving notice thereof as provided in subsection (a) of this Section.

*Section 13.03.* **Persons Entitled to Vote at Meetings**

To be entitled to vote at any meeting of Holders of Notes, a Person shall be (a) a Holder of one or more outstanding Notes, or (b) a Person appointed by an instrument in writing as proxy for a Holder or Holders of one or more outstanding Notes by such Holder or Holders. The only Persons who shall be entitled to be present or to speak at any meeting of Holders shall be the Persons entitled to vote at such meeting and their counsel, any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

*Section 13.04.* **Quorum, Action**

The Persons entitled to vote a majority in principal amount of the outstanding Notes shall constitute a quorum. In the absence of a quorum within 30 minutes of the time appointed for any such meeting, the meeting shall, if convened at the request of Holders of Notes, be dissolved. In any other case the meeting may be adjourned for a period of not less than 10 days as determined by the chairman of the meeting prior to the adjournment of such meeting. Notice of the reconvening of such adjourned meeting shall be given as provided in Section 13.02(1), except that such notice may be given not less than five days prior to the date on which the meeting is scheduled to be reconvened. The quorum at such adjourned meeting shall be the Persons then present and entitled to vote thereat and such quorum shall be expressly stated in such notice of the reconvening of such adjourned meeting.

At a meeting or an adjourned meeting duly reconvened and at which a quorum is present as aforesaid, any resolution and all matters (except as provided in Section 9.02 and except as otherwise stated in this Indenture) shall be effectively passed and decided if passed or decided by the Persons entitled to vote a majority in principal amount of outstanding Notes represented and voting at such meeting.

Any resolution passed or decision taken at any meeting of Holders of Notes duly held in accordance with this Article 13 shall (except as limited by Section 9.02) be binding on all the Holders of Notes, whether or not present or represented at the meeting (except in respect of any request, demand, authorization, direction, notice, consent, waiver or other action required, under the terms of this Indenture, to be made, given or taken by Holders of a greater principal amount of outstanding Notes).

*Section 13.05.* **Determination of Voting Rights; Conduct and Adjournment of Meetings**

(1) Notwithstanding any other provisions of this Indenture, the Trustee and the chairman of the meeting, or either of them, may make such reasonable regulations as it or he may deem advisable for any meeting or adjourned meeting of Holders of Notes in regard to proof of the holding of Notes and of the appointment of proxies and in regard to the appointment and duties of scrutineers, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it or he shall deem appropriate. Except as otherwise permitted or required by any such regulations, the holding of any Notes shall be proved in the manner specified in Section 1.05 and the appointment of any proxy shall be proved in the manner specified in said Section 1.05 or by having the signature of the Person executing the proxy witnessed or guaranteed by any trust company, bank, banker or other Person, wherever situated, acceptable to the Trustee. Such regulations may provide that written instruments appointing proxies, regular on their face, may be presumed valid and genuine without the proof specified in said Section 1.05 or other proof.

(2) The Trustee shall, by an instrument in writing, nominate a chairman of the meeting, unless the meeting shall have been called by the Company or by Holders of Notes as provided in Section 13.02(2), in which case the Company, or the Holders of Notes calling the meeting, as the case may be, shall in like manner nominate a chairman.

(3) At any meeting each Holder of a Note, whether present in person or represented by proxy, shall be entitled to one vote for each $1,000 principal amount of Notes held by him; provided, however, that no vote shall be cast or counted at any meeting in respect of any Note challenged as not outstanding and ruled by the chairman of the meeting to be not outstanding. The chairman of the meeting shall have no right to vote, except as a Holder of a Note or as the proxy of a Holder of a Note.

(4) Any meeting of Holders of Notes duly called pursuant to Section 13.02 at which a quorum is present may be adjourned from time to time by a resolution passed at such meeting and the meeting may be held as so adjourned without further notice.

*Section 13.06.* **Counting Votes and Recording Action of Meetings**

The vote upon any resolution submitted to any meeting of Holders of Notes shall be by written ballots on which shall be subscribed the signatures of the Holders of Notes or of their representatives by proxy and such other information as may be required by the regulations made for the meeting, provided however, that the vote upon any resolution involving matters of a purely procedural nature shall be by way of show of hands. The chairman of the meeting shall appoint a secretary and may appoint a scrutineer or scrutineers to act at the meeting. A record, at least in triplicate, of the proceedings of each meeting of Holders of Notes shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the scrutineers and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was given as provided in Section 13.02 and, if applicable, Section 13.04. Each copy shall be signed and verified by the affidavits of the chairman and secretary of the meeting and one such copy shall be delivered to the Company and another to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting. Any record so signed and verified shall be conclusive evidence of the matters therein stated.

*Section 13.07.* **Distribution of Proxy Materials to Participants**

(1) For purposes of holding a meeting of Holders where the Book-Entry System is in effect, the Trustee shall promptly notify the Depositary and obtain therefrom a current Participants List.

(2) Within five business days of receipt of such information by the Trustee, or within any shorter delay which might be imposed by a competent regulatory authority, the Trustee shall contact each Participant on the Participants List by mail to confirm the required number of copies (the "*Required Number*") of proxy material or other documents relating to the meeting (the "*Proxy Material*") which the Participant requires for the benefit of Indirect Participants. Within ten (10) business days of confirmation by the Participant of the Required Number, the Trustee shall arrange to have delivered to such Participant the Required Number of copies of the Proxy Material. It shall be the responsibility of each Participant on the Participants List to arrange for distribution of the Proxy Material to the Indirect Participants. Neither the Company nor the Trustee shall assume any liability for failure by a Participant to distribute the Proxy Material.

(3) The Company and the Trustee understand that the Proxy Material will be sent to the Indirect Participants not less than twenty-one (21) nor more than fifty (50) days, or such other permitted delay under applicable corporate and securities regulations, before the date of the meeting.

(4) Failure by a Participant to distribute the Proxy Material to Indirect Participants shall not affect the validity of the proceedings to be held at the meeting if notice of the meeting has been published by the Trustee at least twenty-one (21) days before the holding of such meeting in *The Globe and Mail* (national edition) and *Le Journal de Montréal* or if not less than 50% in the aggregate principal amount of outstanding Notes is represented at the meeting by Holders of Notes or their proxies.

(5) To the extent that an omnibus proxy in form satisfactory to the Company has been delivered by the Depositary to the Company with respect to the matters to be voted on at a meeting of Holders delegating to Indirect Participants the right of the Depositary as sole registered holder of the Global Note(s) to vote on the matters before the meeting, the Company will recognize as votes of the registered Holder, votes expressed in person at the meeting by identified Indirect Participants and votes expressed by proxy by identified Indirect Participants.

[Signatures on following page]

SIGNATURES

Dated as of June 17, 2013.

**COMPANY:**

**VIDEOTRON LTD.**

/s/ Robert Dépatie
Name: Robert Dépatie
Title: Chief Executive Officer

**SUBSIDIARY GUARANTORS:**

**LE SUPERCLUB VIDÉOTRON LTÉE**

/s/ Jean-François Pruneau
Name: Jean-François Pruneau
Title: Vice President, Finance

**VIDÉOTRON INFRASTRUCTURES INC.**

/s/ Marie-Josée Marsan
Name: Marie-Josée Marsan
Title: Vice President, Finance and Chief Financial Officer

**VIDEOTRON US INC.**

/s/ Robert Dépatie
Name: Robert Dépatie
Title: President

**8487782 CANADA INC.**

/s/ Robert Dépatie

Name: Robert Dépatie
Title: President

**9227-2590 QUÉBEC INC.**

/s/ Marie-Josée Marsan

Name: Marie-Josée Marsan
Title: Vice President, Finance and Chief Financial Officer

**9230-7677 QUÉBEC INC.**

/s/ Marie-Josée Marsan

Name: Marie-Josée Marsan
Title: Vice President, Finance and Chief Financial Officer

**VIDEOTRON G.P. / VIDÉOTRON S.E.N.C.**

/s/ Chloé Poirier

Name: Chloé Poirier
Title: Treasurer

**VIDEOTRON L.P. / VIDÉOTRON S.E.C. by its general partner 9230-7677 Quebec Inc.**

/s/ Marie-Josée Marsan

Name: Marie-Josée Marsan
Title: Vice President, Finance and Chief Financial Officer

**TRUSTEE:**

**COMPUTERSHARE TRUST COMPANY OF CANADA**

/s/ Sophie Brault

Name: Sophie Brault
Title: Corporate Trust Officer

/s/ Candice Bevokol

Name: Candice Bevokol
Title: Associate Trust Officer

**EXHIBIT A**

(Face of Note)

**5 5/8% SENIOR NOTES DUE JUNE 15, 2025**

CUSIP _____
ISIN _____
No. _____ $ _____

**VIDEOTRON LTD.**

promises to pay to CDS & CO., as nominee for CDS Clearing and Depository Services Inc., or its registered assigns, the principal sum of _____ Dollars ($_____) on June 15, 2025.

Interest Payment Dates: April 15 and October 15, commencing October 15, 2013.

Record Dates: April 1 and October 1.

IN WITNESS WHEREOF, the Company has caused this Note to be signed by its duly authorized officer.

VIDEOTRON LTD.

By: _____
Name:
Title:

This is one of the [Global]
Notes referred to in the
within-mentioned Indenture:

COMPUTERSHARE TRUST COMPANY OF CANADA,
as Trustee

By: _____
Authorized Signatory

By: _____
Authorized Signatory

Dated _____, 2013

(Back of Note)

5 5/8% SENIOR NOTES DUE JUNE 15, 2025

**[If this is a Global Note, insert:]** [THIS CERTIFICATE IS A GLOBAL CERTIFICATE WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF CDS CLEARING AND DEPOSITORY SERVICES INC. ("CDS") TO VIDEOTRON LTD. (THE "ISSUER") OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IN RESPECT THEREOF IS REGISTERED IN THE NAME OF CDS & CO., OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF CDS (AND ANY PAYMENT IS MADE TO CDS & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF CDS), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED HOLDER HEREOF, CDS & CO., HAS A PROPERTY INTEREST IN THE SECURITIES REPRESENTED BY THIS CERTIFICATE HEREIN AND IT IS A VIOLATION OF ITS RIGHTS FOR ANOTHER PERSON TO HOLD, TRANSFER OR DEAL WITH THIS CERTIFICATE.]

THIS NOTE AND THE GUARANTEES ENDORSED HEREON (TOGETHER, THIS "SECURITY") HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

THE HOLDER OF THIS SECURITY BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN AGREES FOR THE BENEFIT OF VIDEOTRON LTD. ("VIDEOTRON") NOT TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH VIDEOTRON OR ANY AFFILIATE OF VIDEOTRON WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), EXCEPT (A) TO VIDEOTRON OR ANY OF ITS SUBSIDIARIES, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A) THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS MEETING THE REQUIREMENTS OF REGULATION S UNDER THE SECURITIES ACT, (E) TO AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT THAT IS ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT AND IN A MINIMUM PRINCIPAL AMOUNT OF THE SECURITIES OF $250,000 PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND FOR INVESTMENT PURPOSES ONLY AND NOT WITH A VIEW TO OR FOR OFFER OR SALE IN CONNECTION WITH ANY DISTRIBUTION OF THE NOTES IN VIOLATION OF THE SECURITIES ACT, OR (F) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, AND, IN EACH CASE SUBJECT TO APPLICABLE STATE OR NON-U.S. LAW AND SUBJECT TO VIDEOTRON'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (D), (E) OR (F) PRIOR TO THE RESALE RESTRICTION TERMINATION DATE TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE. THIS LEGEND WILL BE REMOVED UPON REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

*CANADIAN RESALES LEGEND*:

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THIS SECURITY BEFORE THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE LATER OF (I) JUNE 17, 2013, AND (II) THE DATE THAT THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY.

Capitalized terms used herein shall have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

1. ***Interest***. Videotron Ltd., a corporation under the laws of Québec (the "*Company*"), promises to pay interest (as defined in the Indenture) on the principal amount of this Note at 5.625% per annum until maturity. The Company shall pay interest semi-annually in arrears in equal installments (except as noted below) on April 15 and October 15 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each an "*Interest Payment Date*"). Interest on the Notes shall accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of issuance; *provided, however*, that if there is no existing Default in the payment of interest, and if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; *provided*, *further*, that the first Interest Payment Date shall be October 15, 2013. The Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, from time to time on demand at a rate that is 1% per annum in excess of the interest rate then in effect under the Indenture and this Note; it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest (without regard to any applicable grace periods), from time to time on demand at the same rate to the extent lawful. In the case of the first interest period (from the Issue Date, which is June 17, 2013, until the first interest payment date, which is October 15, 2013), interest will be calculated on the basis of the actual number of days elapsed from the Issue Date to (but excluding) October 15, 2013 divided by 365. In addition, in the case of the final interest period, if applicable (from April 15, 2025 to June 15, 2025), interest will be calculated on the basis of the actual number of days elapsed from April 15, 2025 to (but excluding) June 15, 2025 divided by 365. In the case of any other interest period that is shorter than a full semi-annual interest period due to redemption, interest will be calculated on the basis of a 365-day year and the actual number of days elapsed from (and including) the date of the previous interest payment to (but excluding) the interest payment date for such interest period. For the purposes of the *Interest Act* (Canada), whenever interest is computed on a basis of a year (the "deemed year") which contains fewer days than the actual number of days in the calendar year of calculation, such rate of interest shall be expressed as a yearly rate for purposes of the *Interest Act* (Canada) by multiplying such rate of interest by the actual number of days in the calendar year of calculation and dividing it by the number of days in the deemed year.

2. ***Method of Payment***. The Company shall pay interest on the Notes (except defaulted interest) to the Persons in whose name this Note (or one or more Predecessor Notes) is registered at the close of business on the April 1 or October 1 next preceding the Interest Payment Date, even if such Notes are cancelled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Notes shall be payable as to principal, premium, if any, and interest at the office or agency of the Company maintained for such purpose, or, at the option of the Company, payment of interest may be made by cheque mailed to the Holders at their addresses set forth in the Security Register; *provided*, *however*, that payment by wire transfer of immediately available funds shall be required with respect to principal of and interest and premium, if any, on, all Global Notes and all other Notes the Holders of which shall have provided wire transfer instructions to the Company or the Paying Agent. Such payment shall be in such coin or currency of Canada as at the time of payment is legal tender for payment of public and private debts.

3. ***Paying Agent and Registrar***. Initially, Computershare Trust Company of Canada, the Trustee under the Indenture, shall act as Paying Agent and Registrar. The Company may change any Paying Agent or Registrar without notice to any Holder. The Company or any of its Subsidiaries may act in any such capacity.

4. ***Indenture***. The Company issued the Notes under an Indenture dated as of June 17, 2013 ("*Indenture*") among the Company, the guarantors party thereto (the "*Subsidiary Guarantors*") and the Trustee. The terms of the Notes include those stated in the Indenture. The Notes are subject to all such terms, and Holders are referred to the Indenture for a statement of such terms. To the extent any provision of this Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling.

5. ***Optional Redemption***.

(1) The Company may redeem the Notes in whole or in part, on one or more occasions, in accordance with Section 3.03 of the Indenture, at a redemption price equal to the greater of:

(i) 100% of the principal amount of the Notes to be redeemed, and

(ii) as determined by an independent investment dealer selected by the Company and acceptable to the Trustee, acting reasonably, the sum of the present values of the remaining scheduled payments of principal and interest thereon (not including any portion of such payments of interest accrued to (but excluding) the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 365-day year using the actual number of days in the period), at the discount rate equal to the sum of the Canada Bond Yield for such Notes (determined as of the Business Day immediately preceding the date of redemption) plus 100 basis points,

plus, in each case, accrued and unpaid interest to (but excluding) the redemption date.

(2) In addition, beginning on March 15, 2025, the Company may redeem all or a part of the Notes, at once or over time, in accordance with Section 3.03 of the Indenture, at a redemption price of 100.00% of the principal amount of the Notes redeemed, plus accrued and unpaid interest thereon on the Notes redeemed to (but excluding) the redemption date (subject to the right of Holders of record on the relevant Regular Record Date to receive interest due on the relevant Interest Payment Date).

(3) If the Company becomes obligated to pay any Additional Amounts because of a change in the laws or regulations of Canada or any Canadian Taxing Authority, or a change in any official position regarding the application or interpretation thereof, in either case that is publicly announced or becomes effective on or after the Issue Date, the Company may, at any time, upon not less than 15 days' nor more than 60 days' notice, redeem all, but not part, of the Notes at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest to (but excluding) the redemption date, *provided* that at any time that the aggregate principal amount of the Notes outstanding is greater than $20.0 million, any Holder of the Notes may, to the extent that it does not adversely affect the Company's after-tax position, at its option, waive the Company's compliance with the provisions of Section 4.20 of the Indenture with respect to such Holder's Notes; *provided, further*, that if any Holder waives such compliance, the Company may not redeem that Holder's Notes pursuant to this clause (3).

(4) Any prepayment pursuant to this paragraph 5 shall be made pursuant to the provisions of Sections 3.01 through 3.06 of the Indenture.

6. ***Mandatory Redemption***. Except as set forth in Sections 4.12 and 4.18 of the Indenture, the Company shall not be required to make mandatory redemption or sinking fund payments with respect to, or offers to purchase, the Notes.

7. ***Repurchase at Option of Holder***.

(1) Upon the occurrence of a Change of Control Triggering Event, the Company shall make an offer to all Holders to repurchase all (equal to $1,000 or an integral multiple of $1,000 in excess thereof) of such Holder's Notes at a purchase price in cash equal to 101% of the aggregate principal amount of the Notes repurchased, plus accrued and unpaid interest on the Notes repurchased to (but excluding) the purchase date in accordance with the procedures set forth in Section 3.09 of the Indenture.

(2) If the Company or a Restricted Subsidiary consummates any Asset Sales, it shall not be required to apply any Net Proceeds in accordance with the Indenture until the aggregate Excess Proceeds from all Asset Sales following the date the Notes are first issued exceeds US$100.0 million. Thereafter, the Company shall commence an Asset Sale Offer by applying the Excess Proceeds pursuant to Section 3.09 of the Indenture to purchase the maximum principal amount of Notes (including any Additional Notes) that may be purchased out of the Excess Proceeds at an offer price in cash equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to (but excluding) the Purchase Date in accordance with the procedures set forth in Section 3.09 of the Indenture. To the extent that the aggregate amount of Notes (including Additional Notes) tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, the Company (or such Restricted Subsidiary) may apply such deficiency for any purpose not prohibited by the Indenture. If the aggregate principal amount of Notes surrendered by Holders thereof exceeds the amount of Excess Proceeds, the Trustee shall select the Notes to be purchased on a *pro rata* basis (subject to Notes being in denominations of $1,000 or integral multiples of $1,000 in excess thereof).

8. ***Notice of Redemption***. Notices of redemption shall be mailed at least 15 days but not more than 60 days before the redemption date to each Holder whose Notes are to be redeemed at its registered address. Notes in denominations larger than $1,000 may be redeemed in part but only in integral multiples of $1,000 in excess thereof, unless all of the Notes held by a Holder are to be redeemed. On and after the redemption date interest shall cease to accrue on Notes or portions thereof called for redemption.

9. ***Denominations, Transfer, Exchange***. The Notes are in registered form without coupons in denominations of $1,000 and integral multiples of $1,000 in excess thereof. This Note shall represent the aggregate principal amount of outstanding Notes from time to time endorsed hereon and the aggregate principal amount of Notes represented hereby may from time to time be reduced or increased, as appropriate, to reflect exchanges and redemptions. The transfer of Notes shall be registered and Notes shall be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Company may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Company need not exchange or register the transfer of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, the Company need not exchange or register the transfer of any Notes for a period of 15 days before a selection of Notes to be redeemed or during the period between a record date and the corresponding Interest Payment Date.

10. ***Persons Deemed Owners***. The registered Holder of a Note shall be treated as its owner for all purposes. Notwithstanding the foregoing, it is understood that amounts withheld from the registered Holder and the determination of obligations under the Indenture to pay Additional Amounts shall in each case be determined with respect to the ultimate beneficial holder and not the registered Holder.

11. ***Amendment, Supplement and Waiver***. Subject to certain exceptions, the Company and the Trustee may amend or supplement the Indenture or the Notes with the consent of the Holders of at least a majority in principal amount of the then outstanding Notes, including Additional Notes, if any, voting as a single class (including consents obtained in connection with a purchase of or tender offer or exchange offer for the Notes), and, subject to Sections 6.04 and 6.07 of the Indenture, any existing Default or Event of Default (except a continuing Default or Event of Default (i) in the payment of principal, premium, if any, interest or Additional Amounts, if any, on the Notes and (ii) in respect of a covenant or provision which under the Indenture cannot be modified or amended without the consent of the Holder of each Note affected by such modification or amendment) or compliance with any provision of the Indenture or the Notes may be waived with the consent of the Holders of at least a majority in principal amount of the then outstanding Notes, including Additional Notes, if any, then outstanding voting as a single class (including consents obtained in connection with a purchase of or tender offer or exchange offer for the Notes). Without the consent of any Holder, the Company and the Trustee may amend or supplement the Indenture or the Notes to (a) cure any ambiguity, defect or inconsistency; (b) provide for uncertificated Notes in addition to or in place of certificated Notes; (c) provide for the assumption of the obligations of the Company and/or a Subsidiary

Guarantor to Holders in the case of a merger, consolidation, or amalgamation or sale of all or substantially all of the assets of the Company and/or a Subsidiary Guarantor; *provided, however*, that the Company shall deliver to the Trustee (a) an opinion of United States counsel to the effect that Holders of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such assumption by a successor corporation and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such assumption had not occurred, and (b) an Opinion of Counsel in Canada to the effect that Holders will not recognize income, gain or loss for Canadian federal tax purposes as a result of such assumption by a successor corporation and will be subject to Canadian federal taxes (including withholding taxes) on the same amounts, in the same manner and at the same times as would have been the case if such assumption had not occurred; (d) make any change that would provide any additional rights or benefits to the Holders or that does not adversely affect the legal rights under the Indenture of any such Holder; (e) add additional guarantees with respect to the Notes or release Subsidiary Guarantors from Subsidiary Guarantees as provided or permitted by the terms of the Indenture; (f) provide for the issuance of Additional Notes in accordance with the Indenture; or (g) conform the text of the Indenture or the Notes to any provision of the "Description of Notes" section in the Final Offering Memorandum for the Notes, dated June 3, 2013, to the extent that such provision in such "Description of Notes" section was intended to be a verbatim recitation of a provision of the Indenture or the Notes.

12. ***Defaults and Remedies***. Each of the following is an Event of Default under the Indenture: (a) default for 30 days in the payment when due of interest on, or with respect to, the Notes; (b) default in payment, when due at Stated Maturity, upon acceleration, redemption, required repurchase or otherwise, of the principal of, or premium, if any, on the Notes; (c) failure by the Company or any Restricted Subsidiary to comply with the provisions of Section 4.12, 4.18 or 5.01 of the Indenture; (d) failure by the Company for 90 days after written notice thereof has been given to the Company by the Trustee, or to the Company and the Trustee by the Holders of at least 25% of the aggregate principal amount of the Notes outstanding, to comply with the covenants or agreements in Section 4.03 of the Indenture; (e) failure by the Company or any Restricted Subsidiary for 60 days after written notice thereof has been given to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% of the aggregate principal amount of the Notes outstanding to comply with any of its other covenants or agreements in the Indenture; (f) default under any hypothec, mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any Restricted Subsidiary, or the payment of which is guaranteed by the Company or any Restricted Subsidiary, whether such Indebtedness or guarantee now exists, or is created after the Issue Date, if that default: (i) is caused by a failure to pay principal of, or interest or premium, if any, on, such Indebtedness when due at the final maturity of such Indebtedness (a "*Payment Default*"); or (ii) results in the acceleration of such Indebtedness prior to its Stated Maturity, and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates US$25.0 million or more; (g) failure by the Company or any Restricted Subsidiary to pay final, non-appealable judgments aggregating in excess of US$25.0 million, which judgments are not paid, discharged or stayed for a period of 60 days; (h) any Subsidiary Guarantee of a Significant Subsidiary ceases, or the Subsidiary Guarantees of any group of Subsidiaries that, when taken together, would constitute a Significant Subsidiary cease, to be in full force and effect (other than in accordance with the terms of any such Subsidiary Guarantee) or any Subsidiary Guarantor that is a Significant Subsidiary denies or disaffirms its obligations under its Subsidiary Guarantee, or a group of Subsidiary Guarantors that, when taken together, would constitute a Significant Subsidiary deny or disaffirm their obligations under their respective Subsidiary Guarantees; and (i) certain events of bankruptcy, insolvency or reorganization affecting the Company or any of its Significant Subsidiaries that are Restricted Subsidiaries or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary.

If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes may declare all the Notes to be due and payable. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency described in the Indenture, all outstanding Notes shall become due and payable without further action or notice. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, Holders of at least a majority in aggregate principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal, premium, if any, or interest or Additional Amounts, if any) if it determines in good faith that withholding notice is in the interests of the Holders. The Holders

of at least a majority in aggregate principal amount of the Notes then outstanding by notice to the Trustee may on behalf of the Holders of all of the Notes waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of principal, premium, if any, or interest or Additional Amounts, if any. The Company is required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Company is required upon becoming aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

13. ***No Recourse Against Others***. No past, present or future director, officer, employee, incorporator or shareholder of the Company or of any Subsidiary Guarantor, as such, shall have any liability for any obligations of the Company or any Subsidiary Guarantor under the Indenture, the Notes, the Subsidiary Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability.

14. ***Authentication***. This Note shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

15. ***CUSIP Numbers***. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Notes and has directed the Trustee to use CUSIP numbers in notices of redemption or notices of Offers to Purchase as a convenience to Holders. No representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of redemption or notice of an Offer to Purchase and reliance may be placed only on the other identification numbers printed thereon and any such redemption or Offer to Purchase shall not be affected by any defect in or omission of such numbers.

The Company shall furnish to any Holder upon written request and without charge a copy of the Indenture. Requests may be made to: Videotron Ltd., 612 St. Jacques Street, Montréal, Québec H3C 4M8, Canada, Attention: Vice President, Legal Affairs.

16. ***Governing Law***. The laws of the Province of Québec and the laws of Canada applicable therein shall govern and be used to construe this Note.

Option of Holder to Elect Purchase

If you want to elect to have this Note purchased by the Company pursuant to Section 4.12 or 4.18 of the Indenture, check the box below:

☐ Section 4.12

☐ Section 4.18

If you want to elect to have only part of the Note purchased by the Company pursuant to Section 4.12 or Section 4.18 of the Indenture, state the amount you elect to have purchased: $_____

Date:_____

Your Signature:_____
(Sign exactly as your name appears on the face of this Note)

Tax Identification No.:

_____

SIGNATURE GUARANTEE:

_____

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP.

**Assignment Form**

To assign this Note, fill in the form below:

(I) or (we) assign and transfer this Note to

(Insert assignee's social insurance, social security or other tax I.D. no.)

(Print or type assignee's name, address and postal or zip code)

and irrevocably appoint_____
as agent to transfer this Note on the books of the Company. The agent may substitute another to act for him.

Date:_____

Your Signature:_____
(Sign exactly as your name appears on the face of this Note)

Signature Guarantee:_____

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP.

SCHEDULE OF EXCHANGES OF INTERESTS IN THE GLOBAL NOTE

The following exchanges of a part of this Global Note for an interest in another Global Note or for a Definitive Note, or exchanges of a part of another Global Note or Definitive Note for an interest in this Global Note, have been made:

| Date of Exchange | Amount of decrease in Principal Amount of this Global Note | Amount of increase in Principal Amount of this Global Note | Principal Amount of this Global Note following such decrease (or increase) | Signature of authorized signatory of Trustee or Note Custodian |
|---|---|---|---|---|

**EXHIBIT B**

**FORM OF CERTIFICATE OF TRANSFER**

Videotron Ltd.
612 St. Jacques Street
Montréal, Québec H3C 4M8
Canada
Attention: Vice President, Legal Affairs

Computershare Trust Company of Canada
Attention: Manager, Corporate Trust Services
Facsimile No.: (514) 982-7677

Re: 5 5/8% Senior Notes due June 15, 2025

Reference is hereby made to the Indenture, dated as of June 17, 2013 (the "*Indenture*"), among Videotron Ltd., as issuer (the "*Company*"), the Subsidiary Guarantors party thereto and Computershare Trust Company of Canada, as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

_____, (the "*Transferor*") owns and proposes to transfer the Note[s] or interest in such Note[s] specified in Annex A hereto, in the principal amount of $_____ in such Note[s] or interests (the "*Transfer*"), to _____ (the "*Transferee*"), as further specified in Annex A hereto. In connection with the Transfer, the Transferor hereby certifies that:

**[CHECK ALL THAT APPLY]**

1. ☐ Check if Transferee will take delivery of a beneficial interest in the 144A Global Note or a Definitive Note Pursuant to Rule 144A. The Transfer is being effected pursuant to and in accordance with Rule 144A under the United States Securities Act of 1933, as amended (the "*1933 Act*"), and, accordingly, the Transferor hereby further certifies that the beneficial interest or Definitive Note is being transferred to a Person that the Transferor reasonably believed and believes is purchasing the beneficial interest or Definitive Note for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion, and such Person and each such account is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and such Transfer is in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the 144A Global Note and/or the Definitive Note and in the Indenture and the 1933 Act.

2. ☐ Check if Transferee will take delivery of a beneficial interest in the Canadian Placement Global Note or a Definitive Note pursuant to Regulation S and securities laws in Canada. The Transfer is being effected pursuant to and in accordance with securities laws and regulations in Canada, as applicable, and in accordance with Rule 903 or Rule 904 of Regulation S under the 1933 Act and, accordingly, the Transferor hereby further certifies that (i) the Transfer is in accordance with, or pursuant to an exemption from, or in a transaction not subject to, the dealer registration and prospectus requirements under any applicable securities laws in Canada, (ii) the Transfer is not being made to a Person in the United States and (x) at the time the buy order was originated, the Transferee was outside the United States or such Transferor and any Person acting on its behalf reasonably believed and believes that the Transferee was outside the United States or (y) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither such Transferor nor any Person acting on its behalf knows that the transaction was prearranged with a buyer in the United States, (iii) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or Rule 904(a) of Regulation S under the 1933 Act, (iv) the transaction is not part of a plan or scheme to evade the registration requirements of the 1933 Act or applicable securities laws in Canada, (v) if the proposed Transfer is being made prior to the expiration of the Distribution Compliance Period, the transfer is not being made to a U.S. Person or for the account or benefit of a U.S. Person

(other than a "distributor" within the meaning of Regulation S under the 1933 Act) and (vi) if a Definitive Note is to be issued in respect of a beneficial interest in a Canadian Placement Global Note, the Transferor certifies that either it is not a U.S. person or that it acquired the Notes in a transaction that did not require registration under the 1933 Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Canadian Placement Global Note and/or the Definitive Note and in the Indenture and the 1933 Act.

3. ☐ Check and complete if Transferee will take delivery of a Definitive Note pursuant to any provision of the 1933 Act other than Rule 144A or Regulation S (and applicable securities laws and regulations in Canada). The Transfer is being effected in compliance with the transfer restrictions applicable to beneficial interests in Restricted Global Notes and Restricted Definitive Notes and (i) the Transfer is in accordance with, or pursuant to an exemption from, or in a transaction not subject to, the dealer registration and prospectus requirements under any applicable securities laws in Canada, and (ii) the Transfer is being effected pursuant to and in accordance with the 1933 Act and any applicable blue sky securities laws of any state of the United States, and accordingly the Transferor hereby further certifies that (check one):

(a) ☐ such Transfer is being effected pursuant to and in accordance with Rule 144 under the 1933 Act;

or

(b) ☐ such Transfer is being effected to the Company or a Subsidiary thereof;

or

(c) ☐ such Transfer is being effected pursuant to an effective registration statement under the 1933 Act and in compliance with the prospectus delivery requirements of the 1933 Act;

or

(d) ☐ such Transfer is being effected to an Institutional Accredited Investor and pursuant to an exemption from the registration requirements of the 1933 Act other than Rule 144A, Rule 144 or Rule 904, and the Transferor hereby further certifies that it has not engaged in any general solicitation or general advertising within the meaning of Regulation D under the 1933 Act and the Transfer complies with the transfer restrictions applicable to beneficial interests in a Restricted Global Note or Restricted Definitive Notes and the requirements of the exemption claimed, which certification is supported by (1) a certificate executed by the Transferee in the form of Exhibit D to the Indenture and (2) if such Transfer is in respect of a principal amount of Notes at the time of transfer of less than US$250,000, an Opinion of Counsel provided by the Transferor or the Transferee (a copy of which the Transferor has attached to this certification), to the effect that such Transfer is in compliance with the 1933 Act. Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Definitive Notes and in the Indenture and the 1933 Act.

4. ☐ Check if Transferee will take delivery of a beneficial interest in an Unrestricted Global Note or of an Unrestricted Definitive Note.

(a) ☐ **Check if Transfer is pursuant to Rule 144**. (i) The Transfer is being effected pursuant to and in accordance with Rule 144 under the 1933 Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the 144A Legend are not required in order to maintain compliance with the 1933 Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will no longer be subject to the restrictions on transfer enumerated in the 144A Legend printed on the Restricted Global Notes, on Restricted Definitive Notes and in the Indenture.

(b) ☐ **Check if Transfer is Pursuant to Regulation S**. (i) The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the 1933 Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the 144A Legend are not required in order to maintain compliance with the 1933 Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will no longer be subject to the restrictions on transfer enumerated in the 144A Legend printed on the Restricted Global Notes, on Restricted Definitive Notes and in the Indenture.

(c) ☐ **Check if Transfer is Pursuant to Other Exemption**. (i) The Transfer is being effected pursuant to and in compliance with an exemption from the registration requirements of the 1933 Act other than Rule 144, Rule 903 or Rule 904 and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the 144A Legend are not required in order to maintain compliance with the 1933 Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will not be subject to the restrictions on transfer enumerated in the 144A Legend printed on the Restricted Global Notes or Restricted Definitive Notes and in the Indenture.

In any case under this Item 4 in which a Definitive Note is to be issued in respect of a beneficial interest in a Canadian Placement Global Note, the Transferor certifies that either it is not a U.S. person or that it acquired the Notes in a transaction that did not require registration under the 1933 Act.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company.

_____
[Insert Name of Transferor]

By: _____
Name:
Title:

Dated: _____

ANNEX A TO CERTIFICATE OF TRANSFER

1. The Transferor owns and proposes to transfer the following:

[CHECK ONE OF (a) OR (b)]

(a) ☐ a beneficial interest in the:

(i) ☐ 144A Global Note (CUSIP 92660FAE4), or

(ii) ☐ Canadian Placement Global Note (CUSIP 92660FAF1), or

(b) ☐ a Restricted Definitive Note.

2. After the Transfer the Transferee will hold:

[CHECK ONE OF (a), (b) OR (c)]

(a) ☐ a beneficial interest in the:

(i) ☐ 144A Global Note (CUSIP 92660FAE4), or

(ii) ☐ Canadian Placement Global Note (CUSIP 92660FAF1), or

(iii) ☐ Unrestricted Global Note; or

(b) ☐ a Restricted Definitive Note; or

(c) ☐ an Unrestricted Definitive Note,

in accordance with the terms of the Indenture.

**EXHIBIT C**

**FORM OF CERTIFICATE OF EXCHANGE**

Videotron Ltd.
612 St. Jacques Street
Montréal, Québec H3C 4M8
Canada
Attention: Vice President, Legal Affairs

Computershare Trust Company of Canada
Attention: Manager, Corporate Trust Services
Facsimile No.: (514) 982-7677

Re: 5 5/8% Senior Notes due June 15, 2025

Reference is hereby made to the Indenture, dated as of June 17, 2013 (the "*Indenture*"), among Videotron Ltd., as issuer (the "*Company*"), the Subsidiary Guarantors party thereto and Computershare Trust Company of Canada, as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

_____, (the "*Owner*") owns and proposes to exchange the Note[s] or interest in such Note[s] specified herein, in the principal amount of $_____ in such Note[s] or interests (the "*Exchange*"). In connection with the Exchange, the Owner hereby certifies that:

1. Exchange of Restricted Definitive Notes or Beneficial Interests in a Restricted Global Note for Unrestricted Definitive Notes or Beneficial Interests in an Unrestricted Global Note

(a) ☐ **Check if Exchange is from beneficial interest in a Restricted Global Note to beneficial interest in an Unrestricted Global Note**. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for a beneficial interest in an Unrestricted Global Note in an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Note and pursuant to and in accordance with applicable securities laws and regulations in Canada and with the United States Securities Act of 1933, as amended (the "*1933 Act*"), (iii) the restrictions on transfer contained in the Indenture and the 144A Legend are not required in order to maintain compliance with the 1933 Act and (iv) the beneficial interest in an Unrestricted Global Note is being acquired in compliance with applicable securities laws and regulations in Canada and with any applicable blue sky securities laws of any state of the United States.

(b) ☐ **Check if Exchange is from beneficial interest in a Restricted Global Note to Unrestricted Definitive Note**. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for an Unrestricted Definitive Note, the Owner hereby certifies (i) the Unrestricted Definitive Note is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Note and pursuant to and in accordance with applicable securities laws and regulations in Canada and with the 1933 Act, (iii) the restrictions on transfer contained in the Indenture and the 144A Legend are not required in order to maintain compliance with the 1933 Act and (iv) the Unrestricted Definitive Note is being acquired in compliance with applicable securities laws and regulations in Canada and with any applicable blue sky securities laws of any state of the United States.

(c) ☐ **Check if Exchange is from Restricted Definitive Note to beneficial interest in an Unrestricted Global Note**. In connection with the Owner's Exchange of a Restricted Definitive Note for a beneficial interest in an Unrestricted Global Note, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Notes and pursuant to and in accordance with applicable securities laws and regulations in Canada and with the 1933 Act, (iii) the restrictions on transfer contained in the Indenture and the 144A Legend are not required in order to maintain compliance with the 1933 Act and (iv) the beneficial interest is being acquired in compliance with applicable securities laws and regulations in Canada and with any applicable blue sky securities laws of any state of the United States.

(d) ☐ **Check if Exchange is from Restricted Definitive Note to Unrestricted Definitive Note**. In connection with the Owner's Exchange of a Restricted Definitive Note for an Unrestricted Definitive Note, the Owner hereby certifies (i) the Unrestricted Definitive Note is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Notes and pursuant to and in accordance with applicable securities laws and regulations in Canada and with the 1933 Act, (iii) the restrictions on transfer contained in the Indenture and the 144A Legend are not required in order to maintain compliance with the 1933 Act and (iv) the Unrestricted Definitive Note is being acquired in compliance with applicable securities laws and regulations in Canada and with any applicable blue sky securities laws of any state of the United States.

2. Exchange of Restricted Definitive Notes or Beneficial Interests in Restricted Global Notes for Restricted Definitive Notes or Beneficial Interests in Restricted Global Notes

(a) ☐ **Check if Exchange is from beneficial interest in a Restricted Global Note to Restricted Definitive Note**. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for a Restricted Definitive Note with an equal principal amount, the Owner hereby certifies that the Restricted Definitive Note is being acquired for the Owner's own account without transfer. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the Restricted Definitive Note issued will continue to be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Definitive Note and in the Indenture as well as the applicable restrictions on transfer under the 1933 Act and securities laws and regulations in Canada, as applicable.

(b) ☐ **Check if Exchange is from Restricted Definitive Note to beneficial interest in a Restricted Global Note**. In connection with the Exchange of the Owner's Restricted Definitive Note for a beneficial interest in the [CIRCLE ONE] 144A Global Note, Canadian Placement Global Note with an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer and (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Definitive Note and pursuant to and in accordance with the 1933 Act, and in compliance with applicable securities laws and regulations in Canada and with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the beneficial interest issued will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the relevant Restricted Global Note and in the Indenture, the 1933 Act and applicable securities laws and regulations in Canada.

In any case under this Item 2 in which a Definitive Note is to be issued in respect of a beneficial interest in a Canadian Placement Global Note, the Owner certifies that either it is not a U.S. person or that it acquired the Notes in a transaction that did not require registration under the 1933 Act.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company.

_____
[Insert Name of Transferor]

By: _____
Name:
Title:

Dated: _____

**EXHIBIT D**

**FORM OF CERTIFICATE FROM**
**ACQUIRING INSTITUTIONAL ACCREDITED INVESTOR**

Videotron Ltd.
612 St. Jacques Street
Montréal, Québec H3C 4M8
Canada
Attention: Vice President, Legal Affairs

Computershare Trust Company of Canada
Attention: Manager, Corporate Trust Services
Facsimile No.: (514) 982-7677

Re: 5 5/8% Senior Notes due June 15, 2025

Reference is hereby made to the Indenture, dated as of June 17, 2013 (the "*Indenture*"), among Videotron Ltd., as issuer (the "*Company*"), the Subsidiary Guarantors party thereto and Computershare Trust Company of Canada, as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

In connection with our proposed purchase of $_____ aggregate principal amount of:

(a) ☐ a beneficial interest in a Global Note, or

(b) ☐ a Definitive Note,

we confirm that:

1. We understand that any subsequent transfer of the Notes or any interest therein is subject to certain restrictions and conditions set forth in the Indenture and the undersigned agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes or any interest therein except in compliance with, such restrictions and conditions and in compliance with any applicable securities laws and regulations in Canada and the United States Securities Act of 1933, as amended (the "*1933 Act*") and applicable state securities laws.

2. We understand that the offer and sale of the Notes have not been registered under the 1933 Act, that the Notes were offered and sold on a private placement or exempt distribution basis in one or more provinces of Canada, and that the Notes and any interest therein may not be offered or sold except as permitted in the following sentence. We agree that if we should sell the Notes or any interest therein, we will do so only (A) pursuant to offers and sales to non-U.S. persons that occur outside the United States in transactions that are in accordance with, or pursuant to an exemption from, the dealer registration and prospectus requirements of applicable securities laws and regulations in Canada, and in accordance with Rule 904 of Regulation S under the 1933 Act, (B) to the Company or any subsidiary thereof, (C) in accordance with Rule 144A under the 1933 Act to a "qualified institutional buyer" (as defined therein) that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A under the 1933 Act, (D) to an institutional "accredited investor" (as defined below) that, prior to such transfer, furnishes (or has furnished on its behalf by a U.S. broker-dealer) to you and to the Company a signed letter substantially in the form of this letter and, such transfer is in respect of a minimum principal amount of Notes of US$250,000, (E) pursuant to any other available exemption under the 1933 Act or (F) pursuant to an effective registration statement under the 1933 Act, and we further agree to provide to any Person purchasing the Definitive Note or beneficial interest in a Global Note from us in a transaction meeting the requirements of clauses (A) through (E) of this paragraph a notice advising such purchaser that resales thereof are restricted as stated herein.

3. We understand that, on any proposed resale of the Notes or beneficial interest therein, we will be required to furnish to you and the Company such certifications, legal opinions and other information as you and the Company may reasonably require to confirm that the proposed sale complies with the foregoing restrictions. We further understand that the Notes purchased by us will bear a legend to the foregoing effect.

4. We are an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the 1933 Act) and have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the Notes, and we are able to bear the economic risk of our investment. We have had access to such financial and other information and have been afforded the opportunity to ask such questions of representatives of the Company and receive answers thereto, as we deem necessary in connection with our decision to purchase the Notes.

5. We are acquiring the Notes or beneficial interest therein purchased by us for our own account for investment purposes only and are not acquiring the Notes with a view to any distribution thereof in a transaction that would violate the 1933 Act or the securities laws of Canada, any province thereof, any state of the United States or any other applicable jurisdiction.

You and the Company are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby. This letter shall be governed by, and construed in accordance with, the laws of the State of New York.

_____
[Insert Name of Accredited Investor]

By: _____
Name:
Title:

Dated: _____

**EXHIBIT E**

**FORM OF NOTATION OF GUARANTEE**

For value received, each Subsidiary Guarantor (which term includes any successor Person under the Indenture), solidarily (jointly and severally), hereby unconditionally guarantees, to the extent set forth in the Indenture and subject to the provisions in the Indenture, dated as of June 17, 2013 (the "*Indenture*"), among Videotron Ltd., as issuer (the "*Company*"), the Subsidiary Guarantors listed on the signature pages thereto and Computershare Trust Company of Canada, as trustee (the "*Trustee*"), (a) the due and punctual payment of the principal of, premium, if any, and interest and Additional Amounts, if any, on the Notes, whether at maturity, by acceleration, redemption or otherwise, the due and punctual payment of interest on overdue principal and premium, if any, and, to the extent permitted by law, interest and Additional Amounts, if any, and the due and punctual performance of all other obligations of the Company to the Holders or the Trustee under the Notes and the Indenture, all in accordance with the terms of the Notes and the Indenture; and (b) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that the same shall be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at maturity, by acceleration pursuant to Section 6.02 of the Indenture, redemption or otherwise. Each Subsidiary Guarantor hereby waives the benefits of discussion and division. The obligations of the Subsidiary Guarantors to the Holders of Notes and to the Trustee pursuant to the Subsidiary Guarantee and the Indenture are expressly set forth in Article 10 of the Indenture and reference is hereby made to the Indenture for the precise terms of the Subsidiary Guarantee. Except to the extent provided in the Indenture, including Sections 8.02, 8.03 and 10.05 thereof, this Subsidiary Guarantee shall not be discharged except by complete performance of the obligations contained herein and in the Indenture. Each Holder of a Note, by accepting the same agrees to and shall be bound by such provisions. Capitalized terms used herein and not defined are used herein as so defined in the Indenture.

[NAME OF GUARANTOR]

By:_____
Name:
Title:

**EXHIBIT F**

**FORM OF SUBORDINATION AGREEMENT**

This SUBORDINATION AGREEMENT is dated as of (the "Agreement").

To: Computershare Trust Company of Canada, for itself and as trustee under the Indenture referred to below for the holders of the Notes (the "Trustee")

[OBLIGOR] (the "Obligor"), as obligor under the obligation dated as of made or issued by the Obligor in favor of [HOLDER] (the "Subordinated Security"), and [HOLDER], as holder (the "Holder") of the Subordinated Security, for ten dollars and other good and valuable consideration received by each of the Obligor and the Holder from the Trustee and any other Representative and by each of the Obligor and the Holder from the other, agree as follows:

(1) **Interpretation**.

(a) "Cash, Property or Securities". "Cash, Property or Securities" shall not be deemed to include securities of the Obligor or any other Person provided for by a plan of reorganization or readjustment, the payment of which is subordinated at least to the extent provided herein with respect to the Subordinated Security, to the payment of all Senior Indebtedness which may at the time be outstanding; provided, however, that (i) all Senior Indebtedness is assumed by the new Person, if any, resulting from any such reorganization or readjustment, and (ii) the rights of the holders of the Senior Indebtedness are not, without the consent of such holders, altered by such reorganization or readjustment.

(b) "payment in full". "payment in full", with respect to Senior Indebtedness, means the receipt on an irrevocable basis of cash in an amount equal to the unpaid principal amount of the Senior Indebtedness and premium, if any, and interest thereon to the date of such payment, together with all other amounts owing with respect to such Senior Indebtedness.

(c) "Representative" means the agent (including an administrative agent), trustee or representative of holders of Senior Indebtedness.

(d) "Senior Indebtedness". "Senior Indebtedness" means, at any date, all indebtedness (including, without limitation, any and all amounts of principal, interest, special interest, additional amounts, premium, fees, penalties, indemnities and "post-petition interest" in bankruptcy and any reimbursement of expenses) under (1) the indenture, dated as of June 17, 2013 (the "Indenture"), among Videotron Ltd. ("Videotron"), the guarantors thereto and Computershare Trust Company of Canada, as Trustee, including, without limitation, the "Notes", the "Subsidiary Guarantees", the "Additional Notes" and any "guarantee" of the Additional Notes (in each case, as defined in the Indenture), (2) the indenture, dated as of March 14, 2012 (the "2012 Indenture"), among Videotron, the guarantors thereto and Wells Fargo Bank, National Association, as Trustee, including, without limitation, the "Notes", the "Subsidiary Guarantees", the "Exchange Notes", the "Additional Notes" and any "guarantee" of the Exchange Notes or the Additional Notes (in each case, as defined in the 2012 Indenture), (3) the indenture, dated as of July 5, 2011, as supplemented by the first supplemental indenture, dated as of November 4, 2011, the second supplemental indenture, dated as of December 5, 2011 (the "2011 Indenture"), among Videotron, the guarantors thereto and Computershare Trust Company of Canada, as Trustee, including, without limitation, the "Notes", the "Subsidiary Guarantees", the "Additional Notes" and any "guarantee" of the Additional Notes (in each case, as defined in the 2011 Indenture) (4) the indenture, dated as of January 13, 2010, as supplemented by the first supplemental indenture, dated as of September 29, 2010, the second supplemental indenture, dated as of December 22, 2010, and the third supplemental indenture, dated as of May 2, 2011 (the "2010 Indenture"), among Videotron, the guarantors thereto and Computershare Trust Company of Canada, as Trustee, including, without limitation, the "Notes," the "Subsidiary Guarantees," the "Additional Notes" and any "guarantee" of the Additional Notes (in each case, as defined in the 2010 Indenture), (5) the indenture, dated as of April 15, 2008, as supplemented by the first supplemental indenture, dated as of April 28, 2008, the second supplemental indenture, dated as of September 23, 2008, the third supplemental indenture, dated as of March 5, 2009, the fourth supplemental indenture, dated as of August 17, 2009, the fifth supplemental indenture, dated as of September 2, 2009, the sixth supplemental indenture,

dated as of September 29, 2010, the seventh supplemental indenture, dated as of December 22, 2010, and the eighth supplemental indenture, dated as of May 2, 2011 (the "2008 Indenture"), among Videotron, the guarantors thereto and Wells Fargo Bank, National Association, as Trustee, including, without limitation, the "Notes," the "Subsidiary Guarantees," the "Exchange Notes," the "Additional Notes" and any "guarantee" of the Exchange Notes or the Additional Notes (in each case, as defined in the 2008 Indenture), (6) the indenture, dated as of September 16, 2005, as supplemented by the first supplemental indenture, dated as of April 15, 2008, the second supplemental indenture, dated as of April 28, 2008, the third supplemental indenture, dated as of September 23, 2008, the fourth supplemental indenture, dated as of August 17, 2009, the fifth supplemental indenture, dated as of September 2, 2009, the sixth supplemental indenture, dated as of September 29, 2010, the seventh supplemental indenture, dated as of December 22, 2010, and the eighth supplemental indenture, dated as of May 2, 2011 (the "2005 Indenture"), among Videotron, the guarantors thereto and Wells Fargo Bank, National Association, as Trustee, including, without limitation, the "Notes", the "Subsidiary Guarantees", the "Exchange Notes", the "Additional Notes" and any "guarantee" of the Exchange Notes or the Additional Notes (in each case, as defined in the 2005 Indenture), (7) the indenture, dated as of October 8, 2003, as supplemented by the first supplemental indenture, dated as of July 12, 2004, the second supplemental indenture, dated as of July 15, 2005, the third supplemental indenture, dated as of April 15, 2008, the fourth supplemental indenture, dated as of April 28, 2008, the fifth supplemental indenture, dated as of September 23, 2008, the sixth supplemental indenture, dated as of August 17, 2009, the seventh supplemental indenture, dated as of September 2, 2009, the eighth supplemental indenture, dated as of September 29, 2010, the ninth supplemental indenture, dated as of December 22, 2010, and the tenth supplemental indenture, dated as of May 2, 2011 (the "2003 Indenture"), among Videotron, the guarantors thereto and Wells Fargo Bank, National Association, as Trustee, including, without limitation, the "Notes", the "Subsidiary Guarantees", the "Exchange Notes", the "Additional Notes" and any "guarantee" of the Exchange Notes or the Additional Notes (in each case, as defined in the 2003 Indenture) and (8) any Credit Facilities (as defined in the Indenture) of Videotron. All references herein to holder of the Senior Indebtedness shall be interpreted as references to the Holders thereof (as defined in the Indenture).

(2) **Agreement Entered into Pursuant to Indenture**. The Obligor and the Holder are entering into this Agreement pursuant to the provisions of the Indenture; capitalized terms used herein without definition having the meanings set forth therein) among Videotron, the Subsidiary Guarantors and the Trustee. Pursuant to the Indenture, Videotron has issued and the Subsidiary Guarantors have guaranteed, 5 5/8% Senior Notes due June 15, 2025 of Videotron.

(3) **Subordination**. The indebtedness or obligation represented by the Subordinated Security shall be subordinated as follows:

(a) Agreement to Subordinate. The Obligor, for itself and its successors and assigns, and the Holder agree, that the indebtedness or obligation evidenced by the Subordinated Security (including, without limitation, principal, interest, premium, redemption or retraction amount, dividend, fees, penalties, indemnities and "post-petition interest" in bankruptcy and any reimbursement of expenses) is subordinate and junior in right of payment, to the extent and in the manner provided in this Section 3, to the prior payment in full of all Senior Indebtedness. The provisions of this Section 3 are for the benefit of the Trustee and/or other Representative acting on behalf of the holders from time to time of Senior Indebtedness, and such holders are hereby made obligees hereunder to the same extent as if their names were written herein as such, and they (collectively or singly) may proceed to enforce such provisions.

(b) Liquidation, Dissolution or Bankruptcy.

(i) Upon any distribution of assets of the Obligor to creditors or upon a liquidation or dissolution or winding-up of the Obligor or in a bankruptcy, arrangement, liquidation, reorganization, insolvency, receivership or similar case or proceeding relating to the Obligor or its property or other marshalling of assets of the Obligor:

(A) the holders of Senior Indebtedness shall be entitled to receive payment in full of all Senior Indebtedness before the Holder shall be entitled to receive any payment of any amount owing in respect of the Subordinated Security (including, without limitation, principal, interest, premium, redemption or retraction amount, or dividend);

(B) until payment in full of all Senior Indebtedness, any distribution of assets of the Obligor of any kind or character to which the Holder would be entitled but for this Section 3 is hereby assigned absolutely to the holders of Senior Indebtedness (equally and ratably among the holders of Senior Indebtedness) and shall be paid by the Obligor or by any receiver, trustee in bankruptcy, liquidating trustee, agents or other Persons making such payment or distribution to the Trustee and/or other Representative on behalf of the holders of Senior Indebtedness, as their interests may appear; and

(C) in the event that, notwithstanding the foregoing, any payment or distribution of assets of the Obligor of any kind or character, whether in Cash, Property or Securities, shall be received by the Holder before all Senior Indebtedness is paid in full, such payment or distribution shall be held in trust for the benefit of and shall be paid over to the Trustee and/or other Representative on behalf of the holders of Senior Indebtedness (equally and ratably among the holders of Senior Indebtedness), as their interests may appear, for application to the payment of all Senior Indebtedness until all Senior Indebtedness shall have been paid in full after giving effect to any concurrent payment or distribution to the holders of Senior Indebtedness in respect of such Senior Indebtedness.

(ii) If (A) a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to the Obligor or its property (a "Reorganization Proceeding") is commenced and is continuing and (B) the Holder does not file proper claims or proofs of claim in the form required in a Reorganization Proceeding prior to 45 days before the expiration of the time to file such claims, then (1) upon the request of the Trustee, the Holder shall file such claims and proofs of claim in respect of the Subordinated Security and execute and deliver such powers of attorney, assignments and proofs of claim or proxies as may be directed by the Trustee to enable it to exercise in the sole discretion of the Trustee any and all voting rights attributable to the Subordinated Security which are capable of being voted (whether by meeting, written resolution or otherwise) in a Reorganization Proceeding and enforce any and all claims upon or in respect of the Subordinated Security and to collect and receive any and all payments or distributions which may be payable or deliverable at any time upon or in respect of the Subordinated Security, and (2) whether or not the Trustee shall take the action described in clause (1) above, the Trustee shall nevertheless be deemed to have such powers of attorney as may be necessary to enable the Trustee to exercise such voting rights, file appropriate claims and proofs of claim and otherwise exercise the powers described above for and on behalf of the Holder.

(c) Relative Rights. This Section 3 defines the relative rights of the Holder and the holders of Senior Indebtedness. Nothing in this Section 3 shall:

(i) impair, as between the Obligor and the Holder, the obligation of the Obligor, which is absolute and unconditional, to make the payments required by the Subordinated Security in accordance with its terms; or

(ii) affect the relative rights of the Holder and creditors of the Obligor other than the holders of Senior Indebtedness; or

(iii) affect the relative rights of the holders of Senior Indebtedness among themselves; or

(iv) prevent the Holder from exercising its available remedies upon a default, subject to the rights of the holders of Senior Indebtedness to receive cash, property or other assets otherwise payable to the Holder.

(d) Subordination May Not Be Impaired.

(i) No right of any holder of Senior Indebtedness to enforce the subordination of indebtedness or obligation evidenced by the Subordinated Security shall in any way be prejudiced or impaired by any act or failure to act by the Obligor or by any such holder or the Trustee, or by any non-compliance by the Obligor with the terms, provisions or covenants herein, regardless of any knowledge thereof which any such holder or the Trustee may have or be otherwise charged with. Neither the subordination of the Subordinated Security as herein provided nor the rights of the holders of Senior Indebtedness with respect hereto shall be affected by any extension, renewal or modification of the terms, or the granting of any security in respect of, any Senior Indebtedness or any exercise or non-exercise of any right, power or remedy with respect thereto.

(ii) The Holder agrees that all indebtedness or obligation evidenced by the Subordinated Security will be unsecured by any Lien upon or with respect to any property of the Obligor.

(iii) The Holder agrees not to exercise any offset, compensation or counterclaim or similar right in respect of the indebtedness or obligation evidenced by the Subordinated Security except to the extent payment of such indebtedness or obligation is permitted and will not assign or otherwise dispose of the Subordinated Security or the indebtedness or obligation which it evidences unless the assignee or acquiror, as the case may be, agrees to be bound by the terms of this Agreement.

(e) Holder Entitled to Rely. Upon any payment or distribution pursuant to this Section 3, the Holder shall be entitled to rely (i) upon any order or decree of a court of competent jurisdiction in which any proceedings of the nature referred to in Section 3(b) are pending, (ii) upon a certificate of the liquidating trustee or agent or other person in such proceedings making such payment or distribution to the Holder or its representative, if any, or (iii) upon a certificate of the Trustee and/or other Representative (if any) of the holders of Senior Indebtedness for the purpose of ascertaining the persons entitled to participate in such payment or distribution, the holders of the Senior Indebtedness and other indebtedness of the Obligor, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Section 3.

(4) **Enforceability**. Each of the Obligor and the Holder represents and warrants that this Agreement has been duly authorized, executed and delivered by each of the Obligor and the Holder and constitutes a valid and legally binding obligation of each of the Obligor and the Holder, enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles; and that, in the case of a Subordinated Security made or issued by Videotron or a Subsidiary Guarantor, on the date hereof, the Holder shall deliver an opinion or opinions of counsel to such effect to the Trustee for the benefit of the holders of the Senior Indebtedness under the Indenture.

(5) **Miscellaneous**.

(a) Until payment in full of all the Senior Indebtedness, the Obligor and the Holder agree that no amendment shall be made to the Subordinated Security which would affect the rights of the holders of the Senior Indebtedness hereunder.

(b) This Agreement may not be amended or modified in any respect, nor may any of the terms or provisions hereof be waived, except by an instrument signed by the Obligor, the Holder and the Trustee and/or other Representative (if any).

(c) This Agreement shall be binding upon each of the parties hereto and their respective successors and assigns and shall inure to the benefit of the Trustee and/or other Representative (if any) and each and every holder of Senior Indebtedness and their respective successors and assigns.

(d) This Agreement shall be governed by and construed in accordance with the laws of the Province of Québec and the laws of Canada applicable therein.

(e) The Holder and the Obligor each hereby irrevocably agrees that any suits, actions or proceedings arising out of or in connection with this Agreement may be brought in any court in the Province of Québec and submits and attorns to the non-exclusive jurisdiction of each such court.

(f) The Holder and the Obligor will whenever and as often as reasonably requested to do so by the Trustee and/or other Representative (if any), do, execute, acknowledge and deliver any and all such other and further acts, assignments, transfers and any instruments of further assurance, approvals and consents as are necessary or proper in order to give complete effect to this Agreement.

If to the Obligor:

[ ]

If to the Holder:

[ ]

Each of the Holder and the Obligor further agrees to take any and all action as may be necessary to maintain such designation and appointment of such agent in full force and effect so long as any Notes (including any Additional Notes) remain outstanding.

IN WITNESS WHEREOF, the Obligor and the Holder each have caused this Agreement to be duly executed.

[OBLIGOR]

By_____
Name:
Title:

[HOLDER]

By_____
Name:
Title:

**Table of Contents**

**Exhibit 4.1**

**QUEBECOR MEDIA INC.**

**as Borrower**

**– and –**

**THE FINANCIAL INSTITUTIONS IDENTIFIED**

**ON THE SIGNATURE PAGES HERETO**

**as Lenders**

**– and –**

**CITIGROUP GLOBAL MARKETS INC.**

**– and –**

**RBC CAPITAL MARKETS**

**– and –**

**THE BANK OF NOVA SCOTIA**
**as Joint Lead Arrangers and Joint Bookmanagers**

**– and –**

**BANK OF AMERICA, N.A.**
**as Administrative Agent**

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**Facility B-1 Tranche—US$350,000,000**

# FIRST AMENDMENT TO THE AMENDED AND RESTATED CREDIT AGREEMENT DATED JUNE 14, 2013

August 1, 2013

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STIKEMAN ELLIOTT

**FIRST AMENDMENT TO THE AMENDED AND RESTATED CREDIT AGREEMENT DATED JUNE 14, 2013** entered into in Montréal, Province of Quebec, as of August 1, 2013.

First Amendment to that certain amended and restated credit agreement dated as of June 14, 2013 between Quebecor Media Inc., as Borrower, Bank of America, N.A., as Administrative Agent, and the several financial institutions from time to time party thereto, as Lenders (as amended, restated, amended and restated, supplemented, replaced or otherwise modified at any time and from time to time, the "**Amended and Restated Credit Agreement**").

**WHEREAS** the parties hereto wish to establish a new Credit Facility (as defined in the Amended and Restated Credit Agreement) to be designated as "Facility B-1 Tranche" pursuant to Section 2.12(5) of the Amended and Restated Credit Agreement;

**AND WHEREAS** the parties hereto wish to amend the Amended and Restated Credit Agreement in accordance with the terms and conditions below, without novation;

**NOW THEREFORE**, for good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto agree as follows:

**1. Interpretation.**

1.1 The preamble forms an integral part hereof as if recited herein at length.

1.2 Capitalized terms used and not otherwise defined herein have the meanings ascribed thereto in the Amended and Restated Credit Agreement.

1.3 This First Amendment to the Amended and Restated Credit Agreement is declared to amend and be supplemental to the Amended and Restated Credit Agreement, to form part thereof and to have the same effect as if it were incorporated therein on the date hereof. Except to the extent that it is amended and supplemented by this First Amendment to the Amended and Restated Credit Agreement, the Amended and Restated Credit Agreement forms part hereof and is included by reference herein with the same effect as if it were recited herein at length. All the other provisions of the Amended and Restated Credit Agreement which are unmodified hereby remain unchanged.

1.4 The expressions "hereto", "hereof", "herein", "hereunder", "this Amendment", "this First Amendment" or "this Agreement" (unless embedded in the text of the Amended and Restated Credit Agreement) refer to this First Amendment to the Amended and Restated Credit Agreement. On and after this date, each reference in the Amended and Restated Credit Agreement to "this Agreement" or "this Amended and Restated Credit Agreement" and each reference to the "Amended and Restated Credit Agreement" in any of the other Credit Documents and any other agreements, documents, certificates and instruments delivered by any Lender, the Borrower, or any other Person in connection herewith or therewith shall mean and be a reference to the Amended and Restated Credit Agreement as amended by this Amendment. Except as specifically amended by this Amendment, the Amended and Restated Credit Agreement shall remain in full force and effect and is hereby ratified and confirmed.

1.5 This Amendment shall constitute a Credit Document.

**2. Creation of Facility B-1 Tranche**

2.1 As permitted by Section 2.12(5) of the Credit Agreement, the Borrower has elected to create a new Credit Facility to be designated "Facility B-1 Tranche" in an amount of US$350,000,000 and has invited the lenders party hereto to participate in such new Credit Facility. Each reference in the Credit Agreement to (x) the "Facility B-1 Tranche", the "Facility B-1 Lender(s)" and the "Facility B-1 Commitment", (y) any accessory text relating strictly to the Facility B-1 Tranche, the Facility B-1 Lender(s) and the Facility B-1 Commitment, and (z) any Articles, Sections and Schedules relating strictly to the Facility B-1 Tranche, the Facility B-1 Lender(s) and Facility B-1 Commitment, shall be deemed to be a reference to the new Credit Facility created hereunder, the Lender(s) party hereto and their respective commitment under this new Credit Facility, respectively. For greater certainty, unless otherwise specifically provided herein, all provisions of the Credit Agreement relating to the Facility B-1 Tranche, the Facility B-1 Lender(s) and the Facility B-1 Commitment, and all terms and conditions thereof, shall apply, mutatis mutandis, to this new Credit Facility, the Lenders party hereto their respective commitment, respectively.

**3. Amendments to the Amended and Restated Credit Agreement.**

3.1 Section 1.01 of the Amended and Restated Credit Agreement is hereby amended as follows:

3.1.1 by deleting the defined term "Compliance Certificate" and replacing it with the following:

""**Compliance Certificate**" means a certificate of the Borrower signed on its behalf by its chief financial officer, controller, treasurer, or any other officer acceptable to the Administrative Agent, (i) stating that any financial statements delivered by it pursuant to Section 8.01(a) present fairly the financial position, results of operations and changes in financial position of the Borrower in accordance with GAAP; (ii) stating that the representations and warranties in Article 7 are true and correct in all material respects on and as of such date, except where expressly stated to be made at a particular date; (iii) stating that the Borrower is not in breach of any of the covenants contained in Article 8 applying in favour of the then existing Lenders as at the date thereof (or describing the details of any subsisting breach); (iv) stating that no Default has occurred and is continuing and that no Event of Default has occurred (or describing the details of any subsisting Default and the action which the Borrower proposes to take or has taken with respect thereto or any Event of Default); and (v) with respect to the Revolving Facility only, providing, in reasonable detail, evidence of compliance, at the end of each Financial Quarter, with Section 8.03 and evidencing the calculation of the financial covenants in Section 8.03 applicable at such time."

3.1.2 by deleting the defined term "Consolidated Senior Leverage Ratio" and replacing it with the following:

""**Consolidated Senior Leverage Ratio"** means, at any time, the ratio of the Consolidated Senior Debt of the Borrower to Consolidated EBITDA calculated in the manner prescribed in Section 8.02(g) or Section 8.02(A)(c), as the case may be, at such time."

3.1.3 by deleting the defined term "Facility B" and replacing it with the following:

""**Facility B**" means the term credit facility in an amount of US$350,000,000 made available to the Borrower in accordance with Article 2, and is comprised of the Facility B-1 Tranche and, if applicable, the Facility B-2 Tranche."

3.1.4 by deleting the defined term "Facility B-1 Commitment" and replacing it with the following:

""**Facility B-1 Commitment**" means US$350,000,000 as such amount may be decreased pursuant to Article 2."

3.1.5 by deleting the defined term "Facility B-1 Tranche" and replacing it with the following:

""**Facility B-1 Tranche**" means a portion of Facility B in an amount of up to US$350,000,000 made available to the Borrower by Facility B-1 Lenders, if any."

3.1.6 by deleting the text "." at the end of the defined term "Libor" and replacing it with the text ";" and by subsequently adding the following text at the end of the defined term "Libor":

"provided that at no time shall LIBOR for any Designated Period relating to a Libor Advance under the Facility B-1 Tranche be less than the Facility B-1 Libor Floor."

3.1.7 by deleting the defined term "Maximum Increase Amount" and replacing it with the following:

""**Maximum Increase Amount**" means (i) in respect of the Revolving Lenders, C$800,000,000 minus the equivalent amount in Canadian Dollars of the Facility B-1 Commitment using the rate of exchange quoted by the Bank of Canada as the noon mid-market spot rate for such conversion on

the Facility B-1 Closing Date, and (ii) in respect of the Facility B Lenders, at the time of determination, an amount representing the difference between (a) C$1,750,000,000 and (b) the sum of (i) outstanding commitments under the Revolving Facility and under any other revolving Credit Facility created pursuant to Section 2.12(5) (including any increases thereto as provided for in Section 2.12), and (ii) of the aggregate amount of the Accommodations Outstanding under Facility B, and under any other Term Facility created pursuant to Section 2.12(5) (including any increases thereto as provided for in Section 2.12)."

3.1.8 by adding the following text to the defined term "Permitted Debt" after the text "January 15, 2017":

"or such later date as agreed to solely by the Revolving Lenders,"

3.1.9 by deleting the text "." at the end of the defined term "Permitted Debt" and replacing it with the following text:

"(it being understood that such condition applies only to the benefit of the Revolving Lenders, all Lenders other than Revolving Lenders renouncing to the benefit of same, and any amendment or waiver of such condition allowing any such Debt to have terms and conditions more restrictive as per the above shall be agreed to solely by the Revolving Lenders)."

3.1.10 by deleting the defined term "Permitted Distribution" and replacing it with the following:

""**Permitted Distributions**" means the Equity Distributions permitted pursuant to Section 8.02(g) or Section 8.02A (c), as the case may be, and the Permitted Debt Distributions."

3.1.11 by deleting the defined term "Term" and replacing it with the following:

""**Term**" means the period commencing on the Closing Date and terminating with respect to (i) the Revolving Facility, on January 15, 2017 and (ii) Facility B-1 Tranche, on August 17, 2020."

3.2 Section 1.01 of the Amended and Restated Credit Agreement is hereby further amended by inserting the following new definitions in the appropriate alphabetical order:

a) "**Debtor relief Laws**" means the Bankruptcy Code of the United States, *the Bankruptcy and Insolvency Act* (Canada) or the *Companies' Creditors Arrangements Act* (Canada) or any other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar Laws from time to time in effect.

b) "**Defaulting Facility B Lender**" means any Facility B Lender that (a) has failed to (i) fund all or any portion of its Accommodations within two Business Days of the date such Accommodations were required to be funded hereunder unless such Facility B Lender notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Facility B Lender's determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent, or any other Lender any other amount required to be paid by it hereunder within two Business Days of the date when due, (b) has notified the Borrower, the Administrative Agent or the Lenders in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Facility B Lender's obligation to fund an Accommodation hereunder and states that such position is based on such Facility B Lender's determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three Business Days after written request by the Administrative Agent or the Borrower, to confirm in writing to the Administrative Agent and the Borrower that it will comply with its prospective funding obligations hereunder (provided that such Facility B Lender shall cease to be a Defaulting Facility B Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, or (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including any, provincial, state or federal regulatory authority acting in such a capacity; provided that a Facility B Lender shall not be a Defaulting Facility B Lender solely by virtue of the ownership or acquisition of any equity security in that Facility B Lender or any direct or indirect parent company thereof by a Governmental Entity so long as such ownership interest does not result in or provide such Facility B Lender with immunity from the jurisdiction of courts within Canada or from the enforcement of judgments or writs of attachment on its assets or permit such Facility B Lender (or such Governmental Entity) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Facility B Lender. Any determination by the Administrative Agent that a Facility B Lender is a Defaulting Facility B Lender under any one or more of clauses (a) through (d) above, and of the effective date of such status, shall be conclusive and binding absent manifest error, and such Facility B Lender shall be deemed to be a Defaulting Facility B Lender as of the date established therefor by the Administrative Agent in a written notice of such determination, which shall be delivered by the Administrative Agent to the Borrower and each other Lender promptly following such determination.

c) "**Facility B-1 Closing Date**" means August 1, 2013.

d) "**Facility B-1 Effective Date**" has the meaning given to such term in Section 4 of the First Amendment to this Agreement entered into as of the Facility B-1 Closing Date.

e) "**Facility B-1 Libor Floor**" means 0.75%.

f) "**Facility B Offside Periods**" has the meaning specified 8.02(A)(c).

g) "**Non-Consenting Lender**" means any Facility B Lender that does not approve any consent, waiver or amendment that (a) requires the approval of all Lenders or all affected Lenders in accordance with the terms of Section 12.01 and (b) that has been approved by the Majority Lenders.

h) "**Non-Facility B Default**" has the meaning specified in Section 9.01.

i) "**OID**" means original issue discount.

j) "**Repricing Transaction**" means (a) the prepayment, refinancing, substitution or replacement of all or a portion of the Facility B-1 Commitment with the proceeds of the incurrence by the Borrower of any US Dollar denominated non-revolving institutional or bank term loans or other similar borrowings or similar debt instruments (it being understood that bonds or notes issued in the capital markets shall not be interpreted as similar debt instruments for purposes of the above) having an effective interest cost (determined in the reasonable judgment of the Administrative Agent consistent with generally accepted financial practices, after giving effect to, among other factors, margin, interest rate floors (to the extent exceeding the then prevailing interest rate otherwise applicable), upfront or similar fees or OID shared with all providers of such financing, but excluding the effect of any arrangement, structuring, syndication or fees of a similar nature payable in connection therewith) that is less than the effective interest cost (as determined by the Administrative Agent on a consistent basis) of such Facility B-1 Commitment or (b) any amendment or modification to this Agreement resulting in the Facility B-1 Commitment having a lower effective interest cost (as determined by the Administrative Agent on a consistent basis) than the effective interest cost (as determined by the Administrative Agent on a consistent basis) in effect immediately prior to such amendment or modification (other than as a result of no longer applying the Default Rate);

k) "**Required Facility B Threshold**" has the meaning specified in Section 8.02(A)(c)."

3.3 Subsection 2.04(2) of the Amended and Restated Credit Agreement is hereby deleted and replaced with the following:

"Subject to Section 9.01, the Borrower shall repay the Accommodations Outstanding under the Facility B-1 Tranche in quarterly instalments equal to 0.25% of the full amount of the Facility B-1 Tranche, being US$350,000,000, with the first instalment being payable on November 15, 2013 and each subsequent instalment being payable on the fifteenth day of every three-months thereafter, and shall repay the balance of the Accommodations Outstanding under Facility B-1 Tranche on the last day of the Term of Facility B-1 Tranche."

3.4 Subsection 2.05(4) of the Amended and Restated Credit Agreement is hereby amended by deleting the text "in inverse order of maturity" in the thirteenth and fourteenth line of said subsection.

3.5 Subsection 2.06(1) of the Amended and Restated Credit Agreement is hereby amended by deleting the last sentence of said subsection.

3.6 Subsection 2.09(1) of the Amended and Restated Credit Agreement is hereby deleted and replaced with the following:

"(1) Subject to paragraph (2) hereof, each prepayment pursuant to (a) Section 2.05 in respect of Facility B shall be applied, at the election of the Borrower, either (i) to the remaining instalments pursuant to Section 2.04 in the inverse order of their maturity or (ii) to the remaining amortization payments of Facility B in forward order for the next eight unpaid quarterly amounts after such prepayment and thereafter on a pro rata basis, subject, in all cases, to the payment of the applicable breakage costs (as contemplated by Section 12.06(4)) if any Libor Advance is prepaid, and (b) Section 2.06 in respect of Facility B shall be applied to remaining amortization payments, in the manner directed by the Borrower."

3.7 The title of Section 2.12 of the Amended and Restated Credit Agreement is hereby amended by:

3.7.1 deleting the text "Revolving"; and

3.7.2 replacing the text "Facility" with the text "Facilities".

3.8 Subsection 2.12(1) of the Amended and Restated Credit Agreement is hereby deleted and replaced with the following:

"Provided there exists no Default, upon notice to the Administrative Agent, which shall promptly notify the applicable existing Lenders, the Borrower may from time to time, request an increase in the Revolving Facility or Facility B by an amount (for all such requests) not exceeding the Maximum Increase Amount; provided that (i) any such request for an increase shall be in a minimum amount of C$5,000,000, and (ii) the Borrower may make a maximum of seven such requests. At the time of sending such notice, the Borrower (in consultation with the Administrative Agent) shall specify the time period within which each applicable Lender is requested to respond (which shall in no event be less than ten Business Days from the date of delivery of such notice to the applicable Lenders)."

3.9 Subsection 2.12(2) is hereby amended by:

3.9.1 deleting the text "Revolving Facility" in the second and third line of said Section and replacing it with the following text "relevant Credit Facility, as the case may be"; and

3.9.2 deleting the text "Revolving Facility" in the fourth line of said Section and replacing it with the following text "the applicable Credit Facility".

3.10 Subsection 2.12(3) is hereby amended by deleting the text "the increased Revolving Facility" in the fifth and sixth line of said subsection and replacing it with the following text "the relevant increased Credit Facility, as the case may be".

3.11 Subsection 2.12(4) is hereby amended by adding the text "or Facility B" after the text "If the Revolving Facility" in the first line of said subsection and by deleting the text "the increased Revolving Facility" in the fifth and sixth line of said subsection and replacing it with the following text "the relevant Credit Facility, as the case may be".

3.12 Subsection 2.12(5) of the Amended and Restated Credit Agreement is hereby deleted and replaced with the following:

"(5) Notwithstanding the foregoing, the Borrower may elect to create new Credit Facilities in lieu of increasing the Revolving Facility or Facility B and may invite lenders selected by it (with the prior consent of the Administrative Agent, which consent shall not be unreasonably withheld) to participate in such new Credit Facilities, provided that (i) at such time, no Default exists, (ii) the aggregate amount of all increases of the Revolving Facility and Facility B and the creation of new Credit Facilities does not exceed the Maximum Increase Amount, (iii) the new Credit Facility shall have a weighted average life maturing on or after January 15, 2017 or such later date as agreed to solely by the Revolving Lenders; (iv) the terms and conditions applicable to such new Credit Facility (other than the pricing of such new Credit Facility) are not more restrictive to the Borrower and its Subsidiaries than those applicable to the Revolving Facility hereunder (it being understood that such condition (iv) applies only to the benefit of the Revolving Lenders, all Lenders other than Revolving Lenders renouncing to the benefit of same, and any amendment or waiver of such condition (iv) allowing any such Credit Facility to have terms and conditions

more restrictive as per the above shall be agreed to solely by the Revolving Lenders) and (v) the Borrower, the applicable lenders and the Administrative Agent shall enter into an amendment to this Agreement to reflect all changes necessary further to the creation of such new Credit Facility it being understood and agreed that all other Lenders shall be bound by such amendment. If a new Credit Facility is created in accordance with this section, the Borrower shall promptly notify the Administrative Agent and the Lenders of the identity of any new Lenders, of the final allocation of the new Credit Facility among the applicable Lenders, of the effective date (the "**Creation Effective Date**") of the new Credit Facility, and the particular terms and conditions applicable to such new Credit Facility. Notwithstanding the foregoing, with respect to any new US dollar denominated Term Facility created pursuant to this Section 2.12(5) within eighteen (18) months of the Facility B-1 Closing Date, if the Applicable Margin in respect of any such new Term Facility exceeds the Applicable Margin for the Facility B-1 Tranche by more than 0.50%, then the Applicable Margin for the Facility B-1 Tranche shall be increased so that the Applicable Margin in respect of the Facility B-1 Tranche is equal to the Applicable Margin for such new Term Facility minus 0.50%; provided, further, in determining the Applicable Margin applicable to such new Term Facility and the Applicable Margin for the Facility B-1 Tranche, (1) OID or upfront fees (which shall be deemed to constitute like amounts of OID) payable by the Borrower to the Lenders under such new Term Facility or under the Facility B-1 Tranche in the initial primary syndication thereof shall be included (with OID being equated to interest based on assumed four-year life to maturity), (2) the effects of any and all interest rate floors shall be included and (3) customary arrangement or commitment fees payable to the arrangers (or their respective affiliates) in connection with such new Term Facility or to one or more arrangers (or their affiliates) in connection with the Facility B-1 Tranche shall be excluded."

3.13 A new Section 2.14 is hereby added to the Amended and Restated Credit Agreement:

"**Section 2.14. Call Protection.** In the event that, on or prior to six months after the Facility B-1 Closing Date, a Repricing Transaction occurs, the Borrower shall pay to the Administrative Agent (i) in the case of a Repricing Transaction described in clause (a) of the definition thereof, for the ratable account of each of the applicable Facility B-1 Lenders a prepayment premium of 1.00% of the aggregate principal amount of the Facility B-1 Commitment so prepaid, refinanced, substituted or replaced and (ii) in the case of a Repricing Transaction described in clause (b) of the definition thereof, for the ratable account of each Facility B-1 Lender a fee equal to 1.00% of the aggregate principal amount of the applicable Facility B-1 Commitments of such Facility B-1 Lender outstanding immediately prior to such amendment. Such amounts shall be due and payable on the date of effectiveness of such Repricing Transaction."

3.14 Subsection 3.01(2) of the Amended and Restated Credit Agreement is hereby deleted and replaced with the following:

"(2) Each Facility B Lender (as applicable, each Facility B-1 Lender and Facility B-2 Lender) individually, and not jointly and severally (or solidarily) agrees, on the terms and conditions of this Agreement, to make Prime Rate Advances, Accommodations by way of BA Instruments, Libor Advances and US Prime Rate Advances to the Borrower on any Business Day. Each Advance shall be made ratably by the applicable Lenders. All Advances under Facility B shall be in US Dollars or in Canadian Dollars, as applicable. The initial Advance under Facility B-1 Tranche shall be for the full amount available thereunder and shall be made no later than before close of business on the 30th day following the Facility B-1 Closing Date. The Facility B-1 Tranche shall automatically be terminated immediately after close of business on the 30th day following the Facility B-1 Closing Date if the Facility B-1 Effective Date has not occurred and if the Facility B-1 Tranche remains undrawn at such time. Any portion of the Advances available to the Borrower under Facility B that is not borrowed as part of such initial Advance or that is repaid shall not again be available for borrowing, although Libor Advances may be rolled over into new Libor Advances or converted into US Prime Rate Advances, and US Prime Rate Advances may be converted into Libor Advances, and any conversions shall be deemed to constitute a repayment without novation of such converted or rolled over Advance followed by a subsequent drawdown of a new Advance, all without any actual movement of funds between the Borrower and the relevant Facility B Lender."

3.15 Section 8.01(c)(iii) of the Amended and Restated Credit Agreement is hereby deleted and replaced with the following text:

"(iii) so long as any Revolving Commitment is outstanding under this Agreement, with prompt notice in writing of any default, or event, condition or occurrence which with notice or lapse of time, or both, would constitute a default under any agreement in respect of Debt to which the Borrower or any of its Subsidiaries owes (contingently or otherwise) at least C$25,000,000 (or the equivalent amount in any other currency), and at any time when no Revolving Commitment is outstanding under this Agreement, the above shall be replaced with the obligation to deliver prompt notice in writing of any declaration made by a creditor under any agreement in respect of Debt to which the Borrower owes (contingently or otherwise) at least C$25,000,000 (or the equivalent amount in any other currency) that same shall be due and payable prior to the stated maturity thereof;"

3.16 The following text is hereby added at the end of Section 8.01 of the Amended and Restated Credit Agreement:

"Notwithstanding the foregoing, clause (c) (i) of this Section 8.01 shall not apply to or in respect of Facility B (and the Facility B Lenders shall not be entitled to the covenants of the Borrower set forth thereunder)."

3.17 The following text is hereby added at the end of Section 8.02 of the Amended and Restated Credit Agreement:

"Notwithstanding the foregoing, clauses (a), (b), (g), (h) and (k) of this Section 8.02 shall not apply to or in respect of Facility B (and the Facility B Lenders shall not be entitled to the covenants of the Borrower set forth thereunder)."

3.18 The following new Section 8.02A is hereby added to the Amended and Restated Credit Agreement:

"**Section 8.02A. Negative Covenants for Facility B Lenders**. So long as any amount owing hereunder remains unpaid or any Facility B Lender has any obligation under this Agreement, and unless consent is given in accordance with Section 12.01 hereof, the Borrower hereby undertakes solely in favour of the Facility B Lenders not to:

(a) **Debt.** Incur Debt unless after giving *pro forma* effect to such incurrence or issuance and the application of the net proceeds therefrom the Leverage Ratio would be no greater than 6.0 to 1.0.

Notwithstanding the foregoing, the Borrower may incur: (i) Debt under one or more debt facilities, commercial paper facilities or other debt arrangements (including, without limitations, under this Agreement, the Overdraft Facility, the Press Investment Debt) in each case with banks, other institutional lenders or investors providing for revolving credit loans, term loans, notes, receivables financing or letters of credit in an aggregate principal amount at any one time outstanding under this clause (i), not to exceed an aggregate of C$1,750,000,000 less Mandatory Prepayments made pursuant to Section 2.05 (2); (ii) Debt existing on the Facility B-1 Closing Date and listed in Schedule 8.02A hereto; (iii) Debt of the Borrower permitted by clauses (iii), (iv), (v) and (viii) of the definition of "Permitted Debt" and Debt of the Borrower secured by Liens permitted under clauses (ii) and (v) of Section 8.02A(b); and (iv) any indebtedness incurred to refinance or replace any of the foregoing;

provided that no Default shall have occurred and be continuing, and no Event of Default shall have occurred and not have been waived at the time of the incurrence of such Debt.

(b) **Encumbrances.** Create, incur, assume or suffer to exist any Lien on any of its Assets, other than Permitted Liens (excluding the Liens under clauses (n), (p), (s), (t), (u), (v), (x), (y) and (z) of the definition of "Permitted Liens", which shall not constitute "Permitted Liens" under Facility B) and the following:

(i) Liens on the assets of the Borrower (including a pledge of the Videotron Shares) securing, equally and rateably, all indebtedness under the Debt referred to in clause (i) of Section 8.02(A)(a);

(ii) Purchase Money Mortgages in an aggregate amount outstanding at any time not exceeding C$100,000,000;

(iii) Liens on property existing at the time of acquisition thereof by the Borrower, provided that such Liens were in existence prior to the completion of such acquisition and do not extend to any assets other than such property;

(iv) Any renewal, extension, substitution, replacement or refinancing of the foregoing, provided that such renewal, extension, substitution, replacement or refinancing Lien shall not cover any property other than the property that was subject to such Lien prior to such renewal, extension, substitution, replacement or refinancing; and provided, further that the Debt and other obligations secured by such renewal, extension, substitution, replacement or refinancing Lien are permitted by this Agreement;

(v) any other Liens securing any obligation (including, but not limited to, Debt) which does not, at any time, exceed C$100,000,000.

(c) **Distributions**: Declare, make or pay any Equity Distribution or Debt Distribution which is not a Permitted Debt Distribution unless the Consolidated Senior Leverage Ratio of the Borrower, calculated on a pro forma basis as at the end of the last previously completed Financial Quarter in respect of which financial statements are available after giving effect to such Distribution, is below 4.75 : 1.00 (the "**Required Facility B Threshold**") on a trailing four quarter basis provided however that at the time of payment of such Distribution no Default exists or could result therefrom. Notwithstanding the foregoing, the Borrower shall be entitled to declare, make or pay any such Distribution during any period when such Consolidated Senior Leverage Ratio is not below the Required Facility B Threshold (the "**Facility B Offside Periods**") on the condition that the aggregate amount of such Distributions paid during such Facility B Offside Periods does not exceed C$500,000,000, provided however that at the time of payment of such Distribution no Default exists or could result therefrom.

(d) **Investments and Acquisitions:** Make Investments and Acquisitions unless, at the time of and after giving effect to such Investment or Acquisition, the Borrower would have been permitted to incur at least US$1.00 of additional debt (other than pursuant to the exceptions outlined under clauses (i) to (iv) of Section 8.02A(a) above) under the Borrower's Leverage Ratio test set forth under Section 8.02A(a) hereto.

Notwithstanding the foregoing and provided no Default has occurred and is continuing or would result therefrom the Borrower may (i) enter into hedging agreements and other foreign currency hedges, interest rate swaps, commodity hedges or similar obligations or agreements, in each case incurred in the ordinary course of the Business and not for speculation purposes; (ii) make acquisition of Back-to-Back Securities or the acquisition of property as part of Tax benefit Transactions; (iii) make Investments in joint ventures engaged in the Business up to an aggregate amount, after the Facility B-1 Effective Date, not to exceed US$150,000,000; and (iv) make other Investments or Acquisitions up to an aggregate amount, after the Facility B-1 Effective Date, not to exceed US$200,000,000."

3.19 The following text is hereby added at the end of Section 8.03 of the Amended and Restated Credit Agreement:

"Notwithstanding the foregoing, this Section 8.03 shall not apply to the Borrower with respect to Facility B. For greater clarity, the Borrower shall have no obligation, under Facility B, to maintain the Leverage Ratio, Interest Coverage Ratio and Unconsolidated Coverage Ratio as set forth in this Section 8.03. "

3.20 The following paragraphs are hereby added to Section 9.01 of the Amended and Restated Credit Agreement right before the second to last paragraph of said section:

"Notwithstanding the foregoing, clauses (a), (b), (d), (e), (f) and (g) of this Section 9.01 shall not apply to or in respect of Facility B (and the Facility B Lenders shall not be entitled to rely on such clauses). Notwithstanding any provision of this Agreement to the contrary, the Facility B Lenders recognize and agree that the occurrence of any Default or Event of Default under any of clauses (a), (b), (d), (e), (f) and (g) of this Section 9.01 (a "**Non-Facility B Default**") shall not constitute a Default or Event or Default for the Facility B Lenders and any such Non-Facility B Default may be waived by the Lenders in accordance with the terms of this Agreement without requiring any consent from the Facility B Lenders.

**Events of Default under Facility B.** The occurrence of any of the following events (each an "**Event of Default**") shall constitute an Event of Default under Facility B unless remedied within the prescribed delays or waived by the requisite majority of Facility B Lenders:

(i) the Borrower shall fail to pay any amount of the Accommodation Outstanding under Facility B when such amount becomes due and payable;

(ii) the Borrower shall fail to pay any interest or Fees to the Facility B Lenders when the same become due and payable hereunder and such failure shall remain unremedied for 30 days;

(iii) the Borrower shall fail to perform, observe or comply with any of the covenants contained in this Agreement applying in favour of the Facility B Lenders and such failure shall remain unremedied for 60 days following notice thereof by the Administrative Agent to the Borrower;

(iv) the Borrower shall fail to perform or observe any other term, covenant or agreement contained in any Credit Document (other than this Agreement) to which it is a party and such failure shall remain unremedied for 60 days following notice thereof by the Administrative Agent to the Borrower;

(v) the Borrower fails or defaults in the observance or performance of any agreement or condition relating to the Revolving Facility and, as a consequence of such failure or default, the Revolving Lenders declare the Accommodations Outstanding under the Revolving Facility to become due prior to its stated maturity; or

(vi) the Borrower shall fail to pay the principal of or premium or interest on any Debt of the Borrower (excluding any Debt hereunder and under a Hedging Agreement) which is outstanding in an aggregate principal amount exceeding C$25,000,000 (or the equivalent amount in any other currency), when due at the final maturity of such Debt; or any other event shall occur or condition shall exist, and shall continue after the applicable grace period, if any, specified in any agreement or instrument relating to any such Debt, and as a consequence thereof, such Debt shall be declared to be due and payable prior to the stated maturity thereof."

3.21 The text "this Section" in the first sentence of subsection 12.01(1)(f) of the Amended and Restated Credit Agreement is hereby deleted and replaced with the text "this Section 12.01(1)".

3.22 A new subsection 12.01(2) is hereby added to the Amended and Restated Credit Agreement after subsection 12.01(1):

"If any Lender is a Non-Consenting Lender, then the Borrower may, at its sole cost and expense, upon 10 days' notice to such Non-Consenting Lender and the Administrative Agent, on the condition that at such time, no Default exists and is continuing, require such Non-Consenting Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 12.08), all of its interests, rights and obligations under this Agreement and the other Credit Documents to an Eligible Assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), provided that:

(i) the Borrower pays the Administrative Agent the Assignment Fee; and

(ii) the assigning Non-Consenting Lender receives payment of an amount equal to the outstanding principal of its outstanding Accommodations Outstanding, accrued interest thereon, accrued fees and all other amounts payable to it hereunder (including any breakage costs, if any, contemplated under Section 12.06(4)) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts).

A Non-Consenting Lender shall not be required to make any such assignment or delegation if, prior thereto, the circumstances entitling the Borrower to require such assignment and delegation cease to apply."

3.23 Subsection 12.08(7) of the Amended and Restated Credit Agreement is hereby amended by deleting the text "Revolving" in the third line.

3.24 Section 12.09 of the Amended and Restated Credit Agreement is hereby amended by deleting the text "Revolving" throughout said Section and by deleting the text "(Revolving Commitment)" in the ninth line of subsection 12.09(2).

3.25 Section 12.11 of the Amended and Restated Credit Agreement is hereby amended by adding the following new paragraph at the end thereto:

"If any Lender is a Defaulting Facility B Lender, then the Borrower may, at its sole costs and expense, upon 10 days' notice to such Defaulting Facility B Lender and the Administrative Agent, on the condition that at such time, no Default exists and is continuing, require such Defaulting Facility B Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 12.08), all of its interests, rights and obligations under this Agreement and the other Credit Documents to an Eligible Assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), provided that the assigning Defaulting Facility B Lender receives payment of an amount equal to the outstanding principal of its outstanding Accommodations Outstanding, accrued interest thereon, accrued fees and all other amounts payable to it hereunder (including any breakage costs, if any, contemplated under Section 12.06(4)) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts).

A Defaulting Facility B Lender shall not be required to make any such assignment or delegation if, prior thereto, the circumstances entitling the Borrower to require such assignment and delegation cease to apply."

3.26 Schedule B (*Commitments*) of the Amended and Restated Credit Agreement shall hereby be amended by adding thereto immediately after the table relating to the Revolving Facility, the following chart:

"FACILITY B-1 TRANCHE COMMITMENTS"

| LENDERS | FACILITY B-1 TRANCHE (INITIAL AMOUNT AS PER BELOW, AS SUCH AMOUNT MAY BE DECREASED PURSUANT TO ARTICLE 2) (US$) |
|---|---|
| Citibank, N.A., Canadian Branch | 116,666,666.67 |
| The Bank of Nova Scotia | 116,666,666.67 |
| Royal Bank of Canada | 116,666,666.66 |

3.27 Schedule 4 (*Applicable Margins*) of the Amended and Restated Credit Agreement shall hereby be amended by deleting the chart under the heading "Facility B" and replacing it with the following chart:

**"Facility B-1 Tranche"**

| US$ PRIME RATE | LIBOR |
|---|---|
| 1.5% | 2.5% |

3.28 The following new Schedule 8.02A (*Existing Debt*) is hereby added to the Amended and Restated Credit Agreement:

"**SCHEDULE 8.02A**

**EXISTING DEBT**

- Indenture, dated as of January 17, 2006, relating to the Borrower's US$525,000,000 (current principal owing now at US$265,000,000) 7 3/4% Senior Notes due 2016, by and between the Borrower, as issuer, and U.S. Bank National Association, as trustee;
- Indenture, dated as of October 5, 2007, relating to the Borrower's US$700,000,000 (current principal owing now at US$380,000,000) 7 3/4% Senior Notes due 2016, by and between the Borrower, as issuer, and U.S. Bank National Association, as trustee;
- Indenture, dated as of January 5, 2011, relating to the Borrower's C$325,000,000 7 3/8% Senior Notes due 2021, by and between the Borrower, as issuer, and Computershare Trust Company of Canada, as trustee;
- Indenture, dated as of October 11, 2012, relating to the Borrower's US$850,000,000 5 3/4 % Senior Notes due 2023, by and between the Borrower, as issuer, and U.S. Bank National Association, as trustee; and
- Indenture, dated as of October 11, 2012, relating to the Borrower's C$500,000,000 6 5/8% Senior Notes due 2023, by and between the Borrower, as issuer, and Computershare Trust Company of Canada, as trustee."

**4. Conditions Precedent.**

This Amendment shall not be in force or effect until the following conditions precedent are met to the satisfaction of the Administrative Agent and the Facility B-1 Lenders (the "**Facility B-1 Effective Date**"):

4.1 no Default or Event of Default shall have occurred or be continuing or would arise immediately after giving effect to or as a result of this Amendment, and the Administrative Agent shall have received a certificate of an acceptable officer of the Borrower confirming the absence of any such Default or Event of Default;

4.2 all of the representations and warranties contained in the Amended and Restated Credit Agreement and the other Credit Documents shall continue to be true and correct in all material respects on the date hereof (other than representations and warranties made as of a certain date) as if such representations and warranties were made on the date of this Amendment, and the Administrative Agent shall have received a certificate of an acceptable officer of the Borrower confirming same;

4.3 satisfactory confirmation that no Material Adverse Effect shall have occurred since December 31, 2012, and the Administrative Agent shall have received a certificate of an acceptable officer of the Borrower confirming same;

4.4 the Borrower shall have obtained or shall have used commercially reasonable efforts to obtain a debt rating from Moody's Investor Service Inc. and Standard & Poor's, a division of The McGraw-Hill Companies, Inc., in respect of the Facility B Tranche;

4.5 the Administrative Agent and the Lenders shall have received, in form and substance satisfactory to them and their counsel:

4.5.1 duly executed counterparts of this Amendment;

4.5.2 results of Lien searches from June 14, 2013 to a date reasonably close to the date of this Amendment, of all filings, registrations or recordings of or with respect to all the movable assets of the Borrower and its predecessors in each jurisdiction in which its assets are located or have an office, together with such other documents that the Administrative Agent shall require evidencing, to the entire satisfaction of the Administrative Agent and its counsel, that all such movable assets continue to remain free and clear of all Liens, other than Permitted Liens;

4.5.3 a duly certified copy of the constating documents, by-laws, resolutions and incumbency of the Borrower, certified by an acceptable officer of the Borrower (or to the extent all amendments or additions to such constating documents, by-laws, resolutions and incumbency, if any, have heretofore been delivered to the Administrative Agent, a certificate by an acceptable officer of the Borrower attesting to same);

4.5.4 a certificate of status, compliance, good standing or like certificate issued by the appropriate governmental body of the Borrower's jurisdiction of incorporation and jurisdiction where it owns any material assets or carries any material business;

4.5.5 the favourable opinions of legal counsel to the Borrower addressed to the Administrative Agent, the Lenders and their legal counsel covering, *inter alia*, (i) the corporate status, power and capacity of the Borrower, (ii) the authority and legal right of the Borrower to execute this Amendment and to perform its obligations contained therein or incidental thereto, (iii) the due execution and delivery by the Borrower of the Amendment, (iv) the compliance of the Amendment with the constating documents and by-laws of the Borrower and with the laws of the jurisdiction of organisation of the Borrower and with those indicated as governing each such document; (v) the legality, validity, binding effect and enforceability against the Borrower of the Amendment; (vi) the continued legality, validity, binding effect and enforceability of the Security Documents against the Borrower as continuing to secure the obligations of the Borrower under this Amendment and the other Credit Documents; (vii) the continued opposability and perfection of the security created under the relevant Security Documents; and as to such other matters as the Administrative Agent may reasonably require;

4.5.6 satisfactory evidence that all necessary third party consents and authorisations required in connection with the execution, delivery and performance of this Amendment have been obtained, and that all debentures, hypothecs, deeds, instruments, forms, financing statements or equivalent documents required under all applicable Laws to preserve the Security, if any, have been executed, delivered and duly registered, recorded, published and/or filed; and

4.5.7 all other documents, declarations, certificates, agreements, notices and information that the Administrative Agent or its counsel may reasonably require;

4.6 the entire amount of all fees, costs, charges and expenses contemplated herein or in any other Credit Document, to the extent then owing, including the fees and disbursements of the Administrative Agent's and Lenders' legal counsel incurred in connection with the preparation and negotiation of this Amendment, up to and including the date hereof, shall have been paid.

**5. No Waiver.**

The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided otherwise, operate as a waiver of any of the rights and powers of or remedies available to the Administrative Agent (in such capacity or in its capacity as collateral agent or *fondé de pouvoir*, as applicable) or the Lenders under the Amended and Restated Credit Agreement or any of the other Credit Documents nor constitute a waiver of any provision of the Amended and Restated Credit Agreement or such other Credit Documents.

**6. No Novation.**

Nothing in this Agreement shall constitute, evidence or result in repayment, readvance, accord or satisfaction, release or novation of all or any part of the Accommodations, the Debt relating to the Accommodations, or any other obligation or liability of the Borrower under, in respect of or in connection with the Accommodations, the Debt relating to the Accommodations, the Amended and Restated Credit Agreement and any other Credit Documents. However, should this Agreement be construed as constituting, evidencing or resulting in repayment, readvance, accord or satisfaction, release or novation of all or any part of the Accommodations, the Debt relating to the Accommodations, or any other obligation or liability of the Borrower under, in respect of or in connection with the Accommodations, the Debt relating to the Accommodations, the Amended and Restated Credit Agreement and any other Credit Documents, the Administrative Agent and the Lenders hereby expressly reserve all of the Security granted in their favour by the Borrower under the Security Documents, the whole in accordance with the provisions of Article 1662 of the *Civil Code of Québec*.

**7. Governing Law.**

This Amendment shall be governed by and interpreted and enforced in accordance with the laws of the Province of Quebec and the federal laws of Canada applicable therein.

**8. Successors and Assigns.**

The provisions of this Amendment shall be binding on and enure to the benefit of the undersigned and their respective successors and permitted assigns.

**9. Counterparts.**

This Amendment may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

**10. Patriot Act.**

Each Lender party hereto and the Administrative Agent hereby notifies the Borrower that pursuant to the requirements of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "**PATRIOT Act**"), each Lender and the Administrative Agent may be required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Borrower in accordance with the PATRIOT Act. This notice is given in accordance with the requirements of the PATRIOT Act and is effective for each Lender and the Administrative Agent.

**[*Signature pages follow*]**

**IN WITNESS WHEREOF** the parties hereto have executed this First Amendment to Amended and Restated Credit Agreement as of the date hereinabove mentioned.

**QUEBECOR MEDIA INC.**, as Borrower

/s/ Jean-François Pruneau
Name: Jean-François Pruneau
Title: Senior VP and Chief Financial Officer

/s/ Claudine Tremblay
Name: Claudine Tremblay
Title: Vice President and Secretary

**BANK OF AMERICA, N.A.,** as Administrative Agent

/s/ Liliana Claar
Name: Liliana Claar
Title: Vice President

**CITIBANK, N.A.,** Canadian Branch

/s/ Isabelle Côté
Name: Isabelle Côté
Title: Authorized Officer

**ROYAL BANK OF CANADA**

/s/ Rod Smith
Name: Rod Smith
Title: Authorized Signatory

**THE BANK OF NOVA SCOTIA**

/s/ *(signed)*
Name:
Title:

/s/ Eddy Popp
Name: Eddy Popp
Title: Director

**Exhibit 4.2**

***EXECUTED VERSION***

**QUEBECOR MEDIA INC.**
as Borrower

– and –

**THE FINANCIAL INSTITUTIONS IDENTIFIED ON THE SIGNATURE PAGES HERETO**
as Lenders

– and –

**MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED**

– and –

**TD SECURITIES**

– and –

**THE BANK OF NOVA SCOTIA**
as Joint Lead Arrangers and Joint Bookmanagers

– and –

**BANK OF AMERICA, N.A.**
as Administrative Agent

– and –

**THE TORONTO-DOMINION BANK**

– and –

**THE BANK OF NOVA SCOTIA**
as Syndication Agents

– and –

**ROYAL BANK OF CANADA**

– and –

**CAISSE CENTRALE DESJARDINS**
as Documentation Agents

**Revolving Facility – C$300,000,000**

# AMENDED AND RESTATED CREDIT AGREEMENT

June 14, 2013

STIKEMAN ELLIOTT

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**AMENDED AND RESTATED CREDIT AGREEMENT** entered into in the City of Montreal, Province of Quebec, as of June 14, 2013

**AMONG:** **QUEBECOR MEDIA INC**., a company constituted and existing under the laws of Quebec, Canada, having its registered office, head office and chief executive office at 612 St-Jacques St., Montreal, Quebec, H3C 4M8

**PARTY OF THE FIRST PART**

**AND:** **THE FINANCIAL INSTITUTIONS NAMED ON THE SIGNATURE PAGES HEREOF OR FROM TIME TO TIME PARTIES HERETO**

**PARTIES OF THE SECOND PART**

**AND:** **BANK OF AMERICA, N.A., AS ADMINISTRATIVE AGENT FOR THE LENDERS,** a duly constituted bank, having a place of business at Bank of America Plaza, 901 Main St., Dallas, Texas, 75202-3714, TX1-492-14-11 and at 181 Bay Street, Toronto, Ontario, M5J 2V8

**PARTY OF THE THIRD PART**

**WHEREAS** Quebecor Media Inc., as Borrower, Bank of America, NA, as Administrative Agent, and certain financial institutions, as Lenders, entered into a credit agreement dated as of January 17, 2006 (the "**Original Credit Agreement**") under the terms of which the Lenders agreed to provide the Borrower credit facilities for an aggregate amount of C$100,000,000 by way of revolving credit facility designated "Revolving Facility", C$125,000,000 by way of a term credit facility designated "Facility A" and US$350,000,000 by way of a term credit facility designated "Facility B";

**WHEREAS** the Original Credit Agreement was amended by a First Amending Agreement dated as of January 14, 2010 and by a Second Amending Agreement dated as of January 25, 2012 (collectively, the "**Amendments**");

**WHEREAS**, as of the date hereof, the Revolving Commitments are totaling C$300,000,000 and both Facility A and Facility B have been fully repaid and cancelled;

**WHEREAS** the parties hereunder have agreed to further amend and restate the Original Credit Agreement as amended by the Amendments in order, *inter alia*, to give effect to the Request for Amendment dated May 12, 2013 approved by all Lenders.

**NOW THEREFORE** the parties hereto, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, hereby covenant and agree as follows.

## ARTICLE 1
## INTERPRETATION

**Section 1.01 Defined Terms.** As used in this Agreement, the following terms have the following meanings

"**Accommodation**" means (i) an Advance made by a Lender; (ii) the creation and purchase of Bankers' Acceptances or the purchase of completed Drafts by a Lender or by any other Person on the occasion of any Drawing; and (iii) the creation, issue, extension of expiry date, renewal or increase of Letters of Credit by an Issuing Lender (each of which is a "**Type**" of Accommodation).

"**Accommodation Notice**" means a Borrowing Notice or a Drawing Notice, as the case may be.

"**Accommodations Outstanding**" means, at any time, the principal amount owed to the Lenders under the Credit Facilities, and, more specifically, means (i) under the Revolving Facility, in relation to (a) the Borrower and all Revolving Lenders, the amount of all Accommodations outstanding thereunder at such time made to the Borrower by the Revolving Lenders, and (b) the Borrower and each Revolving Lender, the amount of all Accommodations outstanding at such time made by such Revolving Lender under its Commitment under the Revolving Facility; (ii) under Facility B, in relation to (a) the Borrower and all Facility B Lenders, the amount of all Accommodations outstanding thereunder at such time made to the Borrower by the Facility B Lenders, and (b) the Borrower and each Facility B Lender, the amount of all Accommodations outstanding at such time made by such Facility B Lender under its Commitment under Facility B; and (iii) in respect of Letters of Credit, in relation to the Borrower and the Issuing Lender, the Aggregate Face Amount of Letters of Credit Outstanding at such time issued by the Issuing Lender to the Borrower. In determining Accommodations Outstanding under the Revolving Facility, the aggregate amount thereof shall be determined on the basis of (i) the aggregate principal amount of all Advances in Canadian Dollars, (ii) the Equivalent Amount in Canadian Dollars of the aggregate principal amount of all Advances in US Dollars, (iii) an amount equal to the Aggregate Face Amount of Letters of Credit Outstanding for which the Revolving Lenders are contingently liable pursuant to Section 3.01(1) and Section 5.02(2), as the case may be, and (iv) the aggregate Face Amount of all outstanding BA Instruments which any applicable Lender has purchased or arranged to have purchased (and in respect of each Revolving Lender, a ratable part of such amounts). In determining Accommodations Outstanding under the Facility B-1 Tranche, the aggregate amount thereof shall be determined on the basis of the aggregate principal amount of all Advances in US Dollars (and in respect of each Facility B-1 Lender, a ratable portion of such amounts). In determining Accommodations Outstanding under the Facility B-2 Tranche, the aggregate amount thereof shall be determined on the basis of (i) the aggregate principal amount of all Advances in Canadian Dollars and (ii) the aggregate Face Amount of all outstanding BA Instruments which any applicable Lender has purchased or arranged to have purchased (and in respect of each Facility B-2 Lender, a ratable part of such amounts). For all purposes of this Agreement, if on any date of determination a Letter of Credit has expired by its terms but any amount may still be drawn thereunder by reason of the operation of Rule 3.14 of the ISP, such Letter of Credit shall be deemed to be "outstanding" in the amount so remaining available to be drawn.

"**Acquisition**" means, with respect to any Person, any transaction or series of related transactions for the direct or indirect (i) acquisition of all or substantially all of the Assets or a business or division of any other Person; (ii) acquisition of any shares, interests, participations or other equivalents (including partnership interests); or (iii) reconstruction, reorganization, consolidation, amalgamation, winding-up, merger, transfer, sale, lease or other combination with any other Person other than with a subsidiary of such Person; and "**Acquire**" and "**Acquired**" have meanings correlative thereto.

"**Administrative Agent**" means, Bank of America, N.A. as administrative agent for the Lenders under this Agreement, with assistance from Bank of America, N.A., Canada Branch, and any successor appointed pursuant to Section 10.06.

"**Advances**" means advances of funds in Canadian Dollars by way of Prime Rate Advances made by a Lender under the Credit Facilities and advances in US$ by way of Libor Advances and US Prime Rate Advances made by a Lender under the Credit Facilities, all in accordance with Article 3, and "**Advance**" means any one of such advances.

"**Affiliate**" has the meaning specified in the *Canada Business Corporations Act* on the date of this Agreement, and, with respect to any Lender that is a fund that invests in bank loans, means any other fund that invests in bank loans and is advised or managed by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

"**Agency Branch Account**" means the accounts listed in Schedule A attached hereto.

"**Agent-Related Persons**" means the Administrative Agent, together with its Affiliates (including, in the case of Bank of America, N.A. in its capacity as the Administrative Agent, Banc of America Securities LLC as, *inter alia*, joint lead arranger), and the officers, directors, employees, agents and attorneys-in-fact of such Persons and Affiliates.

"**Aggregate Face Amount of Letters of Credit Outstanding**" means the sum, expressed in Canadian Dollars, of (i) the aggregate Face Amount of all Letters of Credit issued in C$ and (ii) the Equivalent Amount in C$ of the aggregate Face Amount of all Letters of Credit issued in US$.

"**Agreement**" means this amended and restated credit agreement and all schedules attached hereto, as amended, restated, modified, supplemented or extended from time to time; and the expressions "**Article**" and "**Section**" followed by a number mean and refer to the specified Article or Section of this Agreement.

"**Annual Business Plan**" means, for any Financial Year, (i) detailed pro-forma balance sheets, income statements and statements of changes in the Borrower's and its Subsidiaries' financial position, prepared in accordance with GAAP (to the extent applicable), in respect of such Financial Year for the Borrower and its Subsidiaries' consolidated operations and supported by appropriate explanations, notes and information; (ii) detailed pro-forma balance sheets, income statements and statements of changes in the Borrower's and its Subsidiaries' financial position in respect of, and as at the last day of, each of the next two following Financial Years, prepared in accordance with GAAP (to the extent applicable) for the Borrower's and its Subsidiaries' consolidated operations.

"**Applicable Commitment Fee**" means, in respect of the Revolving Facility, the Commitment Fee set out in Schedule 4 corresponding to the applicable Leverage Ratio at such time. The Applicable Commitment Fee shall be adjusted on the date the Administrative Agent receives the relevant Compliance Certificate calculating the Leverage Ratio. If at any time any Compliance Certificate is not delivered on the applicable due date, without prejudice to the rights of the Lenders in respect of such Default, the Borrower shall pay Commitment Fees set out in Tier V of the table in Schedule 4 from the date such Compliance Certificate was due until it is delivered.

"**Applicable Margins**" means, at any time, subject to the next following sentence, the margins set forth in the relevant table in Schedule 4 and corresponding, with respect to the Revolving Facility, to the Leverage Ratio at such time. In respect of (i) Prime Rate Advances, the Applicable Margin shall be the margin referred to in the column "**C$ Prime Rate**"; (ii) Drawings and Letters of Credit, the Applicable Margin shall be the margin referred to in the column "**Drawing Fee and L/C Fee**", subject, with respect to Letters of Credit, to the fee payable to the Issuing Lender as contemplated by Section 5.01, (iii) Libor Advances, the Applicable Margin shall be the margin referred to in the column "**LIBOR**", and (iv) US Prime Rate Advances, the Applicable Margin shall be the margin referred to in the column "**US$ Prime Rate**". With respect to the Revolving Facility, if at any time any Compliance Certificate is not delivered on the applicable due date, without prejudice to the rights of the Lenders in respect of such Default, the Applicable Margin shall be that set out in Tier V of the relevant table in Schedule 4 from the date such Compliance Certificate was due until the date on which it is delivered.

If at the time of a change in the Drawing Fee or LC Fee, there exist any outstanding Drawings or Letters of Credit of the Borrower under any Credit Facility, the Borrower shall pay to the Administrative Agent, for the ratable benefit of the applicable Lenders under the applicable Credit Facility (in the case of an increase in the Drawing Fee or LC Fee) or receive repayment or credit from the applicable Lenders (in the case of a decrease in the Drawing Fee or LC Fee) for, an amount in respect of each such Drawing or Letter of Credit equal to the product obtained by multiplying (i) the product obtained by multiplying (w) the difference between the Drawing Fee or LC Fee in effect prior to such change and the Drawing Fee or LC Fee in effect immediately after such change, by (x) the aggregate face amount of such Drawing or Letter of Credit, by (ii) the quotient obtained by dividing (y) the number of days to maturity remaining in respect of such Drawing or Letter of Credit, by (z) 365 days. Any payment as a result of a change in the Applicable Margin shall be made, in respect of Drawings, on the next maturity date thereof in accordance with Article 4 or, in respect of Letters of Credit, on the next date of payment of such LC Fee in accordance with Article 5.

"**Approved Fund**" means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"**Arm's Length**" has the meaning ascribed thereto for the purposes of the *Income Tax Act* (Canada), as in effect as of the date hereof.

"**Assets**" means, with respect to any Person, all property, rights, assets and undertakings of such Person of every kind, tangible and intangible, and wheresoever situate, whether now owned or hereafter acquired.

"**Assignee**" has the meaning ascribed thereto in Section 12.08.

"**Assignee Group**" means two or more Eligible Assignees that are Affiliates of one another or two or more Approved Funds managed by the same investment advisor.

"**Assignment Fee**" means the processing and recordation fee in the amount of US$2,500 for each assignment made in compliance with Section 12.08, provided, however, that in the event of two or more concurrent assignments to members of the same Assignee Group (which may be effected by a sub-allocation of an assigned amount among members of such Assignee Group) or two or more concurrent assignments by members of the same Assignee Group to a single Eligible Assignee (or to an Eligible Assignee and member of its Assignee Group), the Assignment Fee will be US$2,500 plus an amount of: (i) US$0 for the first four concurrent assignments or sub-allocations to members of an Assignee Group (or from members of an Assignee Group, as applicable); and (ii) US$500 per additional concurrent assignment or sub-allocation to a member of such Assignee Group (or from a member of such Assignee Group, as applicable).

"**Assignment and Assumption**" means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required) and accepted by the Administrative Agent in substantially the form of Schedule 6 or any other form approved by the Administrative Agent.

"**Authorization**" means, with respect to any Person, any authorization, order, permit, approval, grant, licence, consent, right, franchise, privilege, certificate, judgment, writ, injunction, award, determination, direction, decree, by-law, rule or regulation of any Governmental Entity having jurisdiction over such Person.

"**Back-to-Back Debt**" means any loans made or debt instruments issued as part of a Back-to-Back Transaction and in which each party to such Back-to-Back Transaction, other than the Borrower, executes a subordination agreement in favor of the Administrative Agent in substantially the form attached hereto as Schedule 7.

"**Back-to-Back Preferred Shares**" means preferred shares issued:

(a) to the Borrower by an Affiliate of the Borrower in circumstances where, immediately prior to the issuance of such preferred shares, an Affiliate of the Borrower has loaned on an unsecured basis to the Borrower, or an Affiliate of the Borrower has subscribed for preferred shares of the Borrower in an amount equal to, the requisite subscription price for such preferred shares

(b) by the Borrower to one of its Affiliates in circumstances where, immediately prior to or immediately after, as the case may be, the issuance of such preferred shares, the Borrower has loaned an amount equal to the proceeds of such issuance to an Affiliate on an unsecured basis; or

(c) by the Borrower to one of its Affiliates in circumstances where, immediately after the issuance of such preferred shares, the Borrower has used all of the proceeds of such issuance to subscribe for preferred shares issued by such Affiliate;

in each case on terms whereby:

(i) the aggregate redemption amount applicable to the preferred shares issued to or by the Borrower is identical:

(A) in the case of (a) above, to the principal amount of the loan made or the aggregate redemption amount of the preferred shares subscribed for by such Affiliate prior to the issuance thereof;

(B) in the case of (b) above, to the principal amount of the loan made to such Affiliate with the proceeds of the issuance thereof; or

(C) in the case of (c) above, to the aggregate redemption amount of the preferred shares issued by such Affiliate with the proceeds of the issuance thereof;

(ii) the dividend payment date applicable to the preferred shares issued to or by the Borrower will:

(A) in the case of (a) above, be immediately prior to the interest payment date relevant to the loan made or the dividend payment date on the preferred shares subscribed for by such Affiliate immediately prior to the issuance thereof;

(B) in the case of (b) above, be immediately after the interest payment date relevant to the loan made to such Affiliate with the proceeds of the issuance thereof; or

(C) in the case of (c) above, be immediately after the dividend payment date on the preferred shares issued by such Affiliate with the proceeds of the issuance thereof;

(iii) the amount of dividends provided for on any payment date in the share conditions attaching to the preferred shares issued:

(A) to the Borrower in the case of (a) above, will be equal to or in excess of the amount of interest payable in respect of the loan made or the amount of dividends provided for in respect of the preferred shares subscribed for by such Affiliate prior to the issuance thereof;

(B) by the Borrower in the case of (b) above, will be equal to or less than the amount of interest payable in respect of the loan made to such Affiliate with the proceeds of the issuance thereof; or

(C) by the Borrower in the case of (c) above, will be equal to the amount of dividends in respect of the preferred shares issued by such Affiliate with the proceeds of the issuance thereof.

Provided, for greater certainty, that in all cases, (I) the redemption of any preferred shares by the Borrower, (II) the repayment of any Back-to-Back Debt by the Borrower, (III) the payment of any dividends by the Borrower in respect of its preferred shares, and (IV) the payment of any interest on Back-to-Back Debt of the Borrower, may, in each case, be made by the Borrower solely by delivering the relevant Back-to-Back Securities

to the Affiliate in question, or by paying to the Affiliate an amount in cash not in excess of the amount already received in cash from such Affiliate. Notwithstanding the foregoing, the requirement set out above with respect to the timing and order of events or to the effect that certain amounts stipulated in (ii) and (iii) above must be equal to or not in excess of or not less than certain other amounts stipulated thereunder shall not apply to Back-to-Back Transactions between QMI Entities provided the exchange of payments relating to such transactions are completed on the same day absent administrative, technical or technological constraints.

"**Back-to-Back Securities**" means the Back-to-Back Preferred Shares or the Back-to-Back Debt or both, as the context requires.

"**Back-to-Back Transactions**" means any of the transactions described under the definition of Back-to-Back Preferred Shares.

"**BA Equivalent Note**" has the meaning specified in Section 4.03(3).

"**BA Instruments**" means, collectively, Bankers' Acceptances, Drafts and BA Equivalent Notes, and, in the singular, any one of them.

"**Bankers' Acceptance**" has the meaning specified in Section 4.01.

"**Banking Day**" means any day which is at the same time a Business Day and a day on which dealings in US Dollar deposits are conducted by and between banks in the London interbank eurodollar market.

"**Beneficiary**" has the meaning ascribed thereto in Section 5.01(3).

"**Benefit Plan**" of any Person, means, at any time, any employee benefit plan as defined in Section 3 (3) of ERISA (including a Multiemployer Plan), the funding requirements of which (under Section 302 of ERISA or Section 412 of the Internal Revenue Code) are, or at any time within six years immediately preceding the time in question were, in whole or in part, the responsibility of such Person.

"**Borrower**" means Quebecor Media Inc. and its successors and permitted assigns.

"**Borrower's Equity**" means, without duplication, the sum of shareholders' equity of the Borrower and non-controlling interests of the Borrower, in each case determined on a consolidated basis, in accordance with GAAP.

"**Borrowing Notice**" has the meaning specified in Section 3.02.

"**Building and Fixtures**" means all plants, buildings, structures, erections, improvements, appurtenances and fixtures (including fixed machinery and fixed equipment) situate on the Owned Properties and Leased Properties.

"**Business**" means, with respect to the Borrower and its Subsidiaries on a consolidated basis, the business currently conducted by the Borrower and its Subsidiaries on the date hereof and any business complementary thereto or an extension thereof.

"**Business Day**" means any day of the year, other than a Saturday, Sunday or other day on which banks are required or authorized to close in, or are in fact closed in, (a) with respect to matters pertaining exclusively to Accommodations and repayments under the Revolving Facility and Facility B-2: (i) Toronto, Ontario; and (ii) Montreal, Quebec; or (b) with respect to all other matters: (i) Toronto, Ontario; (ii) Montreal, Quebec; (iii) New York, New York; and (iv) California, U.S.A., or such other State in which the Administrative Agent's office is located from time to time.

"**Canadian Dollars**" and "**C$**" each means lawful money of Canada.

"**Canadian Prime Rate**" means, at any time, the rate of interest per annum equal to the greater of (i) the rate which the principal office of the Administrative Agent in Toronto, Ontario quotes, publishes and refers to as its "**prime rate**" and which is its reference rate of interest for demand commercial loans in Canadian Dollars to Canadian borrowers; and (ii) the average rate for Canadian Dollar bankers' acceptances having a term of one month that appears on the Reuters Screen CDOR Page (or such other page as is a replacement page for such bankers' acceptances) as of 10:00 a.m. (Toronto time) on the date of determination, as reported by the Administrative Agent, plus 1.00%, adjusted automatically with each quoted, published or displayed change in such rate, all without necessity of any notice to the Borrower or any other Person.

"**Capital Expenditures**" means expenditures made for the purchase, lease or acquisition of assets (other than current assets) required to be capitalized in accordance with GAAP. For greater certainty, "**Capital Expenditures**" shall not include Acquisitions and Investments.

"**Cash Equivalents**" means

(1) US Dollars or Canadian Dollars;

(2) investments in securities with maturities of one year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth, territory or province of the United States of America or Canada, or by any political subdivision or taxing authority thereof, and rated in the "R-1" category by the Dominion Bond Rating Service Limited;

(3) certificates of deposit and eurodollar time deposits with maturities of one year or less from the date of acquisition, bankers' acceptances with maturities not exceeding one year and overnight bank deposits, in each case, with any domestic commercial bank having capital and surplus in excess of US$500 million;

(4) repurchase obligations with a term of not more than sixty days for underlying securities of the types described in clauses (2) and (3) above entered into with any financial institution meeting the qualifications specified in clause (3) above;

(5) commercial paper having a rating of at least P-1 from Moody's Investors Service, Inc. or A-1 from Standard & Poor's Rating Services and in each case maturing within one year after the date of acquisition or with respect to commercial paper in Canada, a rating in the "R-1" category from the Dominion Bond Rating Service Limited; and

(6) money market funds at least 90% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (5) of this definition.

"**Change of Control**" means the occurrence of one or more of the following events (whether or not approved by the board of directors of any such Person): (i) any Person or related group of Persons acting in concert shall at any time be, directly or indirectly, the beneficial owner of a greater percentage of the votes attaching to the Borrower's securities entitled to vote generally in an election of the Borrower's directors than the percentage of such votes beneficially owned by Quebecor or the Péladeau Group at such time or (ii) the designees of Quebecor or the Péladeau Group shall cease to represent the largest group of designees of any Person or group of Persons acting in concert on the board of directors of the Borrower, or the said board is or becomes controlled by any other shareholder.

"**Change in Law**" means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation or application thereof by any Governmental Entity or (c) the making or issuance of any request, guideline or directive (whether or not having the force of law) by any Governmental Entity.

"**Claim**" means any claim of any nature whatsoever, including any demand, liability, obligation, cause of action, suit, proceeding, judgment, award, assessment and reassessment.

"**Closing Date**" means January 17, 2006.

"**Collateral**" means the Assets of the Borrower in respect of which any Lender has or will have a Security Interest pursuant to a Security Document.

"**Commitment**" means, at any time, in respect of any Lender, its portion of the Revolving Commitment or the Facility B Commitment (or the commitment under any Credit Facility created pursuant to Section 2.12), as applicable, as indicated in Schedule B hereto and "Commitments" means collectively all the Commitments of all Lenders under all Credit Facilities.

"**Compliance Certificate**" means a certificate of the Borrower signed on its behalf by its chief financial officer, controller, treasurer, or any other officer acceptable to the Administrative Agent, (i) stating that any financial statements delivered by it pursuant to Section 8.01(a) present fairly the financial position, results of operations and changes in financial position of the Borrower in accordance with GAAP; (ii) stating that the representations and warranties in Article 7 are true

and correct in all material respects on and as of such date, except where expressly stated to be made at a particular date; (iii) stating that the Borrower is not in breach of any of the covenants contained in Article 8 as at the date thereof (or describing the details of any subsisting breach); (iv) stating that no Default has occurred and is continuing and that no Event of Default has occurred (or describing the details of any subsisting Default and the action which the Borrower proposes to take or has taken with respect thereto or any Event of Default); and (v) providing, in reasonable detail, evidence of compliance, at the end of each Financial Quarter, with Section 8.03 and evidencing the calculation of the financial covenants in Section 8.03 applicable at such time.

"**Consolidated Debt**" means, for any Person, at any time, the aggregate of all Debt of such Person and its subsidiaries on a consolidated basis, determined in accordance with GAAP.

"**Consolidated EBITDA**" means, for any Person, for any period and without duplication, earnings of such Person on a consolidated basis before non-controlling interests, earnings from equity accounted investments, extraordinary items, non-recurring gains or losses on debt extinguishment and asset sales, non-cash charges for non-recurring restructuring charges, cash charges for non-recurring restructuring charges to the extent such cash charges are in an aggregate amount of less than C$52,000,000 during the period commencing on October 1, 2012, Consolidated Interest Charges, foreign exchange translation gains or losses not involving the payment of cash, amortization of deferred financing costs and other non-cash financial charges, taxes, depreciation, amortization (including write-down of assets), without taking into account any goodwill adjustments, calculated on a consolidated basis, and otherwise calculated in accordance with GAAP; for greater certainty, there shall be excluded from the calculation of "Consolidated EBITDA" to the extent included in such calculation, the amount of any income or expense relating to Back-to-Back Securities.

Consolidated EBITDA shall (A) exclude the EBITDA of (a) any Person and (b) every division, line of business or group of operating assets used in carrying on a distinct business (collectively called an "Operating Business") that (in the case of either (a) or (b) above) no longer belong to the Borrower or a Subsidiary of the Borrower (a "Former Contributor") on the last day of such period which would otherwise be included in such consolidated results of operations of the Borrower because such Former Contributor or Operating Business, as the case may be, has been disposed of during such period; and (B) include the EBITDA for such period of each Person and of every Operating Business that, during such period, became (or, in the case of an Operating Business, became part of) the Borrower or of a Subsidiary of the Borrower and which is (or is comprised within) the Borrower or a Subsidiary of the Borrower on the last day of such period on a proforma basis for such period, based on audited historical results of operations, or, if unavailable, reasonable projections satisfactory to the Administrative Agent.

"**Consolidated Interest Charges**" means, for any Person, for any period for the Person and its subsidiaries, the sum of, without duplication, on a consolidated basis, (i) all items properly classified as interest expense in accordance with GAAP (other than amounts paid in respect of (A) the Back-to-Back Transactions, including under the Existing Back-to-Back Securities, (B) any non-cash foreign exchange gains or losses recognized in relation to foreign currency denominated Debt and (C) the amortization of deferred financing cost), (ii) the imputed interest component of any element of Consolidated Debt (such as capital leases) which would not be classified as interest expense pursuant to (i), and (iii) the aggregate of all purchase discounts relating to the sale of (a) bankers acceptances or other instruments sold at a discount, and (b) accounts receivable in connection with any asset securitization program, all as determined at such time in accordance with GAAP.

In circumstances where the proceeds of disposition of a Former Contributor (as defined in the definition of "Consolidated EBITDA") or its property or of an Operating Business (as defined in the definition of "Consolidated EBITDA") have been used to repay Accommodations Outstanding during such period, for the purpose of calculating Consolidated Interest Charges, the amounts so repaid shall be deducted from the Consolidated Debt on which the calculation of Consolidated Interest Charges for such period would otherwise have been made, and Consolidated Interest Charges shall be reduced accordingly on a proforma basis. Similarly, in circumstances where Consolidated Debt was incurred or assumed in connection with the acquisition of a Person or Operating Business (as defined in the definition of "Consolidated EBITDA"), the amounts so incurred or assumed shall be added to the Consolidated Debt on which the calculation of Consolidated Interest Charges for such period would otherwise have been made, and Consolidated Interest Charges shall be increased accordingly on a proforma basis.

"**Consolidated Net Tangible Assets**" means on a consolidated basis, at any time, the book value of all assets of the Borrower and its Subsidiaries less (i) current liabilities and (ii) goodwill and all other intangible assets, except separately acquired stand-alone intangible assets (such as, without limitation, 3G licences) and internally developed intangible assets (such as, without limitation, software), in each case, as appearing on the Borrower's consolidated financial statements and determined in accordance with GAAP.

"**Consolidated Senior Debt**" means, at any time, the Consolidated Debt less Subordinated Debt of the Borrower and all other unsecured Debt of the Borrower (i.e. Debt not secured by a Lien) determined in accordance with GAAP.

"**Consolidated Senior Leverage Ratio**" means, at any time, the ratio of the Consolidated Senior Debt of the Borrower to Consolidated EBITDA calculated in the manner prescribed in Section 8.02(g) at such time.

"**Contingent Obligations**" of any Person means all contingent liabilities required to be included in the financial statements of such Person in accordance with GAAP, excluding any notes thereto.

"**Control**" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "**Controlling**" has a meaning correlative thereto.

"**Credit Documents**" means this Agreement, the BA Instruments, the Letters of Credit, the Security Documents, the Hedging Agreements (excluding the Hedging Agreements referred to in paragraph (ii) of the definition of Hedging Agreements), the subordination agreements in respect of Back-to-Back Securities and all other documents (including guarantees) to be executed and delivered to the Administrative Agent, the Issuing Lender, the Lenders, their Affiliates, to any Person on their behalf, or all of them, by the Borrower or any other Person in connection with the Credit Facilities, as such documents or instruments may be amended, restated, modified, supplemented or extended from time to time.

"**Credit Facilities**" means, collectively, the Revolving Facility, Facility B, and new credit facilities created pursuant to Section 2.12, and, in the singular any one of them.

"**Debentures**" has the meaning attributed to it in Schedule 5.

"**Debt**" of any Person means, at any time, without duplication, (i) all indebtedness for borrowed money including bankers' acceptances, letters of credit or letters of guarantee; for the purposes of calculating the amount of Debt denominated in US$, the Borrower shall use the exchange rate contemplated in the hedging agreements entered into by it up to the extent to which such US$ denominated Debt is covered by such hedging agreements, (ii) Hedging Exposure relating to all hedging agreements, but without duplication of any underlying Debt that may be hedged by same, and without taking into account the currency hedging in respect of the US$ denominated Debt referred to in paragraph (i) above, (iii) all indebtedness for the deferred purchase price of property or services, whether or not represented by a note or other evidence of indebtedness, other than such obligations incurred in the ordinary course of the Person's business, and payable within a period not exceeding 150 days from the date of their incurrence, (iv) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by the Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (v) all indebtedness of another Person secured by a Lien created or assumed by the Person on any properties or assets of the Person, (vi) Contingent Obligations, (vii) all obligations under leases which have been or should be, in accordance with GAAP, recorded as capital leases or Synthetic Leases in respect of which the Person is liable as lessee, (viii) the aggregate amount at which any shares in the capital of the Person which are redeemable or retractable at the option of the holder may be retracted or redeemed for cash or Debt (provided all conditions precedent for such retraction or redemption have been satisfied), and (ix) all Debt Guaranteed by the Person; but shall not include (a) the Back-to-Back Securities and the Existing Back-to-Back Securities, and (b) for the purpose of the computation of the Consolidated Senior Leverage Ratio and the Leverage Ratio only, and to the extent that such Debt would have been included in the computation of such ratio otherwise, any Debt required to be repaid following the issuance of an irrevocable repayment notice (for greater certainty, other than Debt under the Revolving Facility or any other revolving facility not resulting in a permanent reduction of such Debt), the amount of such Debt to be excluded under this definition to correspond to the lesser of the principal amount of such Debt to be so repaid and the amount of Cash Equivalents.

"**Debt Distribution**" means, in respect of any Person, any payment made on, under, or in respect of any Debt (other than Debt under this Agreement or payments required to be made pursuant to the provisions of any pension plan of such Person in effect from time to time), including interest, sinking fund or any like payment.

"**Debt Guaranteed**" by any Person means the maximum amount which may be outstanding at any time of all Debt of the kinds referred to in (i) through (viii) of the definition of Debt which is directly or indirectly guaranteed by the Person or which the Person has agreed (contingently or otherwise) to purchase or otherwise acquire, or in respect of which the Person has otherwise assured a creditor or other Person against loss.

"**Default**" means an event which, with the giving of notice or passage of time, or both, would constitute an Event of Default.

"**Defaulting Lender**" means any Lender that (a) has failed to fund any portion of or participate in any Accommodations required to be funded or participated by it hereunder within one Business Day of the date required to be funded or participated by it hereunder, (b) has otherwise failed to pay over to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within one Business Day of the date when due, unless the subject of a good faith dispute, or (c) has been deemed insolvent or become the subject of a bankruptcy or insolvency proceeding.

"**Designated Period**" means, with respect to a Libor Advance, a period designated by the Borrower in accordance with Section 3.03.

"**Disposition**" means with respect to any Asset of any Person, any direct or indirect sale, assignment, cession, transfer (including any transfer of title or possession), exchange, conveyance, release, gift, including by means of a sale-leaseback transaction, reorganization, consolidation, amalgamation or merger; and "**Dispose**" and "**Disposed**" have meanings correlative thereto.

"**Distribution**" means a Debt Distribution or an Equity Distribution.

"**Draft**" means, at any time, (i) a bill of exchange, within the meaning of the *Bills of Exchange Act* (Canada), drawn by the Borrower on a Lender or any other Person and bearing such distinguishing letters and numbers as the Lender or the Person may determine, but which at such time has not been completed as to the payee by the Lender or the Person; or (ii) a depository bill within the meaning of the *Depository Bills and Notes Act* (Canada).

"**Drawing**" means (i) the creation and purchase of Bankers' Acceptances by a Lender or by any other Person pursuant to Article 4; or (ii) the purchase of completed Drafts by a Lender or by any other Person pursuant to Article 4.

"**Drawing Date**" means any Business Day fixed for a Drawing pursuant to Section 4.03.

"**Drawing Fee**" means, with respect to each Bankers' Acceptance or Draft drawn by the Borrower and purchased by any Person on any Drawing Date, an amount equal to the Applicable Margin, multiplied by the product of (i) a fraction, the numerator of which is the number of days, inclusive of the first day and exclusive of the last day, in the term of maturity of such Bankers' Acceptance or Draft, and the denominator of which is 365 or 366 (in the case of a leap year), as the case may be, and (ii) the aggregate Face Amount of the Bankers' Acceptance or Draft.

"**Drawing Notice**" has the meaning specified in Section 4.03(1).

"**Drawing Price**" means, in respect of Bankers' Acceptances or Drafts purchased by a Revolving Lender or a Facility B-2 Lender or any other Person, the result obtained by multiplying (a) the aggregate Face Amount of the Bankers' Acceptances or Drafts by (b) the amount (rounded up or down to the fifth decimal place with .000005 being rounded up) determined by dividing one by the sum of one plus the product of (x) the Reference Discount Rate, and (y) a fraction the numerator of which is the number of days to maturity of the Bankers' Acceptances or Drafts and the denominator of which is 365.

"**Drawing Proceeds**" means, in respect of any Bankers' Acceptance or Draft purchased by a Lender or any other Person, an amount equal to (i) the Drawing Price in respect of such Bankers' Acceptance or Draft; minus (ii) the applicable Drawing Fee in respect of such Bankers' Acceptance or Draft.

"**Effective Date**" has the meaning ascribed thereto in Section 6.01B.

"**Eligible Assignee**" means (a) a Lender; (b) an Affiliate of a Lender; (c) an Approved Fund; and (d) any other Person (other than a natural person) approved by (i) the Administrative Agent, (ii) in the case of any assignment of a Commitment under the Revolving Facility, the Issuing Lender, and (iii) unless a Default has occurred and is continuing, the Borrower (each such approval not to be unreasonably withheld or delayed, provided that solely in the case of an assignment by a Revolving Lender, the consent of the Borrower shall not be unreasonably withheld or delayed if the Eligible Assignee is funding its Commitment out of the United States of America or Canada, but may be withheld in the Borrower's discretion if the Commitments are being funded from elsewhere); provided that notwithstanding the foregoing, "Eligible Assignee" shall not include the Borrower or any of the Borrower's Affiliates or Subsidiaries.

"**Environmental Laws**" means all applicable Laws relating to the environment, health and safety matters or conditions, Hazardous Substances, pollution or protection of the environment, including Laws relating to (i) on site or off-site contamination; (ii) occupational health and safety relating to Hazardous Substances; (iii) chemical substances or products; (iv) Releases of pollutants, contaminants, chemicals or other industrial, toxic or radioactive substances or Hazardous Substances into the environment; and (v) the manufacture, processing, distribution, use, treatment, storage, transport or handling of Hazardous Substance.

"**Environmental Liabilities and Costs**" means all Losses and Claims under applicable Environmental Laws, whether known or unknown, current or potential, past, present or future, imposed by, under or pursuant to Environmental Laws or otherwise relating to any Environmental Law, including all Losses and Claims related to Remedial Actions and all reasonable fees, disbursements and expenses of counsel, experts, personnel and consultants, where such Losses and Claims are based on, arise out of or are otherwise in respect of (i) the ownership or operation of the Business or any Assets related to the Business; (ii) the conditions on, under, above or about any real property, assets, equipment or facilities currently or previously owned, leased or operated by the Borrower or any of its Subsidiaries; (iii) expenditures necessary to cause the operations of the Business or Assets either related to the Business or owned, leased or operated by the Borrower or any of its Subsidiaries to comply materially with any and all environmental requirements, including expenditures in connection with obtaining all Environmental Permits; (iv) expenditures necessary to effect the environmental closure, environmental decommissioning or environmental rehabilitation of any of the operations of the Business or Assets either related to the Business or owned, leased or operated by the Borrower or any of its Subsidiaries; (v) liability for personal injury or property damage, including damages assessed for the maintenance of a public or private nuisance; and (vi) any other matter affecting the Owned Properties, the Leased Properties or other Assets of the Borrower or any of its Subsidiaries relating to any Environmental Law or otherwise within the jurisdiction of any Governmental Entity administering any Environmental Law.

"**Environmental Notice**" means any claim, citation, directive, request for information, statement of claim, notice of investigation, letter or other communication, written or oral, actual or threatened, from any Person to the Borrower or any of its Subsidiaries relating to any Environmental Laws.

"**Environmental Permits**" includes all permits, certificates, approvals, registrations and licences issued by any Governmental Entity to the Borrower or any of its Subsidiaries or to the Business pursuant to Environmental Laws and required for the operation of the Business or the use of the Owned Properties, Leased Properties or other Assets of the Borrower or any of its Subsidiaries.

"**Equity Distributions**" means, in respect of any Person, (i) any dividend or other distribution on issued shares of such Person and (ii) the purchase, redemption or retirement amount of any issued shares, warrants or any other options or rights to acquire shares of the Person redeemed or purchased by the Person.

"**Equivalent Amount**" means on any given day, as applicable, the amount of a currency (the "**First Currency**", being US Dollars or Canadian Dollars) into which another currency (the "**Other Currency**", being US Dollars or Canadian Dollars) may be converted using for the purposes of such conversion the rate and method set forth in Article 11 at which such Other Currency may be converted into the First Currency.

"**ERISA**" means the *Employee Retirement Income Security Act of 1974* of the United States of America, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"**ERISA Affiliate**" means any Person that, for purposes of Title IV of ERISA, is a member of (a) a controlled group of corporations, group of trades or businesses under common control, or an affiliated service group, within the meaning of Section 414 (b), (c) or (m) of the Internal Revenue Code, of which the Borrower or any Subsidiary is a member, or (b) any group treated as a single employer under Section 414(o) of the Internal Revenue Code of which the Borrower or any Subsidiary is a member.

"**Event of Default**" has the meaning specified in Section 9.01.

"**ERISA Event**" means:

(a)

(i) the occurrence of a reportable event, within the meaning of Section 4043 of ERISA, with respect to any Plan unless the 30-day notice requirement with respect to such event has been waived by the PBGC, or

(ii) the requirements of subsection (1) of Section 4043(b) of ERISA (without regard to subsection (2) of such Section) are met with respect to a Plan of a contributing sponsor, as defined in Section 4001(a)(13) of ERISA, and an event described in paragraph (9), (10), (11), (12) or (13) of Section 4043(c) of ERISA is reasonably expected to occur with respect to such Plan within the following 30 days,

(b) the application for a minimum funding waiver with respect to a Plan is submitted under Section 303 of ERISA or Section 412 of the Internal Revenue Code,

(c) the provision by the administrator of any Plan of a notice of intent to terminate such Plan, pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA),

(d) the cessation of operations at a facility of the Borrower or any Subsidiary or any ERISA Affiliate in the circumstances described in Section 4062(e) of ERISA,

(e) the withdrawal by the Borrower or any Subsidiary or any ERISA Affiliate from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA,

(f) the conditions for imposition of a lien under Section 302(f) of ERISA shall have been met with respect to any Plan,

(g) the adoption of an amendment to a Plan requiring the provision of security to such Plan pursuant to Section 307 of ERISA, or

(h) the institution by the PBGC of proceedings to terminate a Plan pursuant to Section 4042 of ERISA, or the occurrence of any event or condition described in Section 4042 of ERISA that constitutes grounds for the termination of, or the appointment of a trustee to administer, such Plan.

"**Existing Back-to-Back Debt**" means the transactions set forth in Schedule 1.01-A, in each case in aggregate principal amount outstanding on the Effective Date, with respect to which each party thereto, other than the Borrower, has executed a subordination agreement in favour of the Administrative Agent for the Lenders in substantially the form attached as Schedule 7.

"**Existing Back-to-Back Preferred Shares**" means the Preferred Shares and related transactions described in Schedule 1.01-B.

"**Existing Back-to-Back Securities**" means the Existing Back-to-Back Debt and the Existing Back-to-Back Preferred Shares.

"**Existing Tax Benefit Transactions**" means the transactions described in Schedule 1.01-C.

"**Face Amount**" means (i) in respect of a BA Instrument, the amount payable to the holder on its maturity; and (ii) in respect of a Letter of Credit, the maximum amount which the Issuing Lender is contingently liable to pay to the Beneficiary thereof.

"**Facility B**" means the term credit facility in an amount of US$0 made available to the Borrower in accordance with Article 2, and is comprised of the Facility B-1 Tranche and, if applicable, the Facility B-2 Tranche.

"**Facility B Commitment**" refers collectively to the Facility B-1 Commitment and the Facility B-2 Commitment.

"**Facility B Lenders**" refers collectively to the Facility B-1 Lenders and the Facility B -2 Lenders and "**Facility B Lender**" refers individually to any such Lender.

"**Facility B-1 Commitment**" means US$0 as such amount may be decreased pursuant to Article 2.

"**Facility B-1 Lender**" means a Lender which has a Facility B-1 Commitment.

"**Facility B-1 Tranche**" means a portion of Facility B in an amount of up to US$0 made available to the Borrower by Facility B-1 Lenders, if any.

"**Facility B-2 Commitment**" means C$0 as such amount may be decreased pursuant to Article 2.

"**Facility B-2 Lender**" means a Lender which has a Facility B-2 Commitment and which is able and willing to make Accommodations to the Borrower in Canadian Dollars.

"**Facility B-2 Tranche**" means a portion of Facility B in an amount of up to C$0 made available to the Borrower by Facility B-2 Lenders, if any.

"**Federal Funds Effective Rate**" means, for any period, a fluctuating interest rate per annum equal, for each day during such period, to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by Federal Funds brokers as published for such day (or, if such day is not a Business Day, for the immediately preceding Business Day) by the Federal Reserve Bank of New York or, for any day on which such rate is not so published for such day by the Federal Reserve Bank of New York, the average of the quotations for such day for such transactions received by the Administrative Agent from three Federal Funds brokers of recognized standing selected by the Administrative Agent. If for any reason the Administrative Agent shall have determined (which determination shall be conclusive, absent manifest error) that it is unable to ascertain the Federal Funds Effective Rate for any reason, including without limitation, the inability or failure of the Administrative Agent to obtain sufficient bids or publications in accordance with the terms hereof, Bank of America N.A.'s announced US Prime Rate will apply.

"**Fees**" means the fees payable by the Borrower under this Agreement.

"**Financial Quarter**" means, in respect of any Person, a period of three consecutive months in each Financial Year of such Person ending on March 31, June 30, September 30, and December 31, as the case may be, of such year.

"**Financial Year**" means, in respect of any Person, its financial year commencing on January 1 of each calendar year and ending on December 31 of the same calendar year.

"**Fund**" means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"**GAAP**" means, at any time, accounting principles generally accepted in Canada as recommended in the Handbook of the Canadian Institute of Chartered Accountants at the relevant time applied on a consistent basis (except for changes approved by the Borrower's independent auditors in accordance with promulgations of the Canadian Institute of Chartered Accountants).

"**Governmental Entity**" means any (i) multinational, federal, provincial, state, municipal, local or other government, governmental or public department, central bank, court, commission, board, bureau, agency or instrumentality, domestic or foreign, (ii) any subdivision or authority of any of the foregoing, or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the above.

"**Hazardous Substance**" means any substance, waste, liquid, gaseous or solid matter, fuel, micro-organism, sound, vibration, ray, heat, odour, radiation, energy, plasma and organic or inorganic matter, alone or in any combination which is regulated under any applicable Environmental Laws, hazardous, hazardous waste, toxic, a pollutant, a deleterious substance, a contaminant or a source of pollution or contamination under any Environmental Law.

"**Hedging Agreements**" means one or more agreements between the Borrower and one or more of the Lenders or their Affiliates evidencing (A) any interest rate hedge (including any interest rate swap, cap or collars), (B) any commodities hedge or (C) any foreign exchange hedge.

"**Hedging Exposure**" means the aggregate amount that would be payable to all Persons by the Borrower on any date of determination pursuant to (a) Section 6(e)(i)(3) of each ISDA Master Agreement entered into using the 1992 ISDA Master Agreement and (b) Section 6(e)(i) of each ISDA Master Agreement entered into using the 2002 ISDA Master Agreement, in each case between the Borrower and such Persons as if all hedging agreements under such ISDA Master Agreements were being terminated on that day; provided that, for the purpose of such determination, with respect to Hedging Agreements between a Lender and the Borrower entered into using (y) the 1992 ISDA Master Agreement, such Lender will be deemed to be the Non-defaulting Party (as such term is defined in the 1992 ISDA Master Agreement) and will determine *Market Quotation* (as such term is defined in the 1992 ISDA Master Agreement) using its estimates at mid-market of the amounts that would be paid for Replacement Transactions (as such term is defined in the 1992 ISDA Master Agreement), and (z) the 2002 ISDA Master Agreement, such Lender will be deemed to be the Non-defaulting Party (as such term is defined in the 2002 ISDA Master Agreement) and will determine the Close-Out Amount (as such term is defined in the 2002 ISDA Master Agreement).

"**Immaterial Subsidiary**" means, at any time, any Subsidiary of the Borrower accounting individually and on a non-consolidated basis, to less than 2% of Consolidated Net Tangible Assets and 2% of Consolidated EBITDA of the Borrower, provided that at the time of such determination: (i) the aggregate principal amount of any Indebtedness owed by such

Subsidiary to the Borrower or any other Subsidiary of the Borrower at such time does not exceed C$25,000,000; (ii) no such Subsidiary is a party to any Back-to-Back Transaction or Tax Benefit Transaction; and (iii) no Material Subsidiary can be a Subsidiary of an Immaterial Subsidiary.

"**Impermissible Qualification**" means, relative to the opinion or report of any independent auditors as to any financial statement, any qualification or exception to such opinion or report which (i) is of a "going concern" or similar nature; (ii) relates to any limited scope of examination of material matters relevant to such financial statement, if such limitation results from the refusal or failure of the Borrower to grant access to necessary information therefor; or (iii) relates to the treatment or classification of any item in such financial statement and which, as a condition to its removal, would require an adjustment to such item the effect of which could reasonably be expected to have a Material Adverse Effect.

"**Indemnified Person**" has the meaning specified in Section 12.06(1).

"**Interest Charges**" means for any Person, for any period for the Person, the sum of, without duplication, (i) all items properly classified as interest expense in accordance with GAAP (other than amounts paid in respect of (A) the Back-to-Back Transactions, including under the Existing Back-to-Back Securities, (B) any non-cash foreign exchange gains or losses recognized in relation to foreign currency denominated Debt and (C) the amortization of deferred financing cost), (ii) the imputed interest component of any element of Debt (such as capital leases) which would not be classified as interest expense pursuant to (i), and (iii) the aggregate of all purchase discounts relating to the sale of (a) bankers acceptances or other instruments sold at a discount, and (b) accounts receivable in connection with any asset securitization program, all as determined at such time in accordance with GAAP.

"**Interest Coverage Ratio**" means the ratio of Consolidated EBITDA to Consolidated Interest Charges, calculated in the manner prescribed in Section 8.03(b) at such time.

"**Internal Revenue Code**" means the Internal Revenue Code of 1986 of the United States, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"**Investments**" means all investments, in cash or by delivery of property, made directly or indirectly in any Person, whether by acquisition of shares of capital stock, or other obligations or securities or by loan, advance, capital contribution, guarantees or otherwise, and includes any Acquisition; *provided, however,* that "Investments" shall not mean or include investments in cash or Cash Equivalents or routine investments in inventory, equipment and supplies to be used or consumed, or trade credit granted, in the ordinary course of the Business.

"**Issuing Lender**" has the meaning attributed to it in the definition of "Letter of Credit". For the purposes hereof, the Issuing Lender shall be Bank of America N.A., Canada Branch, unless such Issuing Lender no longer wishes to act as such, in which case the provisions of Section 10.06 hereof shall apply, *mutatis mutandis*, except that only the Revolving Lenders (and not the Facility B Lenders) shall appoint such replacement Issuing Lender.

"**ISDA Master Agreement**" either the ISDA Master Agreement (Multi-Currency – Cross Border – 1992) (the "**1992 ISDA Master Agreement**") or the ISDA 2002 Master Agreement (the "**2002 ISDA Master Agreement**"), each as published by the International Swaps and Derivatives Association, Inc. and, where the context permits or requires, includes all schedules, supplements, annexes and confirmations attached thereto or incorporated therein, as such agreement may be amended, supplemented or replaced from time to time.

"**ISP**" means, with respect to any Letter of Credit, the "International Standby Practices 1998" published by the Institute of International Banking Law and Practice (or such later version thereof as may be in effect at the time of issuance).

"**ITA**" means the *Income Tax Act* (Canada) and the regulations promulgated thereunder, as amended, supplemented or re-enacted from time to time.

"**Laws**" means all legally enforceable statutes, codes, ordinances, decrees, rules, regulations, municipal by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards, policies, voluntary restraints, guidelines, or any provisions of the foregoing, including general principles of common and civil law and equity, binding on or affecting the Person referred to in the context in which such word is used; and "**Law**" means any one of the foregoing.

"**Leased Properties**" means the real and immoveable properties forming the subject matter of the Leases to which the Borrower or any of its Subsidiaries is a party.

"**Leases**" means the leases and subleases of real or immoveable property to which the Borrower or any of its Subsidiaries is a party providing, in each case, for annual rental payments in respect thereof of an amount greater than C$500,000.

"**Lenders**" means, collectively, the financial institutions and other Persons set forth on the signature pages hereof as Lenders, and any Eligible Assignee thereof upon such Eligible Assignee executing and delivering an Assignment and Assumption to the Borrower and the Administrative Agent, and, in the singular, any one of such Lenders. When used in connection with "Hedging Agreements", the term "Lender" shall include any Affiliate of a Lender. When used in connection with the Security, the term "Lender" shall include any counterparty to a Hedging Agreement, provided that the counterparty was a Lender or an Affiliate of a Lender, at the time any such Hedging Agreement was entered into. As the context requires, the term "Lender" also includes the Issuing Lender.

"**Letter of Credit**" means a C$ or US$ denominated standby letter of credit issued or to be issued by an Issuing Lender (an "**Issuing Lender**") under the Revolving Facility for the account of the Borrower, issued in the name of the Borrower or any of its Subsidiaries pursuant to Article 5.

"**Letter of Credit Application Form**" has the meaning ascribed thereto in Section 5.01(3).

"**Leverage Ratio**" means, at any time, the ratio of Consolidated Debt of the Borrower and its Subsidiaries to Consolidated EBITDA, calculated in the manner prescribed in Section 8.03(a) at such time.

"**LIBOR**" means, with respect to any Designated Period relating to a Libor Advance:

(a) the rate per annum equal to the rate determined by the Administrative Agent to be the offered rate that appears on LIBOR01 Reuters Monitor Screen (or any successor thereto) that displays an average British Bankers Association Interest Settlement Rate for deposits in US Dollars (for delivery on the first day of such Designated Period) with a term equivalent to such Designated Period, determined as of approximately 11:00 a.m. (London time) two Banking Days prior to the first day of such Designated Period, or

(b) if the rate referenced in the preceding clause (a) does not appear on such page or service or such page or service shall not be available, the rate per annum equal to the rate determined by the Administrative Agent to be the offered rate on such other page or other service that displays an average British Bankers Association Interest Settlement Rate for deposits in US Dollars (for delivery on the first day of such Designated Period) with a term equivalent to such Designated Period, determined as of approximately 11:00 a.m. (London time) two Banking Days prior to the first day of such Designated Period, or

(c) if the rates referenced in the preceding clauses (a) and (b) are not available, the rate per annum determined by the Administrative Agent as the rate of interest at which deposits in US Dollars for delivery on the first day of such Designated Period in same day funds in the approximate amount of the Libor Advance being made, continued or converted by the Lender that is the Administrative Agent and with a term equivalent to such Designated Period as would be offered by the Lender that is the Administrative Agent's London Branch (or, if it has none, Bank of America's London Branch) to major banks in the London interbank eurodollar market at their request at approximately 4:00 p.m. (London time) two Banking Days prior to the first day of such Designated Period.

With respect to a Libor Advance to be made by a Lender which is subject to the regulations issued from time to time by the Board of Governors of the Federal Reserve System in the USA in respect of such Libor Advances, the rate determined in paragraphs (a), (b) or (c) above (the "**Quoted Rate**") shall be adjusted for reserve requirements in accordance with the following formula to obtain the applicable LIBOR:

$$\text{LIBOR} = \frac{\text{Quoted Rate}}{1.00 - \text{Reserve Percentage}}$$

where "**Reserve Percentage**" means the rate (expressed as a decimal) applicable to the relevant Lender, during the relevant Designated Period under regulations, directives or guidelines issued from time to time by the Board of Governors of the Federal Reserve System (in the USA) or any successor thereof, for determining the reserve requirement applicable to the applicable Credit Facility or to facilities similar thereto (including any basic, supplemental, emergency or marginal reserve requirement) of such Lender, respectively, with respect to "Eurocurrency liabilities", as that term is defined under such regulations or for the purposes of complying with such directives or guidelines. All adjustments to the Quoted Rate shall occur and be effective as of the effective date of any change in the Reserve Percentage, and the Administrative Agent will use reasonable efforts to advise the Borrower of any such change as soon as practicable (provided that the Administrative Agent shall not be liable if it fails to do so).

"**Libor Advance**" means, at any time, the part of the Advances in US$ under any Credit Facility with respect to which the Borrower has chosen to pay interest on the Libor Basis.

"**Libor Basis**" means the basis of calculation of interest on Libor Advances, or any part thereof, made in accordance with the provisions of Section 3.10.

"**Lien**" means Security Interests, adverse claims, defects of title, restrictions, deposit arrangements, voting trusts, any other rights of third parties relating to any property and any other lien of any kind.

"**Loss**" means any loss whatsoever, whether direct or indirect, including expenses, costs, damages, judgments, penalties, fines, charges, claims, demands, liabilities and any and all legal fees and disbursements, except any such loss representing loss of profit.

"**Majority Lenders**" means, at any time, Lenders whose Commitments under a Credit Facility or all Credit Facilities, as applicable, taken together, are more than 50% of the aggregate amount of the Commitments under a particular Credit Facility or under all Credit Facilities, as applicable.

"**Mandatory Prepayment**" has the meaning specified in Section 2.05.

"**Material Adverse Effect**" means, with respect to any event or occurrence of whatever nature (including any adverse determination in any litigation, arbitration or governmental investigation or proceeding), (a) a material adverse effect on the Business, properties, prospects, condition (financial or otherwise), assets, operations, liabilities (actual and contingent) or income of the Borrower and its Subsidiaries, taken as a whole, (b) a material adverse effect on the ability of the Borrower to perform any of its material obligations under any of the Credit Documents, or (c) any material impairment of the rights, remedies or benefits available to the Administrative Agent or any Lender under any Credit Document.

"**Material Agreements**" means the agreements to which the Borrower is a party described in Schedule 7.01(p) and such other agreements of which the Administrative Agent may, from time to time, be notified by the Borrower, in each case where such agreements are necessary to the business of the Borrower, and the absence of which would reasonably be expected to have a Material Adverse Effect.

"**Material Subsidiary**" means, at any time, Vidéotron Ltée. and any other Subsidiary of the Borrower which is not an Immaterial Subsidiary.

"**Maximum Increase Amount**" means C$800,000,000.

"**Multiemployer Plan**" means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which the Borrower or any Subsidiary or any ERISA Affiliate is obligated to make, or is accruing an obligation to make, contributions at the time in question, or has, within any of the preceding five plan years made or accrued an obligation to make, contributions.

"**Multiple Employer Plan**" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that:

(a) at the time in question is maintained for employees of the Borrower or any Subsidiary or any ERISA Affiliate and at least one Person other than the Borrower or any such Subsidiary or ERISA Affiliates, or

(b) was so maintained and in respect of which the Borrower or any Subsidiary or ERISA Affiliate could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

"**Net Proceeds**" means any one or more of the following:

(i) with respect to any Disposition of Assets by the Borrower, the net amount equal to the aggregate amount received in cash (including any cash received by way of deferred payment pursuant to a note, receivable, other non-cash consideration or otherwise, but only as and when such cash is so received) in connection with such Disposition, less the sum of (x) amounts payable to any Person other than an Affiliate of the Borrower to discharge or radiate Permitted Liens on the Assets being Disposed, (y) reasonable fees (including, without limitation, reasonable legal fees), commissions and other out-of-pocket expenses incurred or paid for by the Borrower to any Person other than an Affiliate of the Borrower in connection with such Disposition, and (z) taxes incurred in connection with such Disposition, whether payable at such time or thereafter; and

(ii) with respect to the issuance of any securities by the Borrower or of any capital contributions by any Person in the Borrower, the net amount equal to the aggregate amount received in cash in connection with such issuance or contribution by any Person in the Borrower less the reasonable fees (including without limitation, reasonable legal fees), commissions and other out-of-pocket expenses owed or paid to any Person other than an Affiliate of the Borrower.

"**Non-Schedule I Reference Banks**" means Bank of America, N.A, Canada Branch and Credit Suisse, Toronto Branch.

"**Owned Properties**" means collectively the lands and premises owned by the Borrower or any of its Subsidiaries and the Buildings and Fixtures thereon.

"**Overdraft Facility**" means the overdraft facility made available to the Borrower by Canadian Imperial Bank of Commerce (or any successor and assigns) in an amount not exceeding C$10,000,000, as same may be replaced or refinanced at any time.

"**Participant**" has the meaning specified in Section 12.08.

"**PBGC**" means the Pension Benefit Guaranty Corporation of the United States (or any successor thereto).

"**Péladeau Group**" means any (i) individual who is related by blood, adoption or marriage to the late Pierre Péladeau, (ii) any trust (whether testamentary or otherwise) the beneficiaries of which are all individuals described in (i); or (iii) any corporation or partnership which is controlled, directly or indirectly, by one or more individuals referred to in (i) or a trust referred to in (ii), or any combination thereof.

"**Permitted Debt**" means (i) Debt under this Agreement and under the Overdraft Facility; (ii) the Senior Notes; (iii) Subordinated Debt; (iv) the Back-to-Back Securities and Existing Back-to-Back Securities; (v) obligations pursuant to the Hedging Agreements or other hedging arrangements permitted hereunder; (vi) Debt of the Borrower secured by Purchase Money Mortgages permitted hereunder; (vii) the Press Investment Debt; (viii) unsecured Debt; (ix) Debt of the Borrower by way of loans secured by one or more of the Liens permitted under clause (y) of the definition of "Permitted Liens"; (x) any other Debt of the Borrower secured by Liens permitted under clause (z) of the definition of "Permitted Liens"; and (xi) any indebtedness incurred to refinance or replace any of the foregoing; provided that with respect to the Permitted Debt referred to in clauses (iii), (iv), (v), (vi), (vii), (viii), (ix), (x) and (xi), no Default shall have occurred and be continuing and no Event of Default shall have occurred and not been waived at the time of the incurrence of such Debt, and provided further that with respect to the Permitted Debt referred to in clause (ix) only, such Debt shall have a weighted average life maturing on or after January 15, 2017 and the terms and conditions applicable to such Debt (other than the pricing of such Debt) are not more restrictive to the Borrower and its Subsidiaries than those applicable to the Revolving Facility.

"**Permitted Debt Distribution**" means (i) payments (other than voluntary early repayments or defeasance payments) on account of Permitted Debt (including a premium and fees, if any, thereon), other than the Senior Notes, any Subordinated Debt, the Press Investment Debt, the Overdraft Facility, Debt permitted pursuant to clauses (vi), (ix) and (x) of the definition of Permitted Debt, the Back-to-Back Securities and the Existing Back-to-Back Securities; (ii) regularly scheduled payments of interest on the Senior Notes and on Subordinated Debt; (iii) any payment on account of the Press Investment Debt, and related hedging agreements; (iv) any payment on account of the Overdraft Facility and of Debt permitted pursuant to clauses (vi), (ix) and (x) of the definition of Permitted Debt provided however that, in respect of any Debt permitted pursuant to clause (ix) of the definition of "Permitted Debt", any voluntary early repayments or defeasance payments of such Debt shall not be financed out of advances under the Revolving Facility; (v) payments made in connection with or in respect of the Back-to-Back Securities or the Existing Back-to-Back Securities; provided, however, that to the extent such payments are made to any Affiliates of the Borrower other than QMI Entities, all corresponding payments required to be paid by such Affiliates pursuant to the related Back-to-Back Securities or Existing Back-to-Back Securities are received, immediately prior to, concurrently with or immediately subsequent to any such payments, by the Borrower, and each such payment by the Borrower shall be conditional upon receipt of an equal or greater amount from such Affiliate; (vi) any Tax Benefit Transaction; and (vii) any payments on account of the refinancing of Senior Notes, other unsecured Debt and Subordinated Debt if the funds used for such payments are obtained by the Borrower from: (A) Subordinated Debt or unsecured Debt having a term expiring after the term of the Debt being

repaid and refinanced with such funds; or (B) subject to Section 2.05(3), the unused Net Proceeds from the issuance of any equity securities by the Borrower; provided that with respect to the Permitted Debt Distributions referred to in clauses (i) and (v), no Default shall have occurred and be continuing and no Event of Default shall have occurred and not been waived at the time of such payment; notwithstanding the foregoing, the repayment of the principal of any unsecured Debt or Subordinated Debt (other than the Permitted Debt Distributions referred to in clause (vi), and, to the extent such Debt has become unsecured, clauses (iii) and (iv)) shall not constitute a Permitted Debt Distribution to the extent that such repayment is made out of the proceeds of an increase of Facility B or of any new Credit Facility contemplated by Section 2.12.

"**Permitted Distributions**" means the Equity Distributions permitted pursuant to Section 8.02(g) and the Permitted Debt Distributions.

"**Permitted Liens**" means, in respect of any Person, any one or more of the following:

(a) Liens for taxes, assessments or governmental charges or levies which are not delinquent or the validity of which is being contested at the time by the Person in good faith by proper legal proceedings if, in the Administrative Agent's opinion, either (i) adequate provision has been made for their payment, or (ii) the Liens are not in the aggregate materially prejudicial to the security constituted by the Security Documents;

(b) inchoate or statutory Liens of contractors, subcontractors, mechanics, workers, suppliers, materialmen, carriers and others in respect of construction, maintenance, repair or operation of assets of the Person, provided that such Liens are related to obligations not due or delinquent, are not registered against title to any Assets of the Person and in respect of which adequate holdbacks are being maintained as required by applicable law or such Liens are being contested in good faith by appropriate proceedings and in respect of which there has been set aside a reserve (segregated to the extent required by GAAP) in an adequate amount and provided further that such Liens do not, in the Administrative Agent's opinion, materially reduce the value of the Assets of the Person or materially interfere with the use of such Assets in the operation of the business of the Person;

(c) easements, rights-of-way, servitudes, restrictions and similar rights in real property comprised in the Assets of the Person or interests therein granted or reserved to other Persons, provided that such rights do not, in the Administrative Agent's opinion, materially reduce the value of the Assets of the Person or materially interfere with the use of such Assets in the operation of the business of the Person;

(d) title defects or irregularities which are of a minor nature and which, in the Administrative Agent's opinion, do not materially reduce the value of the Assets of the Person or materially interfere with their use in the operation of the business of the Person;

(e) Liens securing appeal bonds and other similar Liens arising in connection with court proceedings (including, without limitation, surety bonds, security for costs of litigation where required by law and letters of credit) or any other instruments serving a similar purpose, which do not, in the Administrative Agent's opinion, materially reduce the value of the Assets of the Person or materially interfere with their use in the operations of the business of the Person;

(f) attachments, judgments and other similar Liens arising in connection with court proceedings; provided, however, that the Liens are in existence for less than 10 days after their creation or the execution or other enforcement of the Liens is effectively stayed or the claims so secured are being actively contested in good faith and by proper legal proceedings;

(g) the reservations, limitations, provisos and conditions, if any, expressed in any original grant from the Crown of any real property or any interest therein or in any comparable grant in jurisdictions other than Canada, provided they do not, in the Administrative Agent's opinion, materially reduce the value of the Assets of the Person or materially interfere with the use of such Assets in the operation of the business of the Person;

(h) Liens given to a public utility or any municipality or governmental or other public authority when required by such utility or other authority in connection with the operation of the business or the ownership of the Assets of the Person, provided that such Liens do not, in the Administrative Agent's opinion, materially reduce the value of the Assets of the Person or materially interfere with their use in the operation of the business of the Person;

(i) servicing agreements, development agreements, site plan agreements, and other agreements with Governmental Entities pertaining to the use or development of any of the Assets of the Person, provided same are complied with and do not in the Administrative Agent's opinion, materially reduce the value of the Assets of the Person or materially interfere with their use in the operation of the business of the Person including, without limitation, any obligations to deliver letters of credit and other security as required;

(j) applicable municipal and other governmental restrictions, including municipal by-laws and regulations, affecting the use of land or the nature of any structures which may be erected thereon, provided such restrictions have been complied with and do not in the Administrative Agent's opinion, materially reduce the value of the Assets of the Person or materially interfere with their use in the operation of the business of the Person;

(k) the right reserved to or vested in any Governmental Entity by any statutory provision or by the terms of any lease, licence, franchise, grant or permit of the Person, to terminate any such lease, licence, franchise, grant or permit, or to require annual or other payments as a condition to the continuance thereof;

(l) Liens in favour or for the benefit of the Administrative Agent and the Lenders created by the Security Documents;

(m) Liens in favour of a Lender or an Affiliate of a Lender for their benefit securing obligations under the Hedging Agreements which rank, as to priority, *pari passu* with the Accommodations Outstanding and any other amounts owing hereunder;

(n) intentionally deleted;

(o) a Lien (other than a Security Interest) on the interest of such Person in any non-wholly owned partnership or corporation that is granted under the terms of the partnership or shareholders agreement to secure the obligations of such Person to the other partners or shareholders under that agreement;

(p) Purchase Money Mortgages in an aggregate amount outstanding at any time not exceeding C$50,000,000;

(q) any rights of a landlord or sub-landlord under applicable Law or the rights of a lessor or sub-lessor under an operating lease;

(r) deposits to secure the performance of leases of property in the ordinary course of business;

(s) intentionally deleted;

(t) intentionally deleted;

(u) the Liens granted by the Borrower on the universality of its movable property, including the Vidéotron Shares, in connection with the Press Investment Debt, provided however that such Liens are *pari passu* with the Liens created under the Security Documents and are created pursuant to security documents containing terms and conditions substantially similar to the terms and conditions of the Security Documents or terms and conditions satisfactory to the Administrative Agent;

(v) Any renewal, extension, substitution, replacement or refinancing of the foregoing, provided that such renewal, extension, substitution, replacement or refinancing Lien shall not cover any property other than the property that was subject to such Lien prior to such renewal, extension, substitution, replacement or refinancing; and provided, further that the Debt and other obligations secured by such renewal, extension, substitution, replacement or refinancing Lien are permitted by this Agreement;

(w) Liens on any specific Asset acquired through a Tax Benefit Transaction provided such Liens do not extend to any Assets other than such specific Asset and provided further that such Liens are fully discharged or such specific Assets is sold within 5 Business Days of such transaction;

(x) Liens granted by the Borrower on the universality of its movable property, including the Vidéotron Shares, to secure the payment and performance of the obligations of the Borrower under the Overdraft Facility, provided however that such Liens are pari passu with the Liens created under the Security Documents and are created pursuant to security documents containing terms and conditions substantially similar to the terms and conditions of the Security Documents or terms and conditions satisfactory to the Administrative Agent;

(y) Liens (which, for greater certainty, shall exclude the Liens contemplated in clause (e) above of this definition) granted by the Borrower on the universality of its movable property, including the Vidéotron Shares, in connection with any Debt of the Borrower by way of loans, provided however that such Liens are pari passu with the Liens created under the Security Documents and are created pursuant to security documents containing terms and conditions substantially similar to the terms and conditions of the Security Documents or terms and conditions satisfactory to the Administrative Agent acting reasonably, and provided further however that the aggregate amount of Debt by way of loans secured by such pari passu Liens (such Debt including, without limitation, the Commitments under this Credit Agreement, the Press Investment Debt and the Overdraft Facility) does not at any time exceed C$1,250,000,000; and

(z) any other Liens securing any obligation (including, but not limited to, Debt) which does not at any time exceed C$25,000,000.

"**Person**" means a natural person, partnership, corporation, joint stock company, trust, unincorporated association, joint venture or other entity or Governmental Entity, and pronouns that have a similarly extended meaning.

"**Plan**" means a Single Employer Plan or a Multiple Employer Plan.

"**Press Investment**" means the investment of the Borrower, directly or indirectly, in the construction of the new printing plant north of Montreal and the new printing facility in the Greater Toronto area.

"**Press Investment Debt**" means the financing put in place by Société Générale (Canada) in connection with the Press Investment in an amount not exceeding €60,000,000 or the equivalent in Canadian Dollars.

"**Prime Rate Advance**" means, at any time, the portion of the Advances in Canadian Dollars with respect to which the Borrower has chosen, or, in accordance with the provisions hereof, is obliged, to pay interest calculated in accordance with the provisions of Section 3.08.

"**Purchase Money Mortgage**" means, in respect of any Person, any Security Interest charging property acquired by such Person, which is granted or assumed by such Person in connection with the acquisition of such property and within not more than 60 days following such acquisition, reserved by the transferor (including any reservation of title in respect of any lease recorded as a capital lease) or which arises by operation of Law in favour of the transferor concurrently with and for the purpose of the acquisition of such property, in each case where (i) the principal amount secured by such Security Interest is not in excess of the cost to such Person of the property acquired; and (ii) such Security Interest extends only to the property acquired.

"**QMI Entities**" means the Borrower and its Subsidiaries and "**QMI Entity**" means any one of them.

"**Quebecor**" means Quebecor Inc., a corporation incorporated and subsisting under the laws of Quebec.

"**Reference Discount Rate**" means, for any Drawing Date, in respect of any Bankers' Acceptances or Drafts to be purchased pursuant to Article 4 by (i) a Schedule I chartered bank, the average Bankers' Acceptance discount rate for the appropriate term as quoted on Reuters Screen CDOR Page (or such other page as is a replacement page for such Bankers' Acceptances) at 10:00 a.m. (Toronto time); and (ii) by any other Lender or Person, the lesser of (y) the arithmetic average of the actual discount rate quoted by at least one, but not more than two, non-Schedule I Reference Banks; and (z) the rate specified in (i) plus 0.10%. If such rate is not available as of such time, then the discount rate in respect of such Banker's Acceptances and Drafts shall mean the arithmetic average of the discount rates (calculated on an annual basis and rounded to the nearest one-hundredth of 1%, with five-thousandths of 1% being rounded up) quoted by Bank of America N.A., Canada Branch, by Royal Bank of Canada and by The Toronto-Dominion Bank at 10:00 a.m. (Toronto time) as the discount rate at which each such Lender would purchase, on the relevant Drawing Date, its own Bankers' Acceptances or Drafts having an aggregate Face Amount equal to and with a term to maturity the same as the Bankers' Acceptances or Drafts to be acquired by such Lender or other Person on such Drawing Date.

"**Related Parties**" means, with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents and advisors of such Person and of such Person's Affiliates.

"**Release**" when used as a verb includes release, spill, leak, emit, deposit, discharge, leach, migrate or dispose into the environment and the term "**Release**" when used as a noun has a correlative meaning, but does not include any emission or discharge pursuant to a valid Environmental Permit.

"**Remedial Action**" means any action required under any applicable Environmental Law to (i) clean up, remove, treat or in any other way deal with Hazardous Substances in the environment; (ii) prevent any Release of Hazardous Substances where such Release would violate any Environmental Laws or would endanger or threaten to endanger public health or welfare or the environment; or (iii) perform remedial studies, investigations, restoration and post-remedial studies, investigations and monitoring on, about or in connection with any of the Owned Properties, the Leased Properties or other Assets of the Borrower and its Subsidiaries.

"**Reportable Event**" means, with respect to any Benefit Plan of any Person, (a) the occurrence of any of the events set forth in ERISA Section 4043(b) (other than a Reportable Event as to which the provision of 30 days' notice to the PBGC is waived under applicable regulations), 4068(e) or 4063(a) or the regulations thereunder with respect to such Benefit Plan, (b) any event requiring such Person or any of its ERISA Affiliates to provide security to such Benefit Plan under Internal Revenue Code Section 401(a)(29) or (c) any failure to make a payment required by Internal Revenue Code Section 412(m) with respect to such Benefit Plan.

"**Revolving Commitment**" means C$300,000,000, as such amount may be decreased pursuant to Article 2.

"**Revolving Facility**" means the revolving credit facility in an amount of up to C$300,000,000 to be made available to the Borrower pursuant to Article 2.

"**Revolving Lender**" means a Lender which has a Commitment under the Revolving Facility.

"**Security**" means, at any time, the Security Interests in favour of the Administrative Agent or the Lenders, or both, or for their benefit, in the Assets and properties of the Borrower (save for Assets excluded under the Security Documents) securing its obligations under this Agreement and the other Credit Documents (excluding the subordination agreements referred to in that definition), including for greater certainty the obligations under the Hedging Agreements.

"**Security Documents**" means the agreements described in Schedule 5 and any other Security granted to the Administrative Agent or the Lenders, or both, or for their benefit, as security for the obligations of the Borrower under this Agreement and the other Credit Documents (excluding the subordination agreements referred to in that definition), as such agreements may be amended, restated, modified, supplemented or extended from time to time.

"**Security Interest**" means any hypothec, mortgage, pledge, security interest, encumbrance, lien, charge or deposit arrangement or any other arrangement or condition that in substance secures payment or performance of an obligation and includes the interest of a vendor or lessor under any conditional sale agreement, capitalized lease or other title retention agreement.

"**Selected Amount**" means, with respect to a Libor Advance, the amount in respect of which the Borrower has asked, in accordance with Section 3.02, that the interest payable thereon be calculated on the Libor Basis.

"**Senior Notes**" means the notes created under the Senior Note Indenture and dated as of January 17, 2006, designated as "**7 3/4% Senior Notes due 2016**", and maturing on March 15, 2016, as same may be amended, modified or supplemented from time to time, provided that no such amendment shall affect the unsecured nature of the Senior Notes, nor shall it shorten the maturity of the Senior Notes to any period which is less than one year following the expiry of the Term of the last to expire of the Revolving Facility or Facility B.

"**Senior Note Indenture**" means the trust indenture dated as of January 17, 2006 between U.S. Bank National Association and the Borrower under which the Senior Notes were issued, as same may be amended, modified or supplemented from time to time, provided that no such amendment shall affect the unsecured nature of the Senior Notes, nor shall it shorten the maturity of the Senior Notes to any period which is less than one year following the expiry of the Term of the last to expire of the Revolving Facility or Facility B.

"**Single Employer Plan**" means a single employer plan, as defined in Section 4001 (a) (15) of ERISA, that

(a) at the time in question is maintained for employees of the Borrower or any Subsidiary or ERISA Affiliate and no Person other than the Borrower or any Subsidiary and its ERISA Affiliates, or

(b) was so maintained and in respect of which the Borrower or any Subsidiary or ERISA Affiliate could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

"**Subsidiary**" means any Person in respect of which the majority of the issued and outstanding capital stock (including securities convertible into voting shares and options to purchase voting shares) granting a right to vote in all circumstances is at the relevant time owned by the Borrower and/or one or more of its Subsidiaries, and includes a partnership and limited partnership that would be an Affiliate if it were a corporation. The Subsidiaries of the Borrower as at the date hereof are listed in Schedule 7.01(a).

"**Subordinated Debt**" means, in respect of any Person, unsecured Debt of such Person that has no required redemption provisions and matures at least 6 months after the later of the expiry of the Term of the Revolving Facility or Facility B and that has been subordinated in right of payment to the obligations of the Borrower hereunder and under the Security Documents in form and substance acceptable to the Lenders and their counsel.

"**Synthetic Lease**" means any synthetic lease or similar off-balance sheet financing product where such transaction is considered borrowed money for tax purposes but is classified as an operating lease in accordance with GAAP.

"**Tax Benefit Transaction**" means any Existing Tax Benefit Transaction and, for so long as the Borrower is a direct or indirect subsidiary of Quebecor, any transaction between a QMI Entity and Quebecor or any of its Affiliates, the primary purpose of which is to create tax benefits for any QMI Entity or for Quebecor or any of its Affiliates; *provided, however,* that (1) the QMI Entity involved in the transaction obtains, or has obtained in respect of a similar previous transaction to the extent same remains applicable as certified by the Vice President, Taxation of the Borrower (or any officer having similar functions), a favorable tax ruling from a competent tax authority or a favorable tax opinion from a nationally recognized Canadian law or accounting firm having a tax practice of national standing as to the tax efficiency of the transaction for such QMI Entity; (2) the Borrower delivers to the Administrative Agent (a) a resolution of the board of directors of the Borrower to the effect the transaction will not prejudice the Lenders and certifying that such transaction has been approved by a majority of the disinterested members of such board of directors and (b) an opinion as to the fairness to the Borrower of such transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of national standing in the United States of America or Canada; (3) such transaction is set forth in writing; and (4) the Consolidated EBITDA of the Borrower is not reduced after giving *pro forma* effect to the transaction as if the same had occurred at the beginning of the most recently ended four fiscal quarter period of the Borrower for which internal financial statements are available; *provided, however*, that if such transaction shall thereafter cease to satisfy the preceding requirements as a Tax Benefit Transaction, it shall thereafter cease to be a Tax Benefit Transaction for purposes of this Agreement and shall be deemed to have been effected as of such date and, if the transaction is not otherwise permitted by this Agreement as of such date, the Borrower will be in Default hereunder if such transaction does not comply with the preceding requirements or is not otherwise unwound within 30 days of that

date. Notwithstanding the foregoing, it is agreed and understood that (i) the abovementioned tax ruling or tax opinion, resolution and fairness opinion shall not be required for any Tax Benefit Transaction in respect of which the net consideration payable to or by a QMI Entity does not exceed, singly, C$10,000,000 and, in the aggregate C$25,000,000 for the preceding twelve month period and (ii) the abovementioned resolution and fairness opinion shall not be required for any Tax Benefit Transaction conducted among QMI Entities.

"**Taxes**" has the meaning specified in Section 12.07(1).

"**Term**" means the period commencing on the Closing Date and terminating with respect to (i) the Revolving Facility, on January 15, 2017 and (ii) Facility B, seven years therefrom.

"**Term Facilities**" means any credit facilities under this Credit Agreement pursuant to which term loans are made available to the Borrower that shall not revolve and in respect of which any amount prepaid or repaid cannot be reborrowed, including, as the case may be, Facility B and any new term credit facilities created from time to time pursuant to Section 2.12.

"**Termination Event**" means, with respect to any Benefit Plan, (a) any Reportable Event with respect to such Benefit Plan, (b) the termination of such Benefit Plan, or the filing of a notice of intent to terminate such Benefit Plan, or the treatment of any amendment to such Benefit Plan as a termination under ERISA Section 4041(c), (c) the institution of proceedings to terminate such Benefit Plan under ERISA Section 4042 or (d) the appointment of a trustee to administer such Benefit Plan under ERISA Section 4042.

"**Unconsolidated Coverage Ratio**" means, at any time, for any period the ratio, on an unconsolidated basis, of the aggregate amount of Equity Distributions received in cash by the Borrower (other than advances made to the Borrower by its Subsidiaries) to Interest Charges paid in cash by the Borrower, calculated in the manner prescribed in Section 8.03(c) at such time.

"**USA Patriot Act**" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA Patriot Act) Act of 2001, as the same may be amended from time to time.

"**US Prime Rate**" means, for any day, a fluctuating rate per annum (expressed as an annual rate calculated based on a 365 or 366 day year, as the case may be) equal to the higher of (a) the Federal Funds Effective Rate plus 1/2 of 1% and (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America, N.A. as its "prime rate" for US$ demand commercial loans in US$ to Canadian borrowers. The "prime rate" is a rate set by Bank of America, N.A. based upon various factors including Bank of America, N.A.'s costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such rate announced by Bank of America, N.A. shall take effect at the opening of business on the day specified in the public announcement of such change.

"**US Prime Rate Advance**" means, at any time, the part of the Advances in US$ with respect to which the Borrower has chosen, or, in accordance with the provisions hereof, is obliged to pay, interest calculated in accordance with the provisions of Section 3.09.

"**US Dollars**" or "**US$**" means the lawful currency of the United States of America in same day immediately available funds or, if such funds are not available, the currency of the United States of America which is ordinarily used in the settlement of international banking operations on the day on which any payment or any calculation must be made pursuant to this Agreement.

"**Vidéotron Credit Agreement**" means the Credit Agreement dated as of November 28, 2000 entered into among, *inter alia*, Vidéotron Ltée, as borrower, and Royal Bank of Canada, as administrative agent, as amended.

"**Vidéotron Shares**" has the meaning specified in Section 8.01(u).

**Section 1.02 Gender and Number.** Any reference in the Credit Documents to gender includes all genders, and words importing the singular number only include the plural and vice versa.

**Section 1.03 Interpretation not Affected by Headings, etc.** The provisions of a Table of Contents, the division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the interpretation of this Agreement.

**Section 1.04 Currency.** All references in the Credit Documents to dollars, unless otherwise specifically indicated, are expressed in Canadian currency.

**Section 1.05 Certain Phrases, etc.** In any Credit Document (i) (y) the words "including" and "includes" mean "including (or includes) without limitation" and (z) the phrase "the aggregate of", "the total of", "the sum of", or a phrase of similar meaning means "the aggregate (or total or sum), without duplication, of", and (ii) in the computation of periods of time from a specified date to a later specified date, unless otherwise expressly stated, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding".

**Section 1.06 Accounting Terms and Principles.** All accounting terms not specifically or completely defined herein shall be construed in conformity with GAAP applied on a consistent basis, as in effect from time to time and all financial statements and reports to be prepared hereunder shall be prepared in accordance with GAAP in effect from time to time.

If at any time any change in GAAP would affect the computation of any financial ratio or affect any requirement set forth in any Credit Document, and either the Borrower or the Majority Lenders shall so request, the Administrative Agent, the Lenders and the Borrower shall negotiate in good faith to amend such ratio or requirement with the intent of having the respective positions of the Borrower and the Lenders after the coming into force of such change in GAAP conform as nearly as possible to their respective positions under the Credit Agreement immediately prior to January 1, 2010; provided that (A) until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Borrower shall provide to the Administrative Agent and the Lenders a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP, and (B) no fees (other than reasonable legal fees incurred by the

Lenders to amend any such Credit Document to evidence any such amendment), premiums, increases in pricing or other costs shall be charged to, or borne by, the Borrower in connection with any such amendment. For greater certainty, it is hereby understood and agreed that any reconciliation between calculations of such ratio or requirement before and after giving effect to such change in GAAP made by or on behalf of the Borrower for purposes of determining compliance with any financial ratio or requirement set forth in any Credit Document shall be unaudited.

**Section 1.07 Non-Business Days.** Whenever any payment is stated to be due on a day which is not a Business Day (other than payments, due on the maturity date of each Credit Facility), such payment shall be made on the next succeeding Business Day, and such extension of time shall be included in the computation of interest or Fees, as the case may be. Whenever a particular maturity date falls on a day which is not a Business Day, all payments relating thereto shall be made on the last preceding Business Day.

**Section 1.08 Ratable Portion of Accommodations.** References in this Agreement to a Lender's ratable portion of Advances, Drawings, Letters of Credit, Drafts and Banker's Acceptances or ratable share of payments of principal, interest, Fees or any other amount, shall mean and refer to a ratable portion or share as nearly as may be ratable in the circumstances, as determined in good faith by the Administrative Agent. Each such determination by the Administrative Agent shall be *prima facie* evidence of such ratable share.

**Section 1.09 Incorporation of Schedules.** The schedules attached to this Agreement shall, for all purposes of this Agreement, form an integral part of it.

**Section 1.10 Rounding.** Any financial ratios required to be maintained by the Borrower pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

**Section 1.11 Times of Day.** Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

**Section 1.12 Letter of Credit Amounts.** Unless otherwise specified herein, the Face Amount of a Letter of Credit at any time shall be deemed to be the stated amount of such Letter of Credit in effect at such time; provided, however, that with respect to any Letter of Credit that, by its terms or the terms of any Letter of Credit Application Form related thereto, provides for one or more automatic increases in the stated amount thereof, the Face Amount of such Letter of Credit shall be deemed to be the maximum stated amount of such Letter of Credit after giving effect to all such increases, whether or not such maximum stated amount is in effect at such time.

**Section 1.13 Restated Agreement.** This Amended and Restated Credit Agreement amends and restates, as of the Effective Date, the Original Credit Agreement as amended by the Amendments and all other verbal or oral agreements, understandings and undertakings between the Lenders and the Borrower or anyone thereof relating to any of the Facilities, and does not in any way effect novation of the Revolving Facility, any Letters of Credit issued thereunder or of any other obligation of the Borrower under the Original Credit Agreement or the Credit Documents executed pursuant to the Original Credit Agreement.

**Section 1.14 Reference to this Agreement.** The expressions "hereto" or "hereunder" or "hereof" or "herein" or "this Agreement" refer to the Original Credit Agreement, as amended by the Amendments, and as further amended and restated by this Amended and Restated Credit Agreement, together with any future amendments, restatements, supplements, replacements or other modifications.

## ARTICLE 2
## CREDIT FACILITIES

**Section 2.01 Availability.** (1) Each Lender individually and not jointly and severally (or solidarily) agrees, on the terms and conditions of this Agreement, to make Accommodations ratably to the Borrower in accordance with such Lender's Commitment under the Revolving Facility and/or Facility B, as applicable. Accommodations under the Revolving Facility may be made available as (i) Prime Rate Advances or US Prime Rate Advances pursuant to Article 3; (ii) Bankers' Acceptances pursuant to Article 4; (iii) Libor Advances pursuant to Article 3 or (iv) Letters of Credit pursuant to Article 5. Accommodations under the Facility B-1 Tranche may be made available (i) as US Prime Rate Advances pursuant to Article 3 or (ii) as Libor Advances pursuant to Article 3 and, under the Facility B-2 Tranche, (i) as Prime Rate Advances pursuant to Article 3 or (ii) as Bankers' Acceptances pursuant to Article 4. The Issuing Lender agrees, on the terms and conditions of this Agreement, to make Letters of Credit available to the Borrower in accordance with the provisions thereof.

(2) The failure of any Lender to make an Accommodation shall not relieve any other Lender of its obligation, if any, in connection with any such Accommodation, but no Lender is responsible for any other Lender's failure in respect of such Accommodation.

(3) The Administrative Agent shall give each Lender prompt notice of any (i) Accommodation Notice received from the Borrower and of each Lender's ratable portion of any Accommodation; and (ii) other notice received by it from the Borrower under this Agreement.

**Section 2.02 Commitments and Facility Limits.** (1) The Accommodations Outstanding (i) to all Revolving Lenders under the Revolving Facility shall not at any time exceed the Revolving Commitment; and (ii) to each Revolving Lender under the Revolving Facility shall not at any time exceed such Lender's Commitment under the Revolving Facility (provided, for greater certainty, that the Issuing Lender's Commitment under the Revolving Facility shall not be reduced by more than its ratable portion of the Accommodations Outstanding by Letters of Credit made or to be made by it in its capacity as Issuing Lender). The Accommodations Outstanding (i) to all Facility B Lenders under Facility B shall not at any time exceed the Facility B Commitment; and (ii) to each Facility B Lender under Facility B shall not at any time exceed such Lender's Commitment under Facility B. The Accommodations Outstanding (i) to all Facility B-1 Lenders under the Facility B-1 Tranche shall not at any time exceed the Facility B-1 Commitment; and (ii) to each Facility B-1 Lender under the Facility B-1

Tranche shall not at any time exceed such Lender's Commitment under the Facility B-1 Tranche. The Accommodations Outstanding (i) to all Facility B-2 Lenders under the Facility B-2 Tranche shall not at any time exceed the Facility B-2 Commitment; and (ii) to each Facility B-2 Lender under the Facility B-2 Tranche shall not at any time exceed such Lender's Commitment under the Facility B-2 Tranche. The Aggregate Face Amount of Letters of Credit Outstanding shall not at any time exceed C$50,000,000.

(2) The Revolving Facility shall revolve and, except as otherwise provided herein, no payment under the Revolving Facility shall reduce the Revolving Commitment or any Lender's Commitment under the Revolving Facility. Facility B shall not revolve and any amount repaid or prepaid under Facility B cannot be reborrowed and shall reduce the Facility B Commitment by the amount repaid or prepaid.

(3) A conversion from one Type of Accommodation to another Type of Accommodation shall not constitute a repayment or prepayment.

**Section 2.03 Use of Proceeds.** (1) The Borrower may use the proceeds of any Accommodations under the Credit Facilities for general corporate purposes (including Permitted Distributions).

(2) No proceeds of any Advance will be used to purchase or carry any equity security of a class which is registered pursuant to Section 12 of the U.S. *Securities Exchange Act* of 1934, as amended, or any "margin stock", as defined in Federal Reserve System Board of Governors Regulation U, or for a purpose which violates, or would be inconsistent with, Federal Reserve System Board of Governors Regulation T, U or X. Terms used in this Section for which meanings are provided in Federal Reserve System Board of Governors Regulation T, U or X or any regulations substituted therefor, as from time to time in effect, have the meaning so provided.

**Section 2.04 Mandatory Repayments and Reductions of Commitments.** (1)Subject to Section 9.01, the Borrower shall repay the Accommodations Outstanding under the Revolving Facility on the last day of the Term of the Revolving Facility.

(2) Subject to Section 9.01, the Borrower shall repay the Accommodations Outstanding under Facility B in quarterly installments equal to 0.25% of the full amount of Facility B, and shall repay the balance of the Accommodations Outstanding under Facility B on the last day of the Term of Facility B.

**Section 2.05 Mandatory Prepayments.** (1) Subject to subsection (4) hereof, the Borrower agrees to make the following mandatory prepayments ("**Mandatory Prepayments**").

(2) An amount equal to the Net Proceeds from any Disposition of any Assets in excess of C$10,000,000 by the Borrower (other than any Disposition of Assets permitted pursuant to clauses (i) and (ii) of Section 8.02(d) or any Disposition of Assets previously acquired as part of a Tax Benefit Transaction) shall be applied within 365 days of receipt to the prepayment and permanent reduction of Accommodations Outstanding under (i) firstly, the Term Facilities, on a pro rata basis, and (ii) secondly, the Revolving Facility (provided that the Revolving Commitment shall not be reduced as a result of such payment), in each case, in

accordance with Section 2.09 hereof, except (i) to the extent that the Net Proceeds from such Disposition of Assets are reinvested in a manner permitted hereunder (other than in cash or Cash Equivalents) in the Business within twelve months of the date of the Disposition and (ii) that the Borrower shall be entitled to keep Net Proceeds which should have been applied in accordance with the foregoing up to an aggregate amount which does not exceed C$100,000,000 for the Term of the Credit Facilities.

(3) An amount equal to 50% of the Net Proceeds from the issuance of any securities (other than the Back-to-Back Securities, the Existing Back-to-Back Securities and Debt securities, but including Debt securities of the nature described in clause (viii) of the definition of "Debt" (other than Back-to-Back Securities)) by the Borrower shall be applied within 365 days of receipt to the prepayment and permanent reduction of the Accommodations Outstanding under (i) firstly, the Term Facilities, on a pro rata basis, and (ii) secondly, the Revolving Facility (provided that the Revolving Commitment shall not be reduced as a result of such payment), in each case in accordance with Section 2.09 hereof, except to the extent that within 12 months of such issuance, the Net Proceeds are invested, directly or indirectly, by way of equity contribution or loans or advances in Videotron Ltée or are used to purchase Assets that will form part of the Collateral.

(4) The Borrower shall advise the Administrative Agent of its intention to make any such Mandatory Prepayment by notice in writing substantially in the form of Schedule 2, at least 10 and not more than 20 Business Days before the Mandatory Prepayment is due, and shall pay the amount of such Mandatory Prepayment to the Administrative Agent when it is due. In addition, the Borrower shall, at the same time, make a written offer (an "**Offer**") to the Facility B Lenders, by sending such Offer, substantially in the form of Schedule 3, to the Administrative Agent for distribution to the Facility B Lenders, setting out the entitlement of each such Lender to such Mandatory Prepayment (other than any Unacceptable Payment, as defined below). Each Facility B Lender shall irrevocably respond to the Offer, with a copy to the Administrative Agent, at least 3 Business Days' before the Mandatory Prepayment is due. Failure on the part of any Facility B Lender to so respond shall be deemed an acceptance of the Offer by such Facility B Lender. All proceeds of each Mandatory Prepayment shall be applied ratably amongst the Facility B Lenders to repay and permanently reduce Facility B in inverse order of maturity. However, the Borrower shall not be obliged to make an Offer and the Facility B Lenders shall not accept any Mandatory Repayment if, as a result thereof, the Facility B Lenders would receive, within 5 years and 10 days from the date of the first Advance under Facility B, an amount that, when added to the scheduled repayments contemplated by Section 2.04 and to all other Mandatory Prepayments made prior to that date, would be equal to or would exceed 25% of the amount of the initial Accommodation under Facility B (an "**Unacceptable Payment**"). If any Facility B Lender does not accept any such Mandatory Repayment, the amount of such Mandatory Repayment that would have been paid to such Facility B Lender shall be paid to the other Facility B Lenders to reduce the Commitments under Facility B and then to the Revolving Lenders to reduce the Accommodations Outstanding (but not the Commitments) under the Revolving Facility; provided that if there are no Accommodations Outstanding under the Revolving Facility at such time, such amount may be retained by the Borrower.

No such Mandatory Prepayment may be made on a date that would require a Libor Advance or a BA Instrument to be prepaid, except in accordance with the provisions of Section 12.06(4), provided that the Borrower may cash collateralize such Libor Advances (and BA Instruments) in accordance with the provisions of Section 2.10.

**Section 2.06 Optional Prepayments and Reductions of Commitments.** (1) The Borrower may, subject to the provisions of this Agreement, (i) prepay without penalty or bonus Accommodations Outstanding under any Credit Facility; or (ii) reduce the Revolving Commitment and/or Facility B Commitment, and, if required as a result of such reduction, the Accommodations Outstanding under the Revolving Facility and/or Facility B, in each case in whole or in part, subject to providing five (5) Business Days' notice to the Administrative Agent stating the proposed date and aggregate principal amount of the prepayment or reduction. Each partial prepayment or reduction shall be in a minimum aggregate principal amount of US$3,000,000 in respect of Facility B and C$1,000,000 in respect of the Revolving Facility and in an integral multiple of C$1,000,000 or US$1,000,000, as the case may be. Any reduction in respect of Facility B shall be made on a *pro rata* basis between Facility B-1 and Facility B-2.

(2) The Borrower may not in any event prepay a Libor Advance or the amount of any BA Instrument on any date other than the maturity date for the relevant Libor Advance or BA Instrument, provided that the Borrower may cash collateralize such Libor Advance or BA Instrument in accordance with the provisions of Section 2.10.

**Section 2.07 Fees.** (1) The Borrower shall pay to the Administrative Agent, for the account of the Revolving Lenders, a fee calculated at a rate per annum equal to the Applicable Commitment Fee calculated on the unused and uncancelled portion of the Revolving Facility calculated daily and payable in arrears on the last Business Day of each calendar quarter and on the last day of the Term of the Revolving Facility.

(2) The Borrower shall pay to Banc of America Securities LLC a fee determined in accordance with the Commitment Letter accepted by the Borrower and dated December 19, 2005, payable in accordance with its terms.

**Section 2.08 Payments under this Agreement.** (1) Unless otherwise expressly provided in this Agreement, the Borrower shall make any payment required to be made by it to the Administrative Agent or any Lender by depositing the amount of the payment to the appropriate Agency Branch Account not later than 10:00 a.m. (Toronto time) on the date the payment is due. The Administrative Agent shall distribute to each Lender, promptly on the date of receipt by the Administrative Agent of any payment, an amount equal to the amount then due to each Lender. Any amount received by the Administrative Agent for the account of the Lenders shall be held as mandatary for the Lenders until distributed.

(2) Unless otherwise expressly provided in this Agreement, the Administrative Agent shall make Accommodations and other payments to the Borrower under this Agreement by transferring the amount of the payment in the relevant currency to the Borrower's account as may be instructed by the Borrower in writing on the date the payment is to be made.

(3) The Borrower hereby authorizes each Lender, if and to the extent payment owed to such Lender by the Borrower is not made to the Administrative Agent when due, to charge from time to time any amount due against any or all accounts of the Borrower with such Lender.

(4) All payments by the Borrower under the Credit Facilities shall be in Canadian Dollars or in US Dollars, as applicable.

**Section 2.09 Application of Payments and Prepayments.** (1) Subject to paragraph (2) hereof, each prepayment pursuant to Section 2.05 and Section 2.06 in respect of Facility B shall be applied to the instalments pursuant to Section 2.04 in the inverse order of their maturity, subject to paying the applicable breakage costs (as contemplated by Section 12.06) if any Libor Advance or BA Instrument is prepaid.

(2) All amounts received by the Administrative Agent from or on behalf of the Borrower and not previously applied pursuant to this Agreement shall be applied by the Administrative Agent as follows (i) first, in reduction of the Borrower's obligation to pay any amounts owing to the Administrative Agent; (ii) second, in reduction of the Borrower's obligation to pay any unpaid interest and any Fees which are due and owing; (iii) third, in reduction of the Borrower's obligation to pay any Claims or Losses referred to in Section 12.06; (iv) fourth, in reduction of the Borrower's obligation to pay any amounts due and owing on account of any unpaid principal amount of Accommodations Outstanding or amounts under Hedging Agreements (other than the Hedging Agreements referred to in paragraph (ii) of the definition of Hedging Agreements) which are due and owing; (v) fifth, in reduction of the Borrower's obligation to pay any other unpaid amounts which are due and owing to the Lenders; (vi) sixth, in reduction of any other obligation of the Borrower under this Agreement and the other Credit Documents; and (vii) seventh, to the Borrower or such other Persons as may lawfully be entitled to or directed to receive the remainder.

**Section 2.10 Cash Collateralization of Certain Payments and Prepayments.** If a payment or Mandatory Prepayment to be made would require the repayment of outstanding BA Instruments, Letters of Credit or Libor Advances prior to their maturity, the Borrower shall provide to the Administrative Agent cash collateral in an amount equal to the Face Amount of such BA Instruments or Letters of Credit or the principal amount of such Libor Advances, as the case may be, which cash collateral shall be held by the Administrative Agent in an interest bearing account, or invested, in accordance with the instructions of the Borrower (provided no Default has occurred and is continuing and no Event of Default has occurred), in Cash Equivalents (in either case, with interest for the benefit of the Borrower), and used to repay same at maturity. However, in the case where the payment or Mandatory Prepayment would require the actual prepayment of a Libor Advance, the Borrower may elect to prepay same and pay to the Administrative Agent for the Lenders the amount of the losses, costs and expenses suffered or incurred by the Lenders with respect thereto which are referred to in Section 12.06(4).

**Section 2.11 Computations of Interest and Fees.** (1) All computations of interest shall be made by the Administrative Agent taking into account the actual number of days occurring in the period for which such interest is payable, and a year of 365/366 days, or, in the case of a Libor Advance, 360 days.

(2) All computations of Fees shall be made by the Administrative Agent on the basis of a year of 365 or 366 days, as the case may be, taking into account the actual number of days (including the first day but excluding the last day) occurring in the period for which such fees are payable.

(3) For purposes of the *Interest Act* (Canada), (i) whenever any interest or Fee under this Agreement is calculated using a rate based on a number of days less than a full year, such rate determined pursuant to such calculation, when expressed as an annual rate, is equivalent to (x) the applicable rate, (y) multiplied by the actual number of days in the calendar year in which the period for which such interest or fee is payable (or compounded) ends, and (z) divided by the number of days comprising such calculation basis; (ii) the principle of deemed reinvestment of interest does not apply to any interest calculation under this Agreement; and (iii) the rates of interest stipulated in this Agreement are intended to be nominal rates and not effective rates or yields.

(4) No provision of this Agreement shall have the effect of requiring the Borrower to pay interest (as such term is defined in section 347 of the *Criminal Code* (Canada)) at a rate per annum in excess of the maximum rate authorized under such Section 347, taking into account all other amounts which must be taken into account for the purpose thereof and, to such extent, the Borrower's obligation to pay interest hereunder shall be so limited.

**Section 2.12 Increase of Revolving Facility and Creation of a New Credit Facility.** (1) Provided there exists no Default, upon notice to the Administrative Agent, which shall promptly notify the applicable existing Lenders, the Borrower may from time to time, request an increase in the Revolving Facility by an amount (for all such requests) not exceeding the Maximum Increase Amount; provided that (i) any such request for an increase shall be in a minimum amount of C$5,000,000, and (ii) the Borrower may make a maximum of seven such requests. At the time of sending such notice, the Borrower (in consultation with the Administrative Agent) shall specify the time period within which each applicable Lender is requested to respond (which shall in no event be less than ten Business Days from the date of delivery of such notice to the applicable Lenders).

(2) Each applicable Lender shall notify the Administrative Agent within such time period whether or not it agrees to increase its Commitment under the Revolving Facility and, if so, whether by an amount equal to, greater than, or less than its ratable portion (based on such Lender's proportion in respect of Revolving Facility) of such requested increase. Any applicable Lender not responding within such time period shall be deemed to have declined to increase its Commitment.

(3) The Administrative Agent shall notify the Borrower and each applicable Lender of the Lenders' responses to each request made hereunder. To achieve the full amount of a requested increase, and subject to the approval of the Administrative Agent (which approval shall not be unreasonably withheld), the Borrower may also invite additional Eligible Assignees which respect the requirements hereunder to become Lenders under the increased Revolving Facility pursuant to a joinder agreement in form and substance satisfactory by the Administrative Agent and its counsel.

(4) If the Revolving Facility is increased in accordance with this Section, the Administrative Agent and the Borrower shall determine the effective date (the "**Increase Effective Date**") and the final allocation of such increase. The Administrative Agent shall promptly notify the Borrower and the applicable Lenders of the final allocation of such increase and the Increase Effective Date of the increased Revolving Facility. Such amendment may be signed by the Administrative Agent on behalf of the Lenders.

(5) Notwithstanding the foregoing, the Borrower may elect to create new Credit Facilities in lieu of increasing the Revolving Facility and may invite lenders selected by it (with the prior consent of the Administrative Agent, which consent shall not be unreasonably withheld) to participate in such new Credit Facilities, provided that (i) at such time, no Default exists, (ii) the aggregate amount of all increases of the Revolving Facility and creation of new Credit Facilities does not exceed the Maximum Increase Amount, (iii) the new Credit Facility shall have a weighted average life maturing on or after January 15, 2017; (iv) the terms and conditions applicable to such new Credit Facility (other than the pricing of such new Credit Facility) are not more restrictive to the Borrower and its Subsidiaries than those applicable to the Revolving Facility hereunder, and (v) the Borrower, the applicable lenders and the Administrative Agent shall enter into an amendment to this Agreement to reflect all changes necessary further to the creation of such new Credit Facility it being understood and agreed that all other Lenders shall be bound by such amendment. If a new Credit Facility is created in accordance with this section, the Borrower shall promptly notify the Administrative Agent and the Lenders of the identity of any new Lenders, of the final allocation of the new Credit Facility among the applicable Lenders, of the effective date (the "**Creation Effective Date**") of the new Credit Facility, and the particular terms and conditions applicable to such new Credit Facility.

(6) As a condition precedent to such increase or new Credit Facility, the Borrower shall deliver to the Administrative Agent all documents required by the Administrative Agent or its counsel, including a certificate dated as of the Increase Effective Date or Creation Effective Date, as the case may be, (in sufficient copies for each Lender) signed by an acceptable officer of the Borrower (i) certifying and attaching the resolutions adopted by the Borrower approving or consenting to such increase or new Credit Facility, and (ii) in the case of the Borrower, certifying that, before and after giving effect to such increase or new Credit Facility, (A) the representations and warranties contained in Article 7 and the other Credit Documents are true and correct on and as of the Increase Effective Date or the Creation Effective Date, as the case may be, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date, and except that for purposes of this Section, the representations and warranties contained in Section 7.01(q) shall be deemed to refer to the most recent statements furnished pursuant to Section 8.01, and (B) no Default exists. The additional Accommodations shall be made by the applicable Lenders participating therein pursuant to the procedures set forth herein or in the amendment referred to above, as applicable.

**Section 2.13 Excess.** If the Accommodations Outstanding under a the Revolving Facility exceed the Revolving Commitment solely as a result of exchange rate fluctuations, mandatory prepayments will be required to reimburse such excess if the Accommodations Outstanding under that particular Credit Facility exceed 105% of the Revolving Commitment based on the closing balance for any day calculated on the basis of the

spot rate referred to in Article 11 for that day. The Administrative Agent shall request repayment of any such excess forthwith upon request therefore by any Lender, but the Administrative Agent is not otherwise required to monitor excess amount levels or to request repayment thereof.

## ARTICLE 3
## ADVANCES

**Section 3.01 The Advances.** (1) Each Revolving Lender individually, and not jointly and severally (or solidarily) agrees, on the terms and conditions of this Agreement, and from time to time prior to the date which is one Business Day prior to the last Business Day of the Term of the Revolving Facility, to make Prime Rate Advances, Accommodations by way of BA Instruments, Accommodations by way of Letters of Credit, Libor Advances and US Prime Rate Advances to the Borrower on any Business Day. Each Advance shall be made ratably by the applicable Lenders.

(2) Each Facility B Lender (as applicable, each Facility B-1 Lender and Facility B-2 Lender) individually, and not jointly and severally (or solidarily) agrees, on the terms and conditions of this Agreement, to make Prime Rate Advances, Accommodations by way of BA Instruments, Libor Advances and US Prime Rate Advances to the Borrower on any Business Day. Each Advance shall be made ratably by the applicable Lenders. All Advances under Facility B shall be in US Dollars or in Canadian Dollars, as applicable. The initial Advance under Facility B shall be for the full amount available thereunder and shall be made on the Closing Date. Any portion of the Advances available to the Borrower under Facility B that is not borrowed as part of such initial Advance or that is repaid shall not again be available for borrowing, although Libor Advances may be rolled over into new Libor Advances or converted into US Prime Rate Advances, and US Prime Rate Advances may be converted into Libor Advances.

**Section 3.02 Procedure for Advances.** (1) Each Advance shall be in a minimum amount of C$1,000,000 for Prime Rate Advances and US$1,000,000 for US Prime Rate Advances, and US$3,000,000 for Libor Advances, and in an integral multiple of $1,000,000 in each case, and shall be subject to the Borrower providing the appropriate number of days' prior notice specified in this Agreement (being one Business Day's notice for Prime Rate Advances and US Prime Rate Advances and three Banking Days' notice for Libor Advances), given not later than 10:00 a.m. (Toronto time) by the Borrower to the Administrative Agent. Each notice of an Advance (a "**Borrowing Notice**") shall be in substantially the form of Schedule 1, shall be irrevocable and binding on the Borrower and shall specify (i) the requested date of the Advance; (ii) the aggregate amount of the Advance; and (iii) the Credit Facility under which such Advance is requested. Upon receipt by the Administrative Agent of funds from the Lenders and fulfillment of the applicable conditions set forth in Article 6, the Administrative Agent will make such funds available to the Borrower in accordance with Article 2.

**Section 3.03 LIBOR Advances.** If the Advance requested is a Libor Advance, the Administrative Agent shall determine the LIBOR which will be in effect on the date of the Advance (which must be a Banking Day), with respect to the Selected Amount or to each of the
Selected Amounts, as the case may be, having a maturity of 1, 2, 3 or 6 months (subject to availability, or such other period of 10 to 180 days which may be available and is acceptable to the Administrative Agent) from the date of the Advance (a "**Designated Period**"). However, if the Borrower has not delivered a notice to the Administrative Agent in a timely manner in accordance with the provisions of Section 3.02, the Borrower shall be deemed to have requested a US Prime Rate Advance. In addition, the Borrower may not have more than 15 different Libor Advances outstanding at any time under all the Credit Facilities.

**Section 3.04 Market for Libor Advances.** If, at any time or from time to time, as a result of market conditions, (i) there exists no appropriate or reasonable method to establish LIBOR, for a Selected Amount or a Designated Period, or (ii) US Dollar deposits are not available to the Lenders in such market in the ordinary course of business in amounts sufficient to permit them to make the Libor Advance, for a Selected Amount or a Designated Period, such Lenders shall so advise the Administrative Agent and, any such Lenders shall not be obliged to honour any Borrowing Notice in connection with any Libor Advances, and the Borrower's option to request Libor Advances shall thereupon be suspended upon notice by the Administrative Agent to the Borrower.

**Section 3.05 Suspension of Libor Advance Option.** If a notice has been given by the Administrative Agent in accordance with Section 3.04, Libor Advances, or any part thereof, shall not be made (whether as an Advance, a conversion or an extension) by the Lenders affected by the circumstances referred to in Section 3.04 and the right of the Borrower to choose that Libor Advances from such Lenders be made or, once made, be converted or extended into a Libor Advance shall be suspended until such time as the Administrative Agent has determined that the circumstances having given rise to such suspension no longer exist, in respect of which determination the Administrative Agent shall advise the Borrower within a reasonable delay.

**Section 3.06 Limits on Libor Advances.** Nothing in this Agreement shall be interpreted as authorizing the Borrower to borrow by way of Libor Advances for a Designated Period expiring on a date which results in a situation where the applicable Credit Facility cannot be reduced as required by this Agreement, or on a date which is after the expiry of the applicable Term.

**Section 3.07 Conversions of Advances.** The Borrower may elect to convert an Advance, or any portion thereof, to another type of Accommodation in the same currency upon the number of days notice specified in Section 3.02 by sending an Accommodation Notice on any Business Day.

**Section 3.08 Interest on Prime Rate Advances.** Subject to the next following sentence, the Borrower shall pay interest on the unpaid principal amount of each Prime Rate Advance from the date of such Advance until the date on which the principal amount of the Prime Rate Advance is repaid in full at a rate per annum equal at all times to the Canadian Prime Rate in effect from time to time plus the Applicable Margin, calculated daily, and payable in arrears (i) on the last day of each month in each year; and (ii) when such Advance becomes due and payable in full pursuant to the provisions hereof. Any amount of principal of or interest on any such Advance which is not paid when due (whether at stated maturity, by acceleration or otherwise) shall (to the extent permitted by Law) bear interest (both before and after judgment), from the date on which such amount is due until such amount is paid in full, payable on demand, at a rate per annum equal to the sum of (i) the Canadian Prime Rate in effect from time to time; (ii) the Applicable Margin; and (iii) 2%.

**Section 3.09 Interest on US Prime Rate Advances.** Subject to the next following sentence, the Borrower shall pay interest on the unpaid principal amount of each US Prime Rate Advance from the date of such Advance until the date on which the principal amount of the US Prime Rate Advance is repaid in full at a rate per annum equal at all times to the US Prime Rate in effect from time to time plus the Applicable Margin, calculated daily, and payable in arrears (i) on the last day of each month in each year; and (ii) when such Advance becomes due and payable in full pursuant to the provisions hereof. Any amount of principal of or interest on any such Advance which is not paid when due (whether at stated maturity, by acceleration or otherwise) shall (to the extent permitted by Law) bear interest (both before and after judgment), from the date on which such amount is due until such amount is paid in full, payable on demand, at a rate per annum equal to the sum of (i) the US Prime Rate in effect from time to time; (ii) the Applicable Margin; and (iii) 2%.

**Section 3.10 Interest on Libor Advances.** The principal amount of the Libor Advances which at any time and from time to time remains outstanding shall bear interest, calculated daily, on the daily balance of such Libor Advances, from the date of each Libor Advance, at the annual rate (calculated based on a 360-day year) applicable to each of such days which corresponds to the LIBOR applicable to each Selected Amount, plus the Applicable Margin, and shall be effective as and from the date of each Libor Advance up to but not including the last day of the applicable Designated Period. LIBOR shall be promptly transmitted to the Borrower two Banking Days prior to the date on which the Libor Advance is to be made. Such interest shall be payable to the Administrative Agent, in arrears, on the last day of the Designated Period when the Designated Period is 1 to 3 months, and when the Designated Period exceeds 3 months, on the last Business Day of each period of 3 months during such Designated Period, and on the last day of the Designated Period. Any amount of principal of or interest on any such Libor Advance which is not paid when due (whether at stated maturity, by acceleration or otherwise) shall (to the extent permitted by Law) bear interest (both before and after judgment), from the date on which such amount is due until such amount is paid in full, payable on demand, at a rate per annum equal to the sum of (i) the LIBOR in effect from time to time; (ii) the Applicable Margin; and (iii) 2%.

## ARTICLE 4
## BANKERS' ACCEPTANCES

**Section 4.01 Acceptances and Drafts.** (1) Each Revolving Lender and Facility B-2 Lender individually, and not jointly and severally (or solidarily) agrees, on the terms and conditions of this Agreement and from time to time on any Business Day prior to the expiry of the applicable Term (i) in the case of a Revolving Lender or Facility B-2 Lender which is willing and able to accept Drafts, to create acceptances ("**Bankers' Acceptances**") by accepting Drafts and to purchase such Bankers' Acceptances in accordance with Section 4.03(2), (ii) in the case of a Revolving Lender or Facility B-2 Lender which is unable to accept Drafts, to purchase completed Drafts (which have not and will not be accepted by such Lender or any other Lender)

in accordance with Section 4.03(2), (iii) in the case of a Revolving Lender or Facility B-2 Lender which has participated or assigned all or any part of its interest in the Credit Facilities to a Participant which is willing and able to accept Drafts, to arrange for the creation of Bankers' Acceptances by such Participant and for their purchase by such Participant, to the extent of the participation or assignment, in accordance with Section 4.03(2), and (iv) in the case of a Revolving Lender or Facility B-2 Lender which has participated or assigned all or any part of its interest in the Credit Facilities to a Participant which is unwilling or unable to accept Drafts, to arrange for the purchase by the Participant of completed Drafts (which have not and will not be accepted by such Lender or any other Lender), to the extent of the participation or assignment, in accordance with Section 4.03(2).

(2) Each Drawing shall be in a minimum amount of C$3,000,000 and in an integral multiple of C$1,000,000 and shall consist of the creation and purchase of Bankers' Acceptances or the purchase of Drafts on the same day, in each case for the Drawing Price, effected or arranged by the applicable Lenders in accordance with Section 4.03 and their respective Commitment under the applicable Credit Facility.

(3) If the Administrative Agent determines that the Bankers' Acceptances to be created and purchased or Drafts to be purchased on any Drawing (upon a conversion or otherwise) will not be created and purchased ratably by the Revolving Lenders and Facility B-2 Lenders, as applicable (or any of their respective Participants) in accordance with Section 4.01(2) and Section 4.03, then the requested Face Amount of Bankers' Acceptances and Drafts shall be reduced to such lesser amount as the Administrative Agent determines will permit ratable sharing and the amount by which the requested Face Amount shall have been so reduced shall be converted or continued, as the case may be, as a Prime Rate Advance under the applicable Credit Facility, to be made contemporaneously with the Drawing.

(4) The Administrative Agent is authorized by the Borrower and each Lender to allocate amongst the applicable Lenders the Bankers' Acceptances to be issued and purchased in such manner and amounts as the Administrative Agent may, in its sole discretion, but acting reasonably, consider necessary, so as to ensure that no Lender is required to accept and purchase a Bankers' Acceptance for a fraction of C$100,000, and in such event, the Lenders' respective share in any such Bankers' Acceptances and repayments thereof shall be altered accordingly. Further, the Administrative Agent is authorized by the Borrower and each Lender to cause the proportionate share of one or more Lender's Accommodations (calculated based on its Commitment under the applicable Credit Facility) to be exceeded by no more than C$100,000 each as a result of such allocations provided that the principal amount of Accommodations Outstanding, including Bankers' Acceptances, shall not thereby exceed the maximum amount of the respective Commitment of each applicable Lender under the applicable Credit Facility.

**Section 4.02 Form of Drafts.** Each Draft presented by the Borrower shall (i) be in a minimum amount of C$100,000 and in an integral multiple of C$100,000; (ii) be dated the date of the Drawing, and (iii) mature and be payable by the Borrower (in common with all other Drafts presented in connection with such Drawing) on a Business Day which occurs (subject to availability) approximately 1, 2, 3, or 6 months after the Drawing Date (or such other period of 10 to 180 days as may be available and acceptable to the Administrative Agent), at the election of the Borrower, and on or prior to the last day of the Term of the applicable Credit Facility.

**Section 4.03 Procedure for Drawing.** (1) Each Drawing shall be made on notice (a "**Drawing Notice**") given by the Borrower to the Administrative Agent not later than 10:00 a.m. (Toronto time) not less than two Business Days prior to the date on which the Drawing is to occur. Each Drawing Notice shall be in substantially the form of Schedule 1, shall be irrevocable and binding on the Borrower and shall specify (i) the Drawing Date; (ii) the Credit Facility under which the Drawing is to be made; (iii) the aggregate Face Amount of Drafts to be accepted and purchased (or purchased, as the case may be); and (iv) the contract maturity date for the Drafts.

(2) Not later than 1:00 p.m. (Toronto time) on an applicable Drawing Date, each Revolving Lender or Facility B-2 Lender, as applicable, shall complete one or more Drafts in accordance with the Drawing Notice and either (i) accept the Drafts and purchase the Bankers' Acceptances thereby created for the Drawing Price; or (ii) purchase such Drafts for the Drawing Price, and, in each case, pay to the Administrative Agent the Drawing Proceeds in respect of such Bankers' Acceptance or Draft, as the case may be. Upon receipt of the Drawing Proceeds and upon fulfillment of the applicable conditions set forth in Article 6, the Administrative Agent shall make funds available to the Borrower in accordance with Article 2.

(3) The Borrower shall, at the request of any applicable Lender, issue one or more non-interest bearing promissory notes (each a "**BA Equivalent Note**") payable on the date of maturity of the unaccepted Draft referred to below, in such form as the applicable Lender may specify and in a principal amount equal to the Face Amount of, and in exchange for, any unaccepted Drafts which such Lender has purchased or has arranged to have purchased in accordance with Section 4.03(2).

(4) Bankers' Acceptances purchased by a Revolving Lender or Facility B-2 Lender, as applicable, or Participant may be held by it for its own account until the contract maturity date or sold by it at any time prior to that date in any relevant Canadian market in such Person's sole discretion.

**Section 4.04 Signatures of Draft Forms.** The Borrower hereby irrevocably appoints each Revolving Lender and Facility B-2 Lender as its lawful attorney to sign and endorse on its behalf, manually or by facsimile or mechanical signature, any BA Instrument necessary to enable such Lender to make Drawings in the manner specified in this Article 4. All BA Instruments signed or endorsed on the Borrower's behalf and in accordance with its instructions by a Lender shall be binding on the Borrower, all as if duly executed and issued by the Borrower. No Lender shall be liable for any Claim or Loss arising by reason of any loss or improper use of any such BA Instruments, except arising out of the gross or intentional fault of such Lender. Each Revolving Lender and Facility B-2 Lender shall (i) maintain a record with respect to any BA Instrument completed in accordance herewith, voided by it for any reason, accepted and purchased by it hereunder, and canceled at their respective maturities; and (ii) retain such records in the manner and for the statutory periods provided in the various provincial or federal statutes and regulations which apply to such Lender. On request by the Borrower, a Lender shall cancel all BA Instruments which have been pre-signed or pre-endorsed on behalf of such Borrower and which are held by such Lender and are not required to make Drawings in accordance with this Article 4.

**Section 4.05 Payment, Conversion or Renewal of BA Instruments.** (1) Upon the maturity of a BA Instrument, the Borrower may (i) elect to issue a replacement BA Instrument by giving a Drawing Notice in accordance with Section 4.03(1); (ii) elect to have all or a portion of the Face Amount of the BA Instrument converted to an Advance by giving a Accommodation Notice in accordance with Section 3.02; or (iii) pay, on or before 10:00 a.m. (Toronto time) on the maturity date for the BA Instrument, an amount in Canadian Dollars equal to the Face Amount of the BA Instrument (notwithstanding that a Lender may be the holder of it at maturity). Any such payment shall satisfy the Borrower's obligations under the BA Instrument to which it relates and the relevant Lender or Participant shall then be solely responsible for the payment of the BA Instrument.

(2) If the Borrower fails to pay any BA Instrument when due or issue a replacement in the Face Amount of such BA Instrument pursuant to Section 4.05(1), the unpaid amount due and payable shall be converted to a Prime Rate Advance made by the Revolving Lenders or Facility B-2 Lenders, as applicable, ratably under the applicable Credit Facility and shall bear interest calculated and payable as provided in Article 3. This conversion shall occur as of the due date and without any necessity for the Borrower to give a Borrowing Notice.

**Section 4.06 Circumstances Making Bankers' Acceptances Unavailable.** (1) If, by reason of circumstances affecting the money market generally, there is no market for Bankers' Acceptances, (i) the right of the Borrower to request a Drawing shall be suspended until the circumstances causing a suspension no longer exist; and (ii) any Drawing Notice which is outstanding shall be deemed to be an Accommodation Notice requesting an Advance comprised of Prime Rate Advances.

(2) The Administrative Agent shall promptly notify the Borrower of the suspension of the Borrower's right to request a Drawing and of the termination of any suspension.

**Section 4.07 Depository Bills and Notes Act.** Bankers' Acceptances may be issued in the form of a depository bill and deposited with a clearing house, both terms as defined in the *Depository Bills and Notes Act*. The Administrative Agent and the Borrower shall agree on the procedures to be followed, acting reasonably. The Revolving Lenders and Facility B-2 Lenders are also authorized to issue depository bills as replacements for previously issued Bankers' Acceptances, on the same terms as those replaced, and deposit them with a clearing house against cancellation of the previously issued Bankers' Acceptances.

## ARTICLE 5
## LETTERS OF CREDIT

**Section 5.01 Letters of Credit.** (1) The Issuing Lender agrees, in reliance upon the terms and subject to the conditions of this Agreement (and in accordance with the standard terms and conditions represented by any agreement (including the Issuing Lender's standard Letter of Credit Application Form) that may be entered into between the Borrower and the Issuing Lender from time to time, including the payment of administrative fees and costs), to issue Letters of Credit for the account of the Borrower from time to time on any Business Day

prior to the eighth-to-last day of the Term of the Revolving Facility, which Letter of Credit shall expire on the earlier of (a) up to one year from issuance, or (b) 7 days prior to the expiry of the Term of the Revolving Facility. The issuance of any such Letter of Credit shall require two (2) Business Days' prior notice to the Administrative Agent and the Issuing Lender, which notice shall be accompanied by the Issuing Lender's standard Letter of Credit Application Form, duly completed and executed by the Borrower. The Borrower shall pay, in respect of any such Letter of Credit, fees equal to the aggregate of: (i) for the Revolving Lenders, the Applicable Margin multiplied by the Face Amount thereof (and taking into account the number of days until the expiry date thereof), and (ii) for the Issuing Lender, 1/8% per annum of the Face Amount thereof (taking into account the number of days until the expiry date thereof), payable quarterly in arrears on the last Business Day of each Fiscal Quarter, or on such other date as the Administrative Agent and the Issuing Lender may determine from time to time.

(2) For greater certainty, the Issuing Lender shall not be obliged to issue any Letter of Credit if as a result (a) the Accommodations Outstanding under the Revolving Facility would exceed the Revolving Commitment, (b) the Issuing Lender's (after taking into account the allocation of risk pursuant to Section 5.01(4)) or any other Lender's Commitment under the Revolving Facility would be exceeded, (c) the Aggregate Face Amount of Letters of Credit Outstanding would exceed C$50,000,000, (d) a Law or an order, judgment or decree of a Governmental Entity would be breached or would prohibit such issuance, (e) the Issuing Lender or other Revolving Lenders would incur increased costs of the nature referred to in Section 12.06(4) in respect of which they would not be indemnified by the Borrower, or (f) the policies of the Issuing Lender would be breached.

(3) The Issuing Lender's Letter of Credit Application Form and any form pertaining to amendments of any Letter of Credit (collectively, the "**Letter of Credit Application Form**") shall require, *inter alia*, (A) the proposed issuance date of the requested Letter of Credit (which shall be a Business Day); (B) the amount thereof; (C) the expiry date thereof; (D) the name and address of the beneficiary thereof (a "**Beneficiary**"); (E) the documents to be presented by such Beneficiary in case of any drawing thereunder; (F) the full text of any certificate to be presented by such Beneficiary in case of any drawing thereunder; and (G) such other matters as the Issuing Lender may require.

(4) Promptly after receipt of any Letter of Credit Application Form, the Issuing Lender will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has received a copy of such Letter of Credit Application Form from the Borrower and, if not, the Issuing Lender will provide the Administrative Agent with a copy thereof. Upon receipt by the Issuing Lender of confirmation from the Administrative Agent that the requested issuance or amendment is permitted in accordance with the terms hereof, then, subject to the terms and conditions hereof, the Issuing Lender shall, on the requested date, issue a Letter of Credit for the account of the Borrower in accordance with the Issuing Lender's usual and customary business practices, and immediately thereupon, each Revolving Lender shall be deemed to, and irrevocably and unconditionally agrees to, purchase from the Issuing Lender a risk participation in such Letter of Credit in an amount equal to its ratable share of same.

**Section 5.02 Reimbursements of Amounts Drawn.** (1) At or before 10:00 a.m. (Toronto time) on the earlier of (i) the date of any payment by the Issuing Lender under a Letter of Credit; and (ii) the last day of the Term of the Revolving Facility, the Borrower shall pay to the Issuing Lender, through the Administrative Agent, an amount in same day funds equal to the amount to be drawn by the Beneficiary in Canadian Dollars or US Dollars.

(2) If the Borrower fails to pay to the Issuing Lender an amount, in same day funds, equal to the amount of such drawing, then (i) the Borrower shall be deemed to have given a Borrowing Notice to the Administrative Agent, requesting a Prime Rate Advance (if the applicable Letter of Credit is denominated in C$) or a US Prime Rate Advance (if the applicable Letter of Credit is denominated in US$) under the Revolving Facility in an amount equal to the amount of such drawing; (ii) the Revolving Lenders shall, on the date of such drawing, make such Prime Rate Advance or US Prime Rate Advance, ratably under the Revolving Facility; and (iii) the Administrative Agent shall pay the proceeds thereof to the Issuing Lender as reimbursement for the amount of such drawing.

(3) Each Revolving Lender shall be required to make the Prime Rate Advances referred to in Section 5.02(2) notwithstanding (i) the amount of the Prime Rate Advance in question may not comply with the minimum amount required for Advances hereunder; (ii) whether any conditions specified in Article 6 are then satisfied; (iii) whether a Default has occurred and is continuing or whether an Event of Default has occurred; (iv) the date of such Prime Rate Advance; (v) any reduction in the Revolving Commitment; (vi) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against the Issuing Lender, the Borrower or any other Person for any reason whatsoever; (vii) whether the Revolving Commitment has been, or, after the making of such Prime Rate Advance, will be, exceeded; and (viii) any other occurrence, event or condition, whether or not similar to any of the foregoing.

**Section 5.03 Risk of Letters of Credit.** (1) In determining whether to pay under a Letter of Credit, the Issuing Lender shall be responsible only to determine that the documents and certificates required to be delivered under the Letter of Credit have been delivered and that they comply on their face with the requirements of the Letter of Credit.

(2) The reimbursement obligation of the Borrower under any Letter of Credit shall be unconditional and irrevocable and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including (i) any lack of validity or enforceability of a Letter of Credit or any Credit Document; (ii) the existence of any claim, set-off, defence or other right which the Borrower may have at any time against a Beneficiary, the Issuing Lender or any other Person, whether in connection with the Credit Documents and the transactions contemplated therein or any other transaction (including any underlying transaction between such Borrower and the Beneficiary); (iii) any certificate or other document presented with a Letter of Credit proving to be forged, fraudulent or invalid or any statement in it being untrue or inaccurate, or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under such Letter of Credit; (iv) the existence of any act or omission or any misuse of, a Letter of Credit or misapplication of proceeds by the Beneficiary, including any fraud in any certificate or other document presented with a Letter of Credit; (v) payment by the Issuing Lender under the Letter of Credit against presentation of a certificate or other document which does not comply with the terms of the Letter of Credit unless such payment constitutes gross or intentional fault of the Issuing Lender; (vi) any payment made by the Issuing Lender

under such Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of such Letter of Credit, including any arising in connection with any proceeding under any Law dealing with bankruptcy, insolvency or arrangements with creditors; (vii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower; or (viii) the existence of a Default or Event of Default.

(3) The Borrower shall promptly examine a copy of each Letter of Credit and each amendment thereto that is delivered to it and, in the event of any claim of noncompliance with the Borrower's instructions or other irregularity, the Borrower will immediately notify the Issuing Lender. The Borrower shall be conclusively deemed to have waived any such claim against the Issuing Lender and its correspondents unless such notice is given as aforesaid.

(4) The Issuing Lender shall not be responsible for (i) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits under it or proceeds of it, in whole or in part, which may prove to be invalid or ineffective for any reason; (ii) errors, omissions, interruptions or delays in transmission or delivery of any messages by mail, telecopy or otherwise; (iii) errors in interpretation of technical terms; (iv) any loss or delay in the transmission of any document required in order to make a drawing; and (v) any consequences arising from causes beyond the control of the Issuing Lender, including the acts or omissions, whether rightful or wrongful, of any Governmental Entity. None of the above shall affect, impair, or prevent the vesting of any of the Issuing Lenders' rights or powers under this Agreement. Each Lender and the Borrower agree that, in paying any drawing under a Letter of Credit, the Issuing Lender shall not have any responsibility to obtain any document (other than any sight draft, certificates and documents expressly required by the Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering any such document. None of the Issuing Lender, any Agent-Related Person nor any of the respective correspondents, participants or assignees of the Issuing Lender shall be liable to any Lender for (i) any action taken or omitted in connection herewith at the request or with the approval of the Lenders or the Majority Lenders, as applicable; (ii) any action taken or omitted in the absence of gross or intentional fault; or (iii) the due execution, effectiveness, validity or enforceability of any document or instrument related to any Letter of Credit or Letter of Credit Application Form. The Borrower hereby assumes all risks of the acts or omissions of any Beneficiary or transferee with respect to its use of any Letter of Credit; provided, however, that this assumption is not intended to, and shall not, preclude the Borrower's pursuing such rights and remedies as it may have against the Beneficiary or transferee at Law or under any other agreement. None of the Issuing Lender, any Agent-Related Person, nor any of the respective correspondents, participants or assignees of the Issuing Lender, shall be liable or responsible for any of the matters described in Section 5.03(2); provided, however, that anything in such clauses to the contrary notwithstanding, the Borrower may have a claim against the Issuing Lender, and the Issuing Lender may be liable to the Borrower, to the extent, but only to the extent, of any direct, as opposed to consequential or exemplary, damages suffered by the Borrower which the Borrower proves were caused by the Issuing Lender's gross or intentional fault or the Issuing Lender's willful failure to pay under any Letter of Credit after the presentation to it by

the Beneficiary of a sight draft and certificate(s) strictly complying with the terms and conditions of a Letter of Credit. In furtherance and not in limitation of the foregoing, the Issuing Lender may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, and the Issuing Lender shall not be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason.

**Section 5.04 Repayments.** (1) If the Borrower is required to repay the Accommodations Outstanding pursuant to Article 9, then the Borrower shall pay to the Administrative Agent an amount equal to the Issuing Lender's contingent liability in respect of (i) any outstanding Letter of Credit; and (ii) any Letter of Credit which is the subject matter of any order, judgment, injunction or other such determination restricting payment under and in accordance with such Letter of Credit or extending the Issuing Lender's liability under such Letter of Credit beyond its stated expiration date.

(2) Subject to any right of compensation or set-off provided for by Law or hereunder, the Issuing Lender shall, with respect to any Letter of Credit, pay to the Borrower an amount equal to the difference between the amount paid to the Administrative Agent pursuant to Section 5.04(1) and the amounts paid by the Issuing Lender under the Letter of Credit, upon the earlier of:

(a) the date on which any final and non-appealable order, judgment or other such determination has been rendered or issued either confirming that the Issuing Lender is prohibited permanently from making any payment under the relevant Letter of Credit or terminating permanently the Letter of Credit;

(b) the date on which either (x) the original counterpart of the Letter of Credit is returned to the Issuing Lender for cancellation, or (y) the Issuing Lender is released by the Beneficiary in writing from any further obligations in respect thereof; or

(c) the expiry (to the extent permitted by any applicable Law) of the Letter of Credit.

**Section 5.05 Applicability of ISP.** Unless otherwise expressly agreed by the Issuing Lender and the Borrower when a Letter of Credit is issued, the rules of ISP shall apply to each standby Letter of Credit.

**Section 5.06 Conflict with Letter of Credit Application Form.** In the event of any conflict between the terms hereof and the terms of any Letter of Credit Application Form, the terms hereof shall control.

**Section 5.07** Notwithstanding Sections 5.01(1)(b) and 5.02(1)(ii) of the Credit Agreement, a Letter of Credit expiring after the expiry of the Term of the Revolving Facility (the "LC Extended Period") may be issued by the Issuing Lender under the Revolving Facility provided that the Borrower shall, without demand or notice of any kind and at least one (1) Business Day prior to the expiry of the Term of the Revolving Facility, pay all fees related to such Letter of Credit for the LC Extended Period and cash collateralize all such outstanding

Letters of Credit (the "Collateralized L/Cs") in an amount in Canadian Dollars or US Dollars (for each such C$ or US$ denominated Letter of Credit, respectively), as the case may be, equal to the aggregate amount available to be drawn under such Collateralized L/Cs. The cash collateral referred to in the immediately preceding sentence shall be held by the Issuing Lender in an interest bearing account, or invested, in accordance with the instructions of the Borrower, in Cash Equivalents (in either case, with interest or profits, if any, for the benefit of the Borrower), and all such deposits and investments shall be held by the Issuing Lender as collateral for the payment and performance of the reimbursement obligations of the Borrower toward the Issuing Lender under Article 5 in respect of the Collateralized L/Cs. The Issuing Lender shall have exclusive dominion and control, including the exclusive right of withdrawal, over the relevant account or accounts holding such deposits or investments. Once all Collateralized L/Cs have either been drawn in full or expired following maturity, the Issuing Lender shall immediately remit to the Borrower the balance of said cash collateral in full.

## ARTICLE 6
## CONDITIONS OF LENDING

**Section 6.01 A – Conditions Precedent to the Initial Accommodation.** The conditions precedent to the initial Accommodation have been met as at the Closing Date.

**Section 6.01 B – Conditions Precedent to the Effectiveness of this Amended and Restated Credit Agreement.** This Amended and Restated Credit Agreement shall not come into force and effect until the date on which the Administrative Agent and the Revolving Lenders shall have received (or waived) the following to their entire satisfaction (the "**Effective Date**"):

(a) duly executed counterparts of this Amended and Restated Credit Agreement;

(b) a duly certified copy of the constating documents, by-laws, resolutions and incumbency of the Borrower, certified by an acceptable officer of the Borrower (or to the extent all amendments or additions to such constating documents, by-laws, resolutions and incumbency, if any, have heretofore been delivered to the Administrative Agent, a certificate by an acceptable officer of the Borrower attesting to same);

(c) a certificate of status, compliance, good standing or like certificate issued by the appropriate governmental body of the Borrower's jurisdiction of incorporation and jurisdiction where it owns any material assets or carries any material business;

(d) the favourable opinions of legal counsel to the Borrower addressed to the Administrative Agent, the Lenders and their legal counsel covering, *inter alia*, (i) the corporate status, power and capacity of the Borrower, (ii) the authority and legal right of the Borrower to execute this Amended and Restated Credit Agreement and to perform its obligations contained therein or incidental thereto, (iii) the due execution and delivery by the Borrower of the Amended and Restated Credit Agreement, (iv) the compliance of the Amended and Restated Credit Agreement with the constating documents and by-laws of the Borrower and with the laws of the jurisdiction of organisation of the Borrower and with those indicated as governing

each such document; (v) the legality, validity, binding effect and enforceability against the Borrower of the Amended and Restated Credit Agreement; (vi) the continued legality, validity, binding effect and enforceability of the Security Documents against the Borrower as continuing to secure the obligations of the Borrower under this Agreement and the other Credit Documents; (vii) the continued opposability and perfection of the security created under the relevant Security Documents; and as to such other matters as the Administrative Agent may reasonably require;

(e) satisfactory evidence that all necessary third party consents and authorisations required in connection with the execution, delivery and performance of this Amended and Restated Credit Agreement, if any, have been obtained, and that all debentures, hypothecs, deeds, instruments, forms, financing statements or equivalent documents required under all applicable Laws to preserve the Security, if any, have been executed, delivered and duly registered, recorded, published and/or filed;

(f) results of Lien searches from January 25, 2012 to a date reasonably close to the date of this Agreement, of all filings, registrations or recordings of or with respect to all the movable assets of the Borrower and its predecessors in each jurisdiction in which its assets are located or have an office, together with such other documents that the Administrative Agent shall require evidencing, to the entire satisfaction of the Administrative Agent and its counsel, that all such movable assets continue to remain free and clear of all Liens, other than Permitted Liens;

(g) all other documents, declarations, certificates, instruments, agreements, notices and information that the Administrative Agent may reasonably require;

(h) the entire amount of all fees, costs, charges and expenses contemplated herein or in any other Credit Document, to the extent then owing, including (i) the fees referred to in that certain letter dated May 12, 2013 from the Borrower and addressed to the Administrative Agent, and (ii) the fees and disbursements of the Administrative Agent's legal counsel incurred in connection with the preparation and negotiation of this Agreement, up to and including the date hereof, shall have been paid;

(i) nothing shall have occurred since December 31, 2012 which would reasonably be expected to have a Material Adverse Effect;

(j) certification as to the financial condition and solvency of, and the absence of Default and compliance with laws and obligations in all material respects by, the Borrower from the chief financial officer or a senior financial officer of the Borrower.

For purposes of determining compliance with the conditions specified in Section 6.01B, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the Effective Date specifying its objection thereto.

**Section 6.02 Conditions Precedent to All Accommodations and Conversions.** (1) The obligation of each Lender to make Accommodations or otherwise give effect to any Accommodation Notice hereunder in respect of any Credit Facility shall be subject to the conditions precedent that on the date of such Accommodation Notice and Accommodation, and after giving effect thereto and to the application of any proceeds therefrom, (a) the representations and warranties contained in Article 7 are true and correct in all material respects on and as of such date (except where expressly stated to be made at a particular date), all as though made on and as of such date; (b) no event or condition has occurred and is continuing, or would result from such Accommodation or giving effect to such Accommodation Notice, which constitutes a Default or an Event of Default; and (c) nothing has occurred which would reasonably be expected to have a Material Adverse Effect.

(2) Each of the giving of any Accommodation Notice by the Borrower and the acceptance by the Borrower of any Accommodation shall be deemed to constitute a representation and warranty by the Borrower that, on the date of such Accommodation Notice or Accommodation, as the case may be, and after giving effect thereto and to the application of any proceeds therefrom, the statements set forth in Section 6.02(1) are true and correct.

**Section 6.03 No Waiver.** The making of an Accommodation or otherwise giving effect to any Accommodation Notice hereunder, without the fulfillment of one or more conditions set forth in Section 6.01 or Section 6.02, shall not constitute a waiver of any such condition, and the Administrative Agent and the Lenders reserve the right to require fulfillment of such condition in connection with any subsequent Accommodation Notice or Accommodation.

## ARTICLE 7
## REPRESENTATIONS AND WARRANTIES

**Section 7.01 Representations and Warranties.** The Borrower represents and warrants to each Lender, acknowledging and confirming that each Lender is relying thereon without independent inquiry in entering into this Agreement and providing Accommodations hereunder, that:

(a) **Incorporation and Qualification.** The Borrower is a corporation duly incorporated, continued or amalgamated, as the case may be, and, as at the date hereof, validly existing under the laws of the jurisdiction referred to in Schedule 7.01(a). Each of the Borrower and each of its Subsidiaries is duly qualified, licensed or registered to carry on business under the Laws applicable to it in all jurisdictions in which the nature of its Assets or business makes such qualification necessary and where failure to be so qualified would reasonably be expected to have a Material Adverse Effect.

(b) **Corporate Power.** Each of the Borrower and each of its Subsidiaries has all requisite corporate power and authority to own and operate its properties and Assets and to carry on its business and any other business as now being conducted by it and where the failure to so hold such power and authority would reasonably be expected to have a Material Adverse Effect; the Borrower has all requisite corporate power and authority to enter into and perform its obligations under this Agreement and the other Credit Documents to which it is a party.

(c) **Conflict With Other Instruments.** The execution and delivery by the Borrower of the Credit Documents to which it is a party and the performance by the Borrower of its obligations thereunder and compliance with the terms, conditions and provisions thereof, will not (i) conflict with or result in a breach of any of the terms, conditions or provisions of (A) its constating documents or by-laws, (B) any applicable Law to a material extent, (C) any material contractual restriction binding on or affecting it or its properties, or (D) any material judgment, injunction, determination or award which is binding on it; or (ii) result in, require or permit (A) the imposition of any Lien in, on or with respect to the Assets now owned or hereafter acquired by it (other than pursuant to the Security Documents or which is a Permitted Lien), (B) the acceleration of the maturity of any material Debt of the Borrower or any of its Subsidiaries binding on or affecting it, or (C) any third party to terminate or acquire any rights materially adverse to the Borrower under any Material Agreement.

(d) **Authorization, Governmental Approvals, etc.** The execution and delivery by the Borrower of the Credit Documents to which it is a party and the performance by the Borrower of its obligations thereunder have been duly authorized by all necessary corporate action and no Authorization (except any Authorization the absence of which would not reasonably be expected to have a Material Adverse Effect) under any applicable Law, no approval or consent of any third party and no registration, qualification, designation, declaration or filing with any Governmental Entity (except for registrations or publications in respect of the Security Documents), is or was necessary therefor or to perfect the same, except as are in full force and effect, unamended, at the date hereof (or as may become necessary subsequent to the date hereof and notice of which has been given to the Administrative Agent).

(e) **Execution and Binding Obligation.** This Agreement and the other Credit Documents to which the Borrower is a party have been duly executed and delivered by the Borrower and constitute legal, valid and binding obligations of the Borrower, enforceable against it in accordance with their respective terms, subject only to any limitation under applicable Laws relating to (i) bankruptcy, insolvency, reorganization, moratorium or creditors' rights generally; (ii) the discretion that a court may exercise in the granting of equitable remedies; and (iii) the qualifications contained in the opinion of the Borrower's legal counsel delivered at the Effective Date.

(f) **Conduct of Business.** Since December 31, 2012 and up to the Effective Date, the Business has been carried on in the ordinary course. The Borrower and its Subsidiaries are not engaged in the business of purchasing, carrying or extending credit for the purpose of purchasing or carrying "margin stock", as defined in Federal Reserve System Board of Governors Regulation U, and no proceeds of any Accommodations will be used to purchase or carry any equity security of a class which is registered pursuant to Section 12 of the U.S. *Securities Exchange Act of 1934*, as amended, or any such margin stock, or for a purpose which violates, or would be inconsistent with, Federal Reserve System Board of Governors Regulation T, U or X, except, but only with respect to Subsidiaries, where the engagement in such business or such use of the proceeds could not reasonably be expected to have a Material Adverse Effect. Terms used in this Section and in Section 2.03(2) for which meanings are provided in Federal

Reserve System Board of Governors Regulation T, U or X or any regulations substituted therefore, as from time to time in effect, have the meaning so provided. None of the Borrower, any Person Controlling the Borrower, and the Subsidiaries of the Borrower is or is required to be registered as an "investment company" under the Investment Company Act of 1940, as amended (15 U.S.C. § 80a-1 et seq.), except, with respect to the Person Controlling the Borrower or the Subsidiaries only, if such registration or requirement for registration could not reasonably be expected to have a Material Adverse Effect. The application of the proceeds of the Accommodations and repayment of the Accommodations Outstanding by the Borrower and the performance by the Borrower of its obligations hereunder and under the other Credit Documents provided by it will not violate any provision of the said Act, or any rule, regulation or order issued by the United States Securities and Exchange Commission thereunder. Neither the Borrower, any Person Controlling the Borrower, nor any of their respective Subsidiaries is subject to regulation or any Law which may limit its ability to incur Debt or which may otherwise render its obligations hereunder or under the other Credit Documents unenforceable, except, with respect to the Person Controlling the Borrower or the Subsidiaries only, where such limit or unenforceability could not reasonably be expected to have a Material Adverse Effect. Neither the Borrower, nor any Affiliates of the Borrower (i) is a Person whose property or interest in property is blocked pursuant to section 1 of Executive Order no. 13224 (September 23, 2001), (ii) engages in any dealings or transactions prohibited by section 2 of such Executive Order, or is otherwise associated with any such Person in any manner violative of section 2 of such Executive Order, or (iii) is a Person named on the list of Specially Designated Nationals and Blocked Persons maintained by the Office of Foreign Assets Control ("**OFAC**") or any other similar lists maintained by OFAC pursuant to any authorizing statute, Executive Order or regulation, except, with respect to such Affiliates only, where such blocking of property, engagement, association or naming could not reasonably be expected to have a Material Adverse Effect. The Borrower is in compliance, in all material respects, with (i) the Trading with the Enemy Act, as amended, and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V as amended) and any other enabling legislation or executive order relating thereto, and (ii) the USA Patriot Act. No part of the proceeds of any Accommodation will be used, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

(g) **Location of Business.** As of the date hereof, the only jurisdictions (or registration districts within such jurisdictions) in which the Borrower has any place of business or store any material tangible personal property are as set forth in Schedule 7.01 (g). The minute books of the Borrower are located at the addresses set out in part II of Schedule 7.01(g).

(h) **Authorizations, etc.** Each of the Borrower and each of its Subsidiaries possesses all material Authorizations of federal, provincial, state and local governments and regulatory authorities as may be necessary to properly conduct its business, the failure of which to possess would reasonably be expected to have a Material Adverse Effect.

(i) **Trademarks, Patents, etc.** Each of the Borrower and each of its Subsidiaries possesses all material trademarks, trade names, copyrights, patents, licences, or rights in any thereof, reasonably necessary for the conduct of its business as now conducted and presently proposed to be conducted, other than any trademarks, tradenames, copyrights, patents, licences or rights which, if not possessed by any such QMI Entity, would not reasonably be expected to have a Material Adverse Effect. To the best knowledge of the Borrower, neither it nor any of its Subsidiaries is, as of the Effective Date, infringing or is alleged to be infringing on the rights of any Person with respect to any patent, trademark, trade name, copyright (or any application or registration respecting any thereof), discovery, improvement, process, formula, know-how, data, plan, specification, drawing or the like, except where such infringement could not reasonably be expected to have a Material Adverse Effect.

(j) **Ownership of Property.** The Borrower owns its Assets with good (and, with respect to any immovable or real property, marketable) title thereto, free and clear of all Liens, except for Permitted Liens.

(k) **Compliance with Laws.** As of the Effective Date, subject to the next following sentence, each of the Borrower and each of its Subsidiaries is in compliance with all applicable Laws, non-compliance with which would reasonably be expected to have a Material Adverse Effect. Except as would not reasonably be expected to have a Material Adverse Effect, the Borrower's and its Subsidiaries' Business and Assets (i) are in material compliance with all Environmental Laws; (ii) possess and are operated in compliance with all Environmental Permits which are required for the operation of its business; and (iii) are not subject to any past or present fact, condition or circumstance that could result in any material liability under any Environmental Laws.

(l) **Subsidiaries, etc.** The Borrower is the beneficial owner, directly or indirectly, of all of the issued and outstanding shares of Vidéotron Ltée**.** No Person (other than the Borrower) has any right or option to purchase or otherwise acquire any of the issued and outstanding shares of Vidéotron Ltée. Except as set forth in the corporate chart attached to Schedule 7.01(l), the Borrower does not own or hold as of the date hereof any shares of, or any other interest in, any other Subsidiary.

(m) **No Burdensome Agreements.** Neither the Borrower nor Vidéotron Ltée and their Subsidiaries is a party to any agreement or instrument or subject to any restriction (including any restriction set forth in its constating documents or by-laws) which would reasonably be expected to have a Material Adverse Effect.

(n) **No Litigation.** There are no investigations, actions, suits or proceedings pending, taken or, to the Borrower's knowledge, threatened, before or by any Governmental Entity or by any other Person, in Canada or elsewhere involving the Borrower or a Subsidiary, which would reasonably be expected to have a Material Adverse Effect.

(o) **Pension Plans and Employment Liabilities.** All contributions required under applicable law under all registered pension plans in respect of which the Borrower could be liable have been made, except for amounts not material to the Borrower on a consolidated basis and except for any unfunded liability that is being amortized in accordance with applicable laws. Each such plan was fully funded as of the most recent actuarial valuation on a going concern and solvency basis in accordance with the terms of such pension plan, except for amounts not material to the Borrower on a consolidated basis and except for any such plan that

does not need to be fully funded in accordance with applicable laws. All obligations (including wages, salaries, commissions and vacation pay) to current employees and to former employees have been paid in full or duly provided for, except for amounts not material to the Borrower on a consolidated basis.

(p) **Material Agreements.** The Borrower is not a party or otherwise subject to or bound or affected by any Material Agreement as of the date hereof (other than collective agreements), except as set out in Schedule 7.01(p). Except as contemplated hereunder, all Material Agreements are in full force and effect, unamended, and neither the Borrower nor, to the best of the Borrower's knowledge after due enquiry, any other party to any such agreement, is in material default with respect thereto.

(q) **Financial Statements.** The audited consolidated financial statements of the Borrower dated December 31, 2012 and the other financial statements delivered to the Administrative Agent pursuant to Section 8.01 have been prepared in accordance with GAAP applied on a consistent basis throughout the periods specified (except as noted thereon) and are an accurate representation of the consolidated financial position of the Borrower and its Subsidiaries as of the respective dates specified and the results of their operations and changes in financial position for the respective periods specified, all in accordance with GAAP. No material adverse change in the financial results of the Borrower and its Subsidiaries, considered on a consolidated basis, has occurred since December 31, 2012.

(r) **Books and Records.** All books and records of the Borrower and each of its Subsidiaries have been fully, properly and accurately kept and completed in accordance with GAAP (to the extent applicable) and there are no material inaccuracies or discrepancies of any kind contained or reflected therein. The Borrower's and each of its Subsidiaries' records, systems, controls, data or information are not recorded, stored, maintained, operated or otherwise wholly or partly dependent upon or held by any means (including any electronic, mechanical or photographic process, whether computerized or not) which (including all means of access thereto and therefrom) are not under the direct control of the Borrower or of an Affiliate of the Borrower, unless such means do not prevent the Borrower from having access to same at all times (for example, in the context of an outsourcing agreement).

(s) **Insurance.** Each of the Borrower and each of its Subsidiaries has contracted the insurance coverage required pursuant to Section 8.01(m).

(t) **Solvency.** The Borrower, both before giving effect to the transactions contemplated by this Credit Agreement and the other Credit Documents and after giving effect to same (a) is solvent, (b) the fair value of the Assets of the Borrower exceeds its total liabilities (including Contingent Obligations but without duplication of any underlying liability related thereto), (c) does not intend to, and does not believe that it will, incur debts or liabilities beyond its ability to pay as such debts and liabilities mature; and (d) is not engaged, and is not about to engage, in business or transactions for which its property would constitute unreasonably small capital.

(u) **Tax Liability.** Each of the Borrower and each of its Subsidiaries has filed within the prescribed delays all tax returns which are required to be filed, and all taxes, Claims, assessments and other duties, interest and penalties levied by the various Governmental Entities with respect to the Borrower and its Subsidiaries have been paid when due, except for any such assessment, tax or Claim (i) in an amount of up to C$2,500,000 in the aggregate outstanding at any time; or (ii) (A) which is being contested in good faith by proper legal proceedings, for which adequate reserves have been established in the books of the Borrower or the relevant Subsidiary, and (B) the failure to effect such filings or outcome of the contestation of which would not reasonably be expected to have a Material Adverse Effect.

(v) **Corporate Structure.** Except as notified to the Lenders, the only direct and indirect, shareholders of the Borrower at the date hereof, are set forth in Schedule 7.01(v). Schedule 7.01(v) sets forth the complete particulars at the date hereof of (i) such shareholders; (ii) the interest of each shareholder in the Borrower; and (iii) the direct and indirect interests of each shareholder and their respective interests. Except as described in Schedule 7.01(v), at the date hereof, none of the shareholders is a party to any unanimous shareholders or other agreement relating to the shares owned by such shareholder.

(w) **Contingent Obligations and Indebtedness.** Neither the Borrower nor any of its Subsidiaries has (a) any material Contingent Obligations or contingent liabilities known to it which are not disclosed or referred to in the financial statements referred to in Section 7.01(q)or in the most recent financial statements delivered to the Administrative Agent in accordance with the provisions of Section 8.01 or otherwise disclosed to the Administrative Agent in writing, or (b) incurred any material indebtedness which is not disclosed in or reflected in such financial statements, or otherwise disclosed to the Administrative Agent in writing, other than Contingent Obligations, contingent liabilities or indebtedness incurred in the ordinary course of business and Permitted Debt.

(x) **Disclosure.** All (i) forecasts and projections supplied to the Administrative Agent and the Lenders were prepared in good faith, disclosed all assumptions relevant thereto and are, in the opinion of the Borrower's management when taken together, reasonable estimates (as of the Effective Date) of the prospects for its business; and (ii) other written information heretofore supplied to the Administrative Agent and the Lenders by the Borrower is complete and accurate in all material respects. There is no fact known as of the Effective Date to the Borrower, after reasonable investigation, which would reasonably be expected to have a Material Adverse Effect and which has not been fully disclosed in writing to the Administrative Agent and the Lenders. There has been no change which has had or would reasonably be expected to have a Material Adverse Effect since December 31, 2012 and up to the Effective Date.

(y) **No Default**. No Default or Event of Default has occurred and is continuing.

(z) **Erisa.** The Borrower and each Subsidiary are in compliance with all obligations to which they are subject under ERISA, as well as under the regulations or rules issued thereunder, in respect of their Benefit Plans, except to the extent that any non-compliance therewith would not have a Material Adverse Effect.

**Section 7.02 Survival of Representations and Warranties.** The representations and warranties herein set forth or contained in any certificates or documents delivered to the Administrative Agent and the Lenders pursuant hereto shall not merge in or be prejudiced by and shall survive any Accommodation hereunder and shall continue in full force and effect (as

of the date when made or deemed to be made) so long as any amounts are owing by the Borrower to the Lenders hereunder. Schedules requiring updates shall be so updated not less frequently than quarterly. All representations and warranties made hereunder and in any other Credit Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent or any Lender or on their behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default at the time of any Accommodation.

## ARTICLE 8
## COVENANTS OF THE BORROWER

**Section 8.01 Affirmative Covenants.** So long as any amount owing hereunder remains unpaid or any Lender has any obligation under this Agreement, and unless consent is given in accordance with Section 12.01 hereof, the Borrower shall:

(a) **Financial Reporting Requirements.** Furnish to the Administrative Agent (in electronic and paper forms) (i) as soon as practicable, and in any event within 60 days after the end of each of the first three Financial Quarters in each Financial Year, unaudited consolidated financial statements of the Borrower, consisting of (A) a consolidated balance sheet as at the end of the Financial Quarter with comparative amounts at the end of the corresponding Financial Quarter in the previous Financial Year, (B) consolidated statements of earnings, retained earnings and cash flow for the Financial Quarter and for the period from the end of the previous Financial Year to the end of the Financial Quarter with comparative amounts for the corresponding periods in the previous Financial Year; (ii) as soon as practicable, and in any event within 120 days after the end of each Financial Year, audited consolidated financial statements of the Borrower, consisting of (A) a consolidated balance sheet as at the end of the Financial Year with comparative amounts at the end of the previous Financial Year, (B) consolidated statements of earnings, retained earnings and cash flow for the Financial Year with comparative amounts for the previous Financial Year, (C) the financial statements specified in (ii)(A) and (B) being certified without qualification by the current auditors of the Borrower or otherwise by another reputable firm of independent chartered accountants acceptable to the Administrative Agent; (iii) a soon as practicable, and in any event within 120 days after the end of each Financial Year, unaudited unconsolidated financial statements of the Borrower, consisting of (A) an unconsolidated balance sheet as at the end of the Financial Year with comparative amounts at the end of the previous Financial Year, and (B) unconsolidated statements of earnings, retained earnings and cash flow for the Financial Year with comparative amounts for the previous Financial Year; (iv) as soon as practicable, and in any event within 60 days after the end of each of the first three Financial Quarters in each Financial Year, a Compliance Certificate; and (v) as soon as practicable, and in any event within 120 days after the end of each Financial Year, a Compliance Certificate.

(b) **Environmental Reporting.** Promptly, and in any event within 10 days of each occurrence, (i) notify the Administrative Agent of any proceeding or order before any Governmental Entity requiring the Borrower or any of its Subsidiaries to comply with or take

action under any Environmental Laws and of any state or affairs on the Owned Properties, Leased Properties or its business which would reasonably be expected to have a Material Adverse Effect; and (ii) notify the Administrative Agent and the Lenders, within 10 days therefrom, of any other occurrence with respect to Environmental Laws and involving the Borrower or any of its Subsidiaries which would reasonably be expected to have a Material Adverse Effect, including, provided that same would reasonably be expected to have a Material Adverse Effect, the Borrower or any of its Subsidiaries (A) receiving a notice or claim to the effect that the Borrower or any of its Subsidiaries are liable to any Person in a material amount as a result of the Release or threatened Release of any Hazardous Substance into the environment in, on, under or adjacent to the Owned Properties or Leased Properties; (B) receiving any notice that the Borrower or any of its Subsidiaries is subject to investigation by any Governmental Entity evaluating whether any Remedial Action is needed to respond to the Release or threatened Release of any Hazardous Substance into the environment, in, on, under or adjacent to the Owned Properties or the Leased Properties; (C) receiving any notice that all or any portion of the Owned Properties or the Leased Properties is subject to an order or a Security Interest under or pursuant to any Environmental Law; (D) receiving any notice of a material condition with respect to the Owned Properties or the Leased Properties which might reasonably result in a notice of violation of any Environmental Law; (E) receiving any notice of the commencement of any judicial or administrative proceeding alleging a violation of any Environmental Law with respect to the Owned Properties or the Leased Properties; or (F) undertaking any material activities as a result of new or proposed changes to any existing Environmental Law that would reasonably be expected to have a Material Adverse Effect.

(c) **Additional Reporting Requirements.** Deliver to the Administrative Agent (i) as soon as practicable and in any event not more than 90 days after the end of each Financial Year of the Borrower, the Annual Business Plan for the next Financial Year (the First Annual Business Plan to be delivered hereunder being in respect of the Financial Year 2007) together with detailed schedules and information supplementary to and consistent with such Annual Business Plan; (ii) as soon as possible, and in any event within five days after the Borrower becomes aware of the occurrence of any Default or Event of Default, a statement of the chief financial officer, treasurer or chief operating officer of the Borrower or any other officer acceptable to the Administrative Agent setting forth the details of such Default or Event of Default and the action which the Borrower proposes to take or has taken with respect thereto; (iii) prompt notice in writing of any default, or event, condition or occurrence which with notice or lapse of time, or both, would constitute a default under any agreement in respect of Debt to which the Borrower or any of its Subsidiaries owes (contingently or otherwise) at least C$25,000,000 (or the equivalent amount in any other currency); (iv) from time to time upon request of the Administrative Agent, evidence of maintenance of all insurance required to be maintained by Section 8.01(m), including such originals or copies as the Administrative Agent may reasonably request of policies, certificates of insurance, riders and endorsements relating to such insurance and proof of premium payments; (v) promptly upon the issuance thereof, copies of all notices and other documents (which are considered material under the *Securities Act* (Quebec), as amended from time to time) in respect of the Borrower filed with, or delivered to, any stock exchange or to the Quebec or Ontario Securities Commission or similar Governmental Entity in any other jurisdiction (with the exception of any private and confidential filings) by the Borrower or any of its Subsidiaries; (vi) promptly, and in any event within 10 days after the Borrower or any of its Subsidiaries receives notice of any suit, proceeding or similar action

commenced or threatened by any Governmental Entity or any other Person, which would reasonably be expected to have a Material Adverse Effect; (vii) prompt notice of any material changes in accounting or financial reporting practices of the Borrower; (viii) prompt notice of any ERISA Event which could reasonably be expected to constitute an Event of Default and (ix) such other information respecting the condition or operations, financial or otherwise, of the business of the Borrower or any of its Subsidiaries as the Administrative Agent, on behalf of the Lenders, may from time to time reasonably request.

(d) **Corporate Existence.** Except as permitted pursuant to Section 8.02(c), preserve and maintain, and cause Vidéotron Ltée to preserve and maintain, its corporate existence.

(e) **Compliance with Laws, etc.** Comply, and cause each of its Subsidiaries to comply, with the requirements of all applicable Laws and of all its contractual obligations, non-compliance with which would reasonably be expected to have a Material Adverse Effect.

(f) **Status of Accounts and Collateral.** With respect to the Collateral (i) maintain books and records pertaining to the Collateral in such detail, form and scope as the Administrative Agent shall reasonably require; and (ii) report immediately to the Administrative Agent any matters materially adversely affecting the value, enforceability or collectability of any of the Collateral.

(g) **Conduct of Business.** Conduct, and cause each of its Subsidiaries to conduct, in each Financial Year, its business in a prudent manner and consistent with good business practices.

(h) **Environmental Audits.** Promptly (i) if the Administrative Agent has a good faith concern that there is non-compliance by the Borrower or any of its Subsidiaries with Environmental Laws which would reasonably be expected to have a Material Adverse Effect, conduct such environmental audits (by an environmental auditor or auditors approved by the Administrative Agent and, prior to the occurrence of an Event of Default which is continuing, the Borrower) concerning such alleged material non-compliance as the Administrative Agent may request and permit the Administrative Agent and the Lenders to discuss such audits with such auditors; and (ii) remedy any material non-compliance with Environmental Laws revealed by any such audit. Such audit shall be at the Borrower's expense.

(i) **Auditors.** Appoint and maintain as its auditors a firm of national standing.

(j) **Payment of Taxes and Claims.** Pay and discharge, and cause each of its Subsidiaries to pay and discharge, before the same shall become delinquent, (i) all taxes, assessments and governmental charges or levies imposed upon it or upon the Assets or upon its Subsidiaries; and (ii) all lawful Claims which, if unpaid, would by Law become a Lien (other than a Permitted Lien) upon the Assets, except for any such assessment, tax or Claim (I) in an amount of up to C$2,500,000 in the aggregate outstanding at any time; or (II) (A) which is being contested in good faith by proper legal proceedings, for which adequate reserves have been established in the books of the Borrower or the relevant Subsidiary, and (B) the outcome of the contestation of which or the failure to comply with this covenant would not reasonably be expected to have a Material Adverse Effect.

(k) **Keeping of Books.** Keep, and cause each of its Subsidiaries to keep, proper books of record and account, in which full and correct entries shall be made of all financial transactions and the Assets and Business in accordance with GAAP (to the extent applicable).

(l) **Visitation and Inspection.** At (i) any reasonable time or times and upon reasonable prior notice, and at least semi-annually, permit the Administrative Agent on behalf of the Lenders to visit the properties of the Borrower or any of its Subsidiaries or the location of the chief financial officer, and to discuss the affairs, finances and accounts of the Borrower or any of its Subsidiaries with executive management including the officer appointed as (or performing the functions of) the chief financial officer thereof. If a Default has occurred and is continuing or an Event of Default has occurred and not been waived, the Borrower shall be required to reimburse the Administrative Agent or its mandatary for any related expenses and fees; and (ii) at least annually, permit the Lenders to have access to the Borrower's chief financial officer controller for the purpose of reviewing the affairs, finances and accounts of the Borrower and its Subsidiaries.

(m) **Maintenance of Insurance.** Maintain, in respect of itself and each of its Subsidiaries, insurance at all times with responsible insurance carriers in such amounts and covering such risks as are usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower or any such Subsidiaries, as the case may be, operate; such insurance policies of the Borrower to show the Administrative Agent (or a sub-agent appointed by the Administrative Agent), for and on behalf of the Lenders, as loss payee thereof under a mortgage clause in a form approved by the Insurance Bureau of Canada and promptly furnish or cause to be furnished evidence thereof to the Administrative Agent and the Lenders.

(n) **Cure Defects, Preservation of Security.** Upon the reasonable request of the Administrative Agent, take all necessary steps to preserve and maintain in effect the rights of the Administrative Agent and the Lenders, as well as of any collateral agent or *fondé de pouvoir*, pursuant to the Security Documents, together with any renewals thereof or additional documents creating Liens that may be, reasonably requested by the Administrative Agent from time to time or on its behalf. Upon the reasonable request of the Administrative Agent or on its behalf, promptly cure or cause to be cured any defects in the execution and delivery of any of the Credit Documents or any of the other agreements, instruments or documents contemplated thereby or executed pursuant thereto or any defects in the validity or enforceability of any of the Security, and at its expense, execute and deliver or cause to be executed and delivered, all such agreements, instruments and other documents as the Administrative Agent may consider necessary or desirable for the foregoing purposes.

(o) **Further Assurances.** At the Borrower's cost and expense, upon the reasonable request of the Administrative Agent, duly execute and deliver or cause to be duly executed and delivered to the Administrative Agent such further instruments and do and cause to be done such further acts as may be necessary or proper in the reasonable opinion of the Administrative Agent to carry out more effectually the provisions and purposes of the Credit Documents.

(p) **Payment of Obligations.** Pay as the same shall become due and payable, all its obligations and liabilities under the Credit Documents.

(q) **Use of Proceeds**. Use the proceeds of the Credit Facilities for the purposes contemplated herein.

(r) **Intentionally deleted.**

(s) **Erisa**. Perform and cause each of its Subsidiaries to perform, in a timely fashion, all obligations to which it is subject under ERISA, in respect of its Benefit Plans, except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

(t) **Collateral.** Execute and deliver as soon as possible all documentation (i) necessary or reasonably required by the Administrative Agent in order to grant in favor of the Administrative Agent and the Lenders (or on their behalf) a valid duly perfected first ranking Lien on the movable Assets of the Borrower that are acquired or moved by the Borrower to a jurisdiction where the Administrative Agent and the Lenders (or anyone on their behalf) do not have Security or (ii) that is required further to a change of the registered or head office of the Borrower to ensure that the Administrative Agent and the Lenders (or anyone on their behalf) keep the benefit of a first ranking Security. Such additional documentation shall form part of the Security Documents.

(u) **Share Certificates in Vidéotron Ltée.** The Borrower shall deliver, promptly upon receipt, to the Administrative Agent, duly endorsed in blank for transfer as the case may be:

(i) all share certificates issued by Vidéotron Ltée to the Borrower after the date of this Agreement, except for Back-to-Back Preferred Shares and any shares issued by Vidéotron Ltée resulting from a Tax Benefit Transaction (such shares being collectively referred to the "**Vidéotron Shares**");

(ii) undated stock transfer forms executed in blank by the Borrower in respect of the Vidéotron Shares;

(iii) such other documents and instruments as the Administrative Agent may require from time to time (i) to render opposable the security and pledge on the Vidéotron Shares (duly executed by the Borrower), (ii) for vesting or enabling it to vest such shares in itself, its nominee or nominees or any purchaser after the occurrence of an Event of Default, or (iii) to provide the Administrative Agent with control (as such term is defined or contemplated in *An Act respecting the transfer of securities and the establishment of security entitlements* (Quebec)) over all Vidéotron Shares in the manner provided under Section 55 of said Act.

In the eventuality of replacement certificates concerning the Vidéotron Shares, the Administrative Agent will then give back the old certificates to the Borrower for cancellation provided that the Administrative Agent has received or receives simultaneously the said replacement certificates with undated stock transfer form executed in blank by the Borrower.

**Section 8.02 Negative Covenants.** So long as any amount owing hereunder remains unpaid or any Lender has any obligation under this Agreement, and unless consent is given in accordance with Section 12.01 hereof, the Borrower shall not:

(a) **Debt.** Create, incur, assume or suffer to exist any Debt other than Permitted Debt.

(b) **Encumbrances.** Create, incur, assume or suffer to exist any Lien on any of its Assets, other than Permitted Liens.

(c) **Mergers, Etc.** Enter into any transaction (whether by way of reconstruction, reorganization, consolidation, amalgamation, winding-up, merger, transfer, sale, lease or otherwise) whereby all or any substantial part of its undertaking or Assets would become the property of any other Person unless (i) immediately after giving effect thereto, no event shall have occurred and be continuing which constitutes a Default or Event of Default, (ii) the corporation continuing from any such transaction shall be a corporation organized and existing under the laws of Canada or any province thereof, (iii) such continuing corporation shall assume the Borrower's obligations, if any, under the Credit Documents, pursuant to an agreement in form and substance satisfactory to the Administrative Agent, provided that such agreement shall not be required if such obligations are otherwise assumed by operation of Law, (iv) if the transaction in question is with a Person (A) who was not a wholly-owned Subsidiary of the Borrower immediately before the effective date thereof, the transaction, in the sole opinion of the Majority Lenders acting reasonably, would not reasonably be expected to have a Material Adverse Effect, or (B) who was a wholly-owned Subsidiary of the Borrower immediately before the effective date thereof, the proposed transaction will not have a detrimental effect on the financial condition of the Borrower, nor on the rights of the Administrative Agent and the Lenders under the Credit Documents, and (v) the Lenders shall have received an opinion of counsel to the Borrower, acceptable to them, that such transaction complies with Law and other matters of Law referred to in this Section 8.02(c), or except as permitted under Section 8.02(d).

(d) **Disposal of Assets Generally.** Dispose of any Assets to any Person, other than, (i) any disposition of Assets between QMI Entities (other than a Disposition of the equity participation in Vidéotron Ltée held by the Borrower); (ii) pursuant to a transaction consummated in accordance with Section 8.02(c); (iii) so long as no Default has occurred and is continuing or would arise therefrom and no Event of Default has occurred, any other bona fide Dispositions (other than a Disposition of the equity participation in Vidéotron Ltée held by the Borrower), provided the proceeds thereof are dealt with in accordance with Section 2.05(2) hereof to the extent applicable. The Administrative Agent shall, upon the Borrower's request and provided that no Default or Event of Default has occurred and is continuing or would result from such Disposition, execute a release of any Collateral which the Borrower proposes to Dispose of, or confirm to the purchaser or transferee thereof that such Disposition may occur free of the Security, unless such Disposition is contrary to any provision hereof and provided that, where applicable, the Net Proceeds in respect of the Disposition are used to repay the Accommodations Outstanding in accordance with Section 2.05.

(e) **Transactions with Affiliates.** Subject to the following sentences, and except among the Borrower and wholly-owned Subsidiaries or among wholly-owned Subsidiaries, directly or indirectly (i) purchase, acquire, lease or licence any material property, right or service from; (ii) sell, transfer, lease or licence any Assets or right to; or (iii) permit any Subsidiary to purchase, acquire, lease or licence any Asset, right or service from, or sell, transfer, lease or licence any Assets or right to, any Person not at Arm's Length with the Borrower or such Subsidiary, except at prices and on terms not less favourable to the Borrower or such Subsidiary, as the case may be, than those which would have been obtained in an Arm's Length transaction with an Arm's Length Person. Notwithstanding the foregoing, (a) the Borrower may enter into, perform its obligations in connection with, or redeem or repay, the Back-to-Back Securities, the Existing Back-to-Back Securities or the Tax Benefit Transactions, (b) the Borrower may make or pay Permitted Distributions, (c) the Borrower may pay management fees to Quebecor, Caisse de Dépôt et Placement du Québec or any of their respective Affiliates in an amount not to exceed US$2,000,000 in total per Financial Year plus the payment of additional management fees to the extent the amount of such additional payments would be permitted to be paid as Permitted Distributions, and (d) the Borrower or any wholly-owned Subsidiary may transact with Subsidiaries that are not wholly-owned at prices and on terms less favorable to the Borrower or such wholly-owned Subsidiary than those which would have been obtained in Arm's Length transaction with an Arm's Length Person, provided that the aggregate value of all such transactions does not exceed C$10,000,000 in total per Financial Year.

(f) **Change in Business.** Make, or permit to be made, any material change in the Business.

(g) **Distributions.** Declare, make or pay any Equity Distribution or Debt Distribution which is not a Permitted Debt Distribution unless the Consolidated Senior Leverage Ratio of the Borrower, calculated on a proforma basis as at the end of the last previously completed Fiscal Quarter in respect of which financial statements are available after giving effect to such Distribution, is below 3.75 : 1.00 (the "**Required Threshold**") on a trailing four quarter basis provided however that at the time of payment of such Distribution no Default exist or could result therefrom. Notwithstanding the foregoing, the Borrower shall be entitled to declare, make or pay any such Distribution during any period when such Consolidated Senior Leverage Ratio is not below the Required Threshold (the "**Offside Periods**") on the condition that the aggregate amount of such Distributions paid during such Offside Periods does not exceed C$275,000,000, provided however that at the time of payment of such Distribution no Default exist or could result therefrom.

(h) **Investments and Acquisitions.** Make any Investments or Acquisitions, (other than in connection with Capital Expenditures permitted pursuant to Section 8.02(k) except, provided no Default has occurred and is continuing or would result therefrom, (i) hedging agreements and other foreign currency hedges, interest rate swaps, commodity hedges or similar obligations or agreements, in each case incurred in the ordinary course of the Business and not for speculative purposes; (ii) Investments or Acquisitions so long as at the date of such Investment or Acquisition and on a proforma basis after taking such Investment or Acquisition into account as if it existed at all times during the relevant period, the Leverage Ratio and the Interest Coverage Ratio are complied with in accordance with Section 8.03 and such Investments or Acquisitions are made with respect to Assets or Persons in the same line of business as the Business; (iii) the acquisition of Back-to-Back Securities or the acquisition of property as part of Tax Benefit Transactions; and (iv) Investments or Acquisitions with respect

to Assets or Persons not otherwise permitted under clause (ii) above not to exceed at any time, from and as of January 25, 2012, C$125,000,000 in the aggregate so long as at the date of such Investment or Acquisition and on a proforma basis after taking such Investment or Acquisition into account as if it existed at all times during the relevant period, the Leverage Ratio and the Interest Coverage Ratio are complied with in accordance with Section 8.03.

(i) **Subsidiaries.** Permit any of its Subsidiaries to assume, enter into or otherwise become bound by any agreement or undertaking that would reasonably be expected to prevent such Subsidiary from declaring or paying dividends, intercompany payments, Equity Distributions or Debt Distributions of any kind except on terms and conditions not more restrictive for such Subsidiary than those provided under the Vidéotron Credit agreement except where so preventing such Subsidiary from declaring or paying dividends, intercompany payments, Equity Distributions or Debt Distributions would not reasonably be expected to have a Material Adverse Effect.

(j) **Intentionally Deleted.**

(k) **Capital Expenditures.** Make or commit to make at any time from and as of the Effective Date to the expiry of the Term of the Revolving Facility, Capital Expenditures which exceed, in the aggregate, C$125,000,000, excluding any Capital Expenditures related to the Press Investment.

(l) **Business Outside Certain Jurisdictions.** Keep or store any of its material tangible property outside of those jurisdictions (or registration districts within such jurisdictions) set forth in Schedule 7.01(g) (i) except upon 30 days' prior written notice thereof to the Administrative Agent; and (ii) unless the Borrower has done or caused to be done all such acts and things and executed and delivered or caused to be executed and delivered all such deeds, transfers, assignments and instruments as the Administrative Agent may reasonably require for perfecting a Security Interest in such property in favour of the Administrative Agent and the Lenders.

(m) **Financial Year.** Change its Financial Year.

(n) **Amendments.** Allow any amendments to its constating documents or by-laws which are adverse to the Lenders interests hereunder or the Security Interests arising under or created by the Security Documents, without the prior written consent of the Administrative Agent upon instructions from the Majority Lenders.

**Section 8.03 Financial Covenants.** So long as any amount owing hereunder remains unpaid or any Lender has any obligations under this Agreement, and unless consent is given in accordance with Section 12.01 hereof, the Borrower shall:

(a) **Leverage Ratio.** Maintain, at all times, tested as at the end of each Financial Quarter in each Financial Year, a maximum Leverage Ratio of 5.00 : 1.00, calculated as at the end of such Financial Quarter for the four Financial Quarters then ended.

(b) **Interest Coverage Ratio.** Maintain, at all times, tested as at the end of each Financial Quarter in each Financial Year, a minimum Interest Coverage Ratio of 2.25 : 1.00, calculated as at the end of such Financial Quarter for the four Financial Quarters then ended.

(c) **Unconsolidated Coverage Ratio.** Maintain, at all times, tested as at the end of each Financial Quarter in each Financial Year, a minimum Unconsolidated Coverage Ratio calculated as at the end of such Financial Quarter for the four Financial Quarters then ended, of not less than 1.25:1.00.

## ARTICLE 9
## EVENTS OF DEFAULT

**Section 9.01 Events of Default.** The occurrence of any of the following events (each an "**Event of Default**") shall constitute an Event of Default unless remedied within the prescribed delays or waived by the requisite majority of Lenders:

(a) the Borrower shall fail to pay any amount of the Accommodations Outstanding when such amount becomes due and payable;

(b) the Borrower shall fail to pay any interest or Fees when the same become due and payable hereunder and such failure shall remain unremedied for three Business Days;

(c) any representation or warranty or certification made or deemed to be made by the Borrower or any of its directors or officers in this Agreement or any other Credit Document to which it is a party shall prove to have been incorrect in any material respect when made or deemed to be made;

(d) the Borrower shall fail to perform, observe or comply with any of the covenants contained in (i) Section 8.02(a), Section 8.02(b), Section 8.02(f), Section 8.02(h), Section 8.02(k) or Section 8.02(l), and such failure shall remain unremedied for three (3) Business Days from the Borrower's knowledge of such event, or (ii) the other subsections of Section 8.02, or (iii) Section 8.03;

(e) the Borrower shall fail to perform, observe or comply with any of the covenants contained in this Agreement (and not covered by Section 9.01(d)) and such failure shall remain unremedied for 15 days following notice thereof by the Administrative Agent to the Borrower;

(f) the Borrower shall fail to perform or observe any other term, covenant or agreement contained in any Credit Document (other than this Agreement) to which it is a party and such failure shall remain unremedied for 15 days following notice thereof by the Administrative Agent to the Borrower;

(g) the Borrower or any of its Subsidiaries shall fail to pay the principal of or premium or interest on any Debt of the Borrower or such Subsidiary (excluding any Debt hereunder and under a Hedging Agreement) which is outstanding in an aggregate principal amount exceeding C$25,000,000 (or the equivalent amount in any other currency), when such amount becomes due and payable (whether by scheduled maturity, required prepayment,

acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt which has not been extended, waived or modified; or any other event shall occur or condition shall exist, and shall continue after the applicable grace period, if any, specified in any agreement or instrument relating to any such Debt, if the effect of such event is to accelerate, or permit the acceleration of such Debt; or any such Debt shall be declared to be due and payable prior to the stated maturity thereof;

(h) the Borrower shall fail to pay the principal of or premium or interest on any Debt of the Borrower under one or more Hedging Agreements in respect of which the Hedging Exposure exceeds C$25,000,000 when such amount becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt which has not been extended, waived or modified, if the effect of such event is to accelerate such Debt or result in the termination of such Hedging Agreement prior to its stated date of maturity; or any other default of the Borrower shall occur and shall continue after the applicable grace period, if any, specified in any agreement or instrument relating to any such Debt, if the effect of such event is to accelerate such Debt or result in the termination of such Hedging Agreement prior to its stated date of maturity;

(i) any seizure, taking of possession, or process of execution is enforced or levied upon material property having a value of C$25,000,000 or more of the Borrower, Vidéotron Ltée, any Subsidiary of Vidéotron Ltée, or any other Subsidiary whose Consolidated EBITDA for a period of four consecutive Financial Quarters (calculated as at the last completed Financial Quarter for which financial statements are available) exceeds 10% of the Consolidated EBITDA of the Borrower for such period and remains unsatisfied for a period (for each action) of 60 days, as to movable or personal property, or 90 days as to immovable or real property, and, in any event, not less than 10 days prior to the date fixed for the sale of any such property;

(j) any judgment or order for the payment of money in excess of C$25,000,000 (or the equivalent amount in any other currency), net of applicable insurance coverage pursuant to which liability is acknowledged in writing by the insurer, with a copy promptly provided to the Administrative Agent, shall be rendered against the Borrower or any of its Subsidiaries and remains undischarged or unsatisfied for a period ending on the earlier of (a) 30 days from the date of such judgment (unless appealed and provided, in such case, that there shall be a stay of enforcement of such judgment or order during such period); or (b) the 5th day prior to the date on which such judgment becomes executory;

(k) the Borrower, a Material Subsidiary or Immaterial Subsidiaries which, in respect of such Immaterial Subsidiaries only, account, in the aggregate, for more than 5% of Consolidated Net Tangible Assets and 5% of Consolidated EBITDA of the Borrower, in each such cases, shall (i) become insolvent or generally not pay its debts as such debts become due; (ii) admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; (iii) institute or have instituted against it any proceeding seeking (x) to adjudicate it a bankrupt or insolvent, (y) any liquidation, winding-up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any Law relating to bankruptcy, insolvency, reorganization or relief of debtors including any plan of

compromise or arrangement or other similar corporate proceeding involving or affecting its creditors, or (z) the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or for any substantial part of its Assets, and in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 45 days, or any of the actions sought in such proceeding (including the entry of an order for relief against it or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its Assets) shall occur; or (iv) take any corporate action to authorize any of the foregoing actions;

(l) if any of the Credit Documents shall be cancelled, terminated, revoked or rescinded or the Administrative Agent's or the Lenders' (or any Person's on their behalf) Security Interests in the Collateral shall cease to be valid and enforceable, or shall cease to have the priority contemplated by the Security Documents, otherwise than in accordance with the terms thereof or with the express prior written agreement, consent or approval of the Lenders, or any action at law, suit or in equity or other legal proceeding to cancel, revoke or rescind any of the Credit Documents shall be commenced by or on behalf of the Borrower or any of its stockholders, or any court or any other governmental or regulatory authority or agency of competent jurisdiction shall make a determination that, or issue a judgment, order, decree or ruling to the effect that, any one or more of the Credit Documents is illegal, invalid or unenforceable in accordance with the terms thereof, unless such Credit Document is duly replaced with a fully enforceable one within 7 days of any such event;

(m) a Change of Control;

(n) any Impermissible Qualification of the audited financial statements of the Borrower by its independent auditors; or

(o) (i) any Termination Event shall occur with respect to any Benefit Plan of the Borrower, any Subsidiary or any of their respective ERISA Affiliates, (ii) any accumulated funding deficiency (as defined in Section 302 of ERISA) shall exist at any time with respect to any such Benefit Plan (other than a Multiemployer Plan) in an amount in excess of an amount equivalent to 4% of the Borrower's Equity at such time, (iii) any Subsidiary or any of its ERISA Affiliates shall engage in any prohibited transaction involving any such Benefit Plan, (iv) a Subsidiary or any of its ERISA Affiliates shall be in "default" (as defined in ERISA Section 4219(c)(5)) with respect to payments owing to any such Benefit Plan that is a Multiemployer Plan as a result of such Person's complete or partial withdrawal (as described in ERISA Section 4203 or 4205) therefrom, (v) a Subsidiary or any of its ERISA Affiliates shall fail to pay when due an amount that is payable by it to the PBGC or to any such Benefit Plan under Title IV of ERISA, or (vi) a proceeding shall be instituted by a fiduciary of any such Benefit Plan against a Subsidiary or any of its ERISA Affiliates to enforce ERISA Section 515 and such proceeding shall not have been dismissed within 30 days thereafter, except that no event or condition referred to in paragraphs (i) through (vi) shall constitute an Event of Default if it, together with all other such events or conditions at the time existing, has not subjected, and in the reasonable determination of the Majority Lenders will not subject, the Borrower to aggregate liabilities, at any time, that exceed an amount equivalent to 4% of the Borrower's Equity at such time.

then, (A) if the Event of Default that occurred is that mentioned in paragraph (k) above, all Accommodations Outstanding, together with all interest and Fees accrued thereon and all other amounts payable under this Agreement in respect of the Credit Facilities, shall immediately become due and payable, without demand, presentation, protest or other notice of any nature, to which the Borrower expressly renounces; and (B) if the Event of Default that occurred was any other Event of Default, the Administrative Agent may, and shall at the request of the Majority Lenders, (i) terminate the Lenders' obligations to make further Accommodations under the Credit Facilities; and (ii) (at the same time or at any time after such termination) declare the principal amount of all Accommodations Outstanding, together with all interest and Fees accrued thereon and all other amounts payable under this Agreement in respect of the Credit Facilities, to be immediately due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower. For greater certainty, from and after the occurrence of a Default or Event of Default, the Lenders shall not be obliged to provide any Accommodation hereunder.

Upon the acceleration of any amount hereunder and notwithstanding anything herein to the contrary, the Borrower hereby acknowledges that it shall be then indebted to, and shall be obligated to pay to the Administrative Agent, as a separate and absolute obligation, all unpaid principal amount of and accrued interest on Accommodations Outstanding, all Fees and all other amounts payable under this Agreement. Such payment to the Administrative Agent when made shall be deemed to have been made in discharge of the Borrower's obligations hereunder, and the Administrative Agent shall distribute such proceeds among the Lenders as provided herein.

**Section 9.02 Remedies Upon Demand and Default.** (1) Upon a declaration that the Accommodations Outstanding under the Credit Facilities are immediately due and payable pursuant to Section 9.01, the Administrative Agent shall at the request of, or may with the consent of, the Majority Lenders, commence such legal action or proceedings as it, in its sole discretion, may deem expedient, including the commencement of enforcement proceedings under the Security Documents or any other security granted by the Borrower or others to the Administrative Agent or the Lenders, or both, or for their benefit, all without any additional notice, presentation, demand, protest, notice of dishonour, entering into of possession of any of the Assets, or any other action or notice, all of which the Borrower hereby expressly waives.

(2) The rights and remedies of the Administrative Agent and the Lenders hereunder and under the other Credit Documents are cumulative and are in addition to and not in substitution for any other rights or remedies. Nothing contained herein or in the Security Documents or any other security hereafter held by the Administrative Agent and the Lenders, or for their benefit, with respect to the indebtedness or liability of the Borrower to the Administrative Agent and the Lenders, or any part thereof, nor any act or omission of the Administrative Agent or the Lenders or anyone on their behalf with respect to the Security Documents, the Security or such other security, shall in any way prejudice or affect the rights, remedies and powers of the Administrative Agent, the Lenders and any Person holding any Security Interest on their behalf hereunder or under the Security Documents or such Security.

**Section 9.03 Bankruptcy and Insolvency.** If the Borrower files a notice of intention to file a proposal, or files a proposal under the *Bankruptcy and Insolvency Act* (Canada), or if the Borrower obtains the permission of the court to file a Plan of Arrangement under the *Companies' Creditors Arrangements Act* (Canada), and if a stay of proceedings is obtained or ordered under the provisions of either of those statutes, without prejudice to the Lenders' rights to contest such stay of proceedings, the Borrower covenants and agrees to continue to pay interest on all amounts due to the Lenders in accordance with the provisions hereof. In this regard, the Borrower acknowledges that permitting the Borrower to continue to use the proceeds of the Accommodations constitutes valuable consideration provided after the filing of any such proceeding in the same way that permitting the Borrower to use leased premises constitutes such valuable consideration.

**Section 9.04 Relations with the Borrower.** The Administrative Agent may grant delays, take security or renounce thereto, accept compromises, grant acquittances and releases and otherwise negotiate with the Borrower as it deems advisable without in any way diminishing the liability of the Borrower nor prejudicing the rights of the Lenders with respect to the Security.

**Section 9.05 Application of Proceeds.** Following the occurrence of an Event of Default which has not been waived, subject to the provisions hereof, the Administrative Agent may apply the proceeds of realization of the property contemplated by the Security Documents and of any credit or compensating balance in reduction of the part of the Accommodations (principal, interest or accessories and/or Hedging Exposure relating to all Hedging Agreements entered into with a Lender) which the Administrative Agent judges appropriate; provided that, to the extent practicable, the Administrative Agent will follow the order contemplated by Section 2.09(2) hereof. If any Lender is owed money by the Borrower as a result of Hedging Agreements, and, in particular, as a result of Hedging Exposure in respect of such Hedging Agreement, the claim of such Lender for all amounts owed thereunder, shall rank *pari passu* with the other amounts comprising the Accommodations.

## ARTICLE 10
## THE ADMINISTRATIVE AGENT AND THE LENDERS

**Section 10.01 Appointment and Authority.** (1) Each of the Lenders and the Issuing Lender hereby irrevocably appoints Bank of America, N.A. to act on its behalf as the Administrative Agent hereunder and under the other Credit Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article are solely for the benefit of the Administrative Agent, the Lenders and the Issuing Lender, and the Borrower shall not have rights as a third party beneficiary of any of such provisions.

(2) In addition to the provisions of Section 10.12 hereof, the Administrative Agent shall also act as the "**collateral agent**" under the Credit Documents, and each of the Lenders (in its capacities as a Lender, potential party to a Hedging Agreement) and the Issuing Lender hereby irrevocably appoints and authorizes the Administrative Agent to act as the agent of such Lender and Issuing Lender for purposes of acquiring, holding and enforcing any and all Liens on Collateral granted by the Borrower to secure the obligations secured by the terms of

the Security Documents, together with such powers and discretion as are reasonably incidental thereto. In this connection, the Administrative Agent, as "collateral agent" and any co-agents, sub-agents and attorneys-in-fact appointed by the Administrative Agent pursuant to Section 10.05 for purposes of holding or enforcing any Lien on the Collateral (or any portion thereof) granted under the Security Documents, or for exercising any rights and remedies thereunder at the direction of the Administrative Agent), shall be entitled to the benefits of all provisions of this Article 10 and Article 12 (including Section 12.06 as though such co-agents, sub-agents and attorneys-in-fact were the "collateral agent" under the Credit Documents) as if set forth in full herein with respect thereto.

**Section 10.02 Rights as a Lender.** The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with the Borrower or any of its Subsidiaries or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

**Section 10.03 Exculpatory Provisions.** (1) The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Credit Documents. Without limiting the generality of the foregoing, the Administrative Agent:

(a) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Credit Documents that the Administrative Agent is required to exercise as directed in writing by the Majority Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Credit Documents), provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Credit Document or applicable Law; and

(c) shall not, except as expressly set forth herein and in the other Credit Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

(2) The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Majority Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Section 12.01 and Section 9.02) or (ii) in the absence of its own gross or intentional fault. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until notice describing such Default is given to the Administrative Agent by the Borrower, a Lender or the Issuing Lender.

(3) The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Credit Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Credit Document or any other agreement, instrument or document, or the creation, perfection or priority of any Lien purported to be created by the Security Documents, (v) the value or the sufficiency of any Collateral, or (v) the satisfaction of any condition set forth in Article 6 or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

**Section 10.04 Reliance by Administrative Agent.** The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of an Accommodation, that by its terms must be fulfilled to the satisfaction of a Lender or the Issuing Lender, the Administrative Agent may presume that such condition is satisfactory to such Lender or the Issuing Lender unless the Administrative Agent shall have received notice to the contrary from such Lender or the Issuing Lender prior to the making of such Accommodation. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

**Section 10.05 Delegation of Duties.** The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Credit Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

**Section 10.06 Resignation of Administrative Agent.** (1) The Administrative Agent may at any time give notice of its resignation to the Lenders, the Issuing Lender and the Borrower. Upon receipt of any such notice of resignation, the Majority Lenders shall have the right, with the consent of Borrower (prior to the occurrence of a Default which is continuing or an Event of Default which has not been waived) which consent shall not be unreasonably withheld, to appoint a successor, which shall be a bank with an office in Canada, or an Affiliate of any such

bank with an office in Canada. If no such successor shall have been so appointed by the Majority Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may on behalf of the Lenders and the Issuing Lender, appoint a successor Administrative Agent meeting the qualifications set forth above; provided that if the Administrative Agent shall notify the Borrower and the Lenders that no qualifying Person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such notice and (a) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Credit Documents (except that in the case of any collateral security held by the Administrative Agent on behalf of the Lenders or the Issuing Lender under any of the Credit Documents, the retiring Administrative Agent shall continue to hold such collateral security until such time as a successor Administrative Agent is appointed) and (b) all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender and the Issuing Lender directly, until such time as the Majority Lenders appoint a successor Administrative Agent as provided for above in this Section. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) Administrative Agent, and the retiring Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Credit Documents (if not already discharged therefrom as provided above in this Section). The Fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring Administrative Agent's resignation hereunder and under the other Credit Documents, the provisions of this Article and Section 12.06 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent was acting as Administrative Agent.

(2) Any resignation by Bank of America, N.A. as Administrative Agent pursuant to this Section shall also constitute the resignation of Bank of America, N.A., Canada Branch as Issuing Lender. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, (i) such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring Issuing Lender, (ii) the retiring Issuing Lender shall be discharged from all of its duties and obligations hereunder or under the other Credit Documents, and (iii) the successor Issuing Lender shall issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or make other arrangements satisfactory to the retiring Issuing Lender to effectively assume the obligations of the retiring Issuing Lender with respect to such Letters of Credit.

**Section 10.07 Non-Reliance on Administrative Agent and Other Lenders.** Each Lender and the Issuing Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender and the Issuing Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Credit Document or any related agreement or any document furnished hereunder or thereunder.

**Section 10.08 No Other Duties, Etc.** Anything herein to the contrary notwithstanding, none of the bookmanagers, arrangers, syndication agent or documentation agent listed on the cover page hereof shall have any powers, duties or responsibilities under this Agreement or any of the other Credit Documents, except in its capacity, as applicable, as the Administrative Agent, a Lender or the Issuing Lender hereunder.

**Section 10.09 Administrative Agent May File Proofs of Claim.** (1) In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Borrower, the Administrative Agent (irrespective of whether the principal of any Advance or the Face Amount of any other Accommodation shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal, Face Amount and interest and Fees owing and unpaid in respect of the Advances and all other Accommodations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders, the Issuing Lender and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders, the Issuing Lender and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders, the Issuing Lender and the Administrative Agent hereunder) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender and the Issuing Lender to make such payments to the Administrative Agent and, if the Administrative Agent shall consent to the making of such payments directly to the Lenders and the Issuing Lender, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent hereunder, as Fees or otherwise.

(2) Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender or the Issuing Lender any plan of reorganization, arrangement, adjustment or composition affecting the obligations of the Borrower hereunder and under the other Credit Documents or the rights of any Lender or the Issuing Lender or to authorize the Administrative Agent to vote in respect of the claim of any Lender or the Issuing Lender or in any such proceeding.

**Section 10.10 Collateral and Guaranty Matters.** (1) The Lenders and the Issuing Lender irrevocably authorize the Administrative Agent, at its option and in its discretion,

(a) to release any Lien on any property granted to or held by the Administrative Agent (or by any Person on its behalf) under any Credit Document (i) upon termination of the Commitments and payment in full of all obligations owed hereunder and under the other Credit Documents (other than contingent indemnification obligations) and the expiration or termination of all Letters of Credit and BA Instruments, (ii) that is sold or to be sold as part of or in connection with any sale permitted hereunder or under any other Credit Document, or (iii) if approved, authorized or ratified in writing in accordance with Section 12.01; and

(b) to subordinate any Security Interest on any property created pursuant to any Security Document to the holder of any Lien on such property that is permitted hereunder unless such Permitted Lien is specifically stipulated hereunder to rank equally or after such Security Interest.

(2) Upon request by the Administrative Agent at any time, the Majority Lenders or the Lenders, as applicable, will confirm in writing the Administrative Agent's authority to release or subordinate its interest in particular types or items of property. In each case as specified in this Section, the Administrative Agent will, at the Borrower's expense, execute and deliver to the Borrower such documents as the Borrower may reasonably request to evidence the release of such item of Collateral from the assignment and security interest granted under the Security Documents or to subordinate its interest in such item, in each case in accordance with the terms of the Credit Documents and this Section.

**Section 10.11 Replacement of Non-Schedule I Reference Banks.** If a non-Schedule I Reference Bank assigns, subject to the provisions of Section 12.08, all of its rights hereunder or otherwise ceases to be a Lender, or if a Non-Schedule I Reference Bank gives notice of its intention to cease being a Non-Schedule I Reference Bank, or if in the opinion of the Administrative Agent, a Non-Schedule I Reference Bank is no longer capable of exercising its functions as a Non-Schedule I Reference Bank, the Administrative Agent shall, with the prior written consent of the Borrower if prior to an Event of Default which has not been waived, appoint another Lender designated as a Schedule II or Schedule III bank under the *Bank Act* (Canada) (with the latter's consent) to act as a Non-Schedule I Reference Bank in replacement thereof.

**Section 10.12 Irrevocable Power of Attorney** (***fondé de pouvoir***). Without limiting the powers of the Administrative Agent hereunder or under the Credit Documents and to the extent applicable, each of the Lenders and the Administrative Agent hereby confirms that Computershare Trust Company of Canada shall, for the purposes of holding any Security granted under the Security Documents for use in the Province of Quebec, to secure payment of the Debentures, be the holder of an irrevocable power of attorney (*fondé de pouvoir*) (within the meaning of Article 2692 of the *Civil Code of Quebec*) for the Administrative Agent and all present and future Lenders and in particular for all present and future holders of the Debentures. Each of the Lenders and the Administrative Agent hereby ratifies the constitution of, to the extent necessary, Computershare Trust Company of Canada (or, if desired, a designated collateral agent) as the holder of such irrevocable power of attorney in order to hold security granted under such hypothecs to secure the Debentures. Each Assignee shall be deemed to have confirmed and ratified the constitution of Computershare Trust Company of Canada as the holder of such irrevocable power of attorney by execution of the relevant Assignment and Assumption.

Notwithstanding the provisions of Section 32 of the *An Act respecting the Special Powers of Legal Persons* (Quebec), the Borrower, the Administrative Agent and the Lenders irrevocably agree that Computershare Trust Company of Canada may acquire and be the holder of a Debenture. By executing a Debenture, the issuer of the Debenture shall be deemed to have acknowledged that the Debenture constitutes a title of indebtedness, as such term is used in Article 2692 of the *Civil Code of Quebec*.

**Section 10.13 Issuing Lender.** The Issuing Lender shall act on behalf of the Lenders with respect to any Letters of Credit issued by it and the documents associated therewith, and the Issuing Lender shall have all of the benefits and immunities (i) provided to the Administrative Agent in this Article 10 with respect to any acts taken or omissions suffered by the Issuing Lender in connection with Letters of Credit issued by it or proposed to be issued by it and the applications and agreements for letters of credit pertaining to such Letters of Credit as fully as if the term "Administrative Agent" as used in this Article 10 and in the definition of "Agent-Related Person" included the Issuing Lender with respect to such acts or omissions, and (ii) as additionally provided herein with respect to the Issuing Lender.

**Section 10.14 Borrower Materials.** The Borrower hereby acknowledges that (a) the Administrative Agent and/or the arrangers hereunder will make available to the Lenders and the Issuing Lender materials and/or information provided by or on behalf of such Borrower hereunder (collectively, "**Borrower Materials**") by posting the Borrower Materials on IntraLinks or another similar electronic system (the "**Platform**") and (b) certain of the Lenders may be "public-side" Lenders (*i.e.,* Lenders that do not wish to receive material non-public information with respect to the Borrower or its securities) (each, a "**Public Lender**"). The Borrower hereby agrees that (w) all Borrower Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof; (x) by marking Borrower Materials "PUBLIC" the Borrower shall be deemed to have authorized the Administrative Agent, the arrangers, the Issuing Lender and the Lenders to treat such Borrower Materials as not containing any material non-public information with respect to the Borrower or its securities for purposes of United States Federal and state securities laws; (y) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Investor" and (z) the Administrative Agent and the arrangers shall be entitled to treat any Borrower Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not designated "Public Investor".

## ARTICLE 11
## CURRENCY AND EXCHANGE

**Section 11.01 Rules of Conversion.** If for the purpose of obtaining judgment in any court or for any other purpose hereunder, it is necessary to convert an amount due, advanced or to be advanced hereunder from the currency in which it is due (the "**First Currency**") into another currency (the "**Second Currency**") the rate of exchange used shall be that at which, in accordance with normal banking procedures, the Administrative Agent could purchase, in the Canadian money market or the Canadian exchange market, as the case may be, the First Currency with the Second Currency on the date on which the judgment is rendered,

the sum is payable or advanced or to be advanced, as the case may be. The Borrower agrees that its obligations in respect of any First Currency due from it to the Lenders in accordance with the provisions hereof shall, notwithstanding any judgment rendered or payment made in the Second Currency, be discharged by a payment made to the Administrative Agent on account thereof in the Second Currency only to the extent that, on the Business Day following receipt of such payment in the Second Currency, the Administrative Agent may, in accordance with normal banking procedures, purchase on the Canadian money market or the Canadian foreign exchange market, as the case may be, the First Currency with the amount of the Second Currency so paid or which a judgment rendered payable; and if the amount of the First Currency which may be so purchased is less than the amount originally due in the First Currency, the Borrower agrees as a separate and independent obligation and notwithstanding any such payment or judgment to indemnify the Lenders against such deficiency.

**Section 11.02 Determination of an Equivalent Currency.** If, in their discretion, the Lenders or the Administrative Agent chooses or, pursuant to the terms of this Agreement, are obliged to choose the equivalent in Canadian Dollars of any securities or amounts expressed in US Dollars or another currency or the equivalent in US Dollars of any securities or amounts expressed in Canadian Dollars or another currency, the Administrative Agent, in accordance with the conversion rules as stipulated in Section 11.01, on the date indicated in the Borrowing Notice as the date of a request for an Advance, and at any other time which in the opinion of the Lenders is desirable; may, using the spot rate of the Administrative Agent or an Affiliate on such date, determine the equivalent in Canadian Dollars or in US Dollars, as the case may be, of any security or amount expressed in the other currency pursuant to the terms hereof. Immediately following such determination, the Administrative Agent shall inform the Borrower of the conclusion which the Lenders have reached.

## ARTICLE 12
## MISCELLANEOUS

**Section 12.01 Amendment Etc.** (1) No amendment or waiver of any provision of this Agreement or any Security Document, and no consent to any departure by the Borrower therefrom, shall be effective unless in writing signed by the Administrative Agent acting with the approval of the Majority Lenders (it being understood that with respect to any amendment or waiver pertaining to a specific Credit Facility without affecting the Lenders generally, Majority Lenders shall refer to the "Majority Lenders" under such Credit Facility) and the Borrower, and acknowledged by the Administrative Agent, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such amendment, waiver or consent shall:

(a) waive any condition set forth in Section 6.02, or, in the case of the initial Accommodation, Section 6.01 without the written consent of each Lender;

(b) extend or increase the Commitment of any Lender (or reinstate any Commitment terminated pursuant to Section 9.01) without the written consent of such Lender;

(c) postpone any date fixed by this Agreement or any other Credit Document (other than Hedging Agreements) for any payment of principal, interest, fees or other amounts due to the Lenders (or any of them) hereunder or under such other Credit Document (other than Hedging Agreements) without the written consent of each Lender entitled to such payment;

(d) reduce the principal of, or the rate of interest specified herein on, any Advance or other Type of Accommodation, or (subject to clause (iii) of the second proviso to this Section 12.01) any fees or other amounts payable hereunder or under any Security Document, or change the manner of computation of any financial ratio (including any change in any applicable defined term) used in determining the Applicable Margin that would result in a reduction of any interest rate or Fee payable on any Advance, any other Type of Accommodation or any Fee payable hereunder without the written consent of each Lender entitled to such amount; provided, however, that only the consent of the Majority Lenders shall be necessary to amend the rate of interest charged as a default rate or to waive any obligation of the Borrower to pay interest or Fees at such default rate;

(e) change (i) Section 2.09 in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Lender or (ii) the order of application of any reduction in the Commitments or any prepayment of Accommodations among the Credit Facilities from the application thereof set forth in the applicable provisions of Section 2.05 and Section 2.06, respectively, in any manner that materially and adversely affects the Lenders under a Credit Facility without the written consent of (i) if such Credit Facility is the Revolving Facility, the Majority Lenders under the Revolving Facility, and (ii) if such Facility is Facility B, the Majority Lenders under Facility B;

(f) change any provision of this Section or the definition of "Majority Lenders" or any other provision hereof specifying the number or percentage of Lenders required to amend, waive or otherwise modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender;

(g) release all or substantially all (including without limitation any shares of Vidéotron Ltée) of the Collateral in any transaction or series of related transactions, without the written consent of each Lender; or

(h) impose any greater restriction on the ability of any Lender under a Credit Facility to assign any of its rights or obligations hereunder without the written consent of (i) if such Credit Facility is the Revolving Facility, the Majority Lenders under the Revolving Facility, and (ii) if such Credit Facility is Facility B, the Majority Lenders under Facility B;

and provided, further, that (i) no amendment, waiver or consent shall, unless in writing and signed by the Issuing Lender in addition to the Lenders required above, affect the rights or duties of the Issuing Lender under this Agreement or any Letter of Credit Application Form relating to any Letter of Credit issued or to be issued by it; (ii) no amendment, waiver or

consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above, affect the rights or duties of the Administrative Agent under this Agreement or any other Credit Document; and (iii) Section 12.08(8) may not be amended, waived or otherwise modified without the consent of each Granting Lender all or any part of whose Advances are being funded by an SPV at the time of such amendment, waiver or other modification. Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that the Commitment of such Lender may not be increased or extended without the consent of such Lender.

**Section 12.02 Waiver.** (1) No failure on the part of any Lender or the Administrative Agent (or anyone on its behalf or on behalf of the Lenders) to exercise, and no delay in exercising, any right under any of the Credit Documents shall operate as a waiver of such right; nor shall any single or partial exercise of any right under any of the Credit Documents preclude any other or further exercise of such right or the exercise of any other right.

(2) Except as otherwise expressly provided in this Agreement, the covenants, shall not merge on and shall survive the initial Accommodation and, notwithstanding such initial Accommodation or any investigation made by or on behalf of any party, shall continue in full force and effect. The closing of this transaction shall not prejudice any right of one party against any other party in respect of anything done or omitted under this Agreement or in respect of any right to damages or other remedies.

**Section 12.03 Evidence of Debt and Accommodation Notices.** (1) The indebtedness of the Borrower resulting from Accommodations under the Credit Facilities shall be evidenced by the records of the Lenders (or the Administrative Agent acting on behalf of the Lenders) which shall constitute *prima facie* evidence of such indebtedness.

(2) Prior to the receipt of any Accommodation Notice, the Administrative Agent may act upon the basis of a notice by telephone (containing the same information as required to be contained in such Accommodation Notice) believed by it in good faith to be from an authorized person representing the Borrower. In the event of a conflict between the Administrative Agent's record of any Accommodation and the Accommodation Notice, the Administrative Agent's record shall prevail, absent manifest error.

**Section 12.04 Notices, etc.** Any notice, direction or other communication required or permitted to be given under this Agreement shall, except as otherwise permitted, be in writing and given by delivering it or sending it by telecopy or other similar form of recorded communication addressed as follows:

if to the Borrower, to it at: 612, St-Jacques Street, Montreal, Quebec, H3C 4M8, Attention: Treasurer, Phone: (514) 380-7414, Fax: (514) 380-1983, E-mail: chloe.poirier@quebecor.com;

if to the Administrative Agent, (I) for the purposes of Accommodations and repayments at: Bank of America, N. A., Agency Services, Bank of America Plaza, 901 Main St., Mail Code: TX1-492-14-11, Dallas, TX, 75202-3714, Attention: Diana R. Lopez, Phone: (972) 338-3774, Fax: (214) 290-8384, e-mail: diana.r.lopez@baml.com; and (II), for all other purposes, to it at: 1455 Market St., 5th Floor, Mail Code CA5-701-05-19, San Francisco, CA, 94103, U.S.A., Attention: Robert J. Rittelmeyer, Vice President, Telephone: (415) 436-2616, Fax: (415) 503-5099, E-mail: robert.j.rittelmeyer@baml.com; and

if to the Lenders, at the addresses shown on the signature pages.

Any communication shall be deemed to have been validly and effectively given (i) if personally delivered, on the date of such delivery if such date is a Business Day and such delivery was made prior to 4:00 p.m. (Toronto time); (ii) if transmitted by facsimile or similar means of recorded communication on the Business Day following the date of transmission. Any party may change its address for service from time to time by notice given in accordance with the foregoing and any subsequent notice shall be sent to the party at its changed address.

**Section 12.05 Confidentiality.** Each Lender agrees to use reasonable efforts to ensure that financial statements or other information relating to the Borrower which may be delivered to it pursuant to this Agreement and which are not publicly filed or otherwise made available to the public generally (and which are not independently known to the Lender) will, to the extent permitted by Law, be treated confidentially by the Lender and will not, except with the consent of the Borrower, be distributed or otherwise made available by the Lender to any Person other than its directors, officers, employees, authorized agents, counsel or other representatives (provided the other representatives have agreed or are under a duty to keep all information confidential) required, in the reasonable opinion of the Lender, to have such information. Each Lender is authorized to deliver a copy of any financial statement or any other information which may be delivered to it pursuant to this Agreement, to (i) any actual or potential Participant or Assignee; (ii) any Governmental Entity having jurisdiction over the Lender in order to comply with any applicable laws; (iii) any Affiliate of the Lender required, in the reasonable opinion of the Lender, to have such information; and (iv) any direct or indirect contractual counterparty in any swap, hedge or similar agreement (or to any such contractual counterparty's professional advisor), so long as such contractual counterparty (or such professional advisor) agrees to be bound by the provisions of this Section 12.05.

**Section 12.06 Costs, Expenses and Indemnity.** (1) The Borrower shall, whether or not the transactions contemplated in this Agreement are completed, indemnify and hold each of the Lenders and each Agent-Related Person and each of their respective officers, directors, employees, agents, trustees and advisors (each an "**Indemnified Person**") harmless from, and shall pay to such Indemnified Person on demand any amounts required to compensate the Indemnified Person for, any claim or loss suffered by, imposed on, or asserted against, the Indemnified Person as a result of, connected with or arising out of (i) the preparation, execution and delivery of the commitment letter, term sheet and fee letter executed in connection with the Credit Facilities, (ii) the preparation, execution and delivery of, preservation of rights under, enforcement of, or refinancing, renegotiation or restructuring of, the Credit Documents and any related amendment, waiver or consent; (iii) any advice of counsel as to the rights and duties of the Administrative Agent and the Lenders with respect to the administration of the Credit Facilities, the Credit Documents or any transaction contemplated under the Credit Documents, including any interpretation issues; (iv) a default (whether or not constituting a Default or an

Event of Default) by the Borrower; (v) any proceedings brought against the Indemnified Person due to its entering into any of the Credit Documents and performing its obligations under the Credit Documents except to the extent that it shall be determined in a final, non-appealable judgment by a court of competent jurisdiction that such losses, claims, damages, liabilities or expenses resulted primarily from the gross or intentional fault of the Indemnified Person; and (vi) the presence on or under or the discharge or likely discharge of Hazardous Substances from any of the properties used by the Borrower, or the breach of any Environmental Law by the Borrower or by any mortgagor, owner, or lessee of such properties. No Indemnified Person shall be liable for any damages arising from the use by others of information provided by or on behalf of the Borrower and obtained through the Internet, Intralinks or other similar information transmission systems in connection with the Credit Facilities except to the extent that, as to any Indemnified Person, it shall be determined by a final, non-appealable judgment by a court of competent jurisdiction that such damages resulted primarily from the gross or intentional fault of such Indemnified Person. The Borrower agrees that no Indemnified Person shall have any liability (whether direct or indirect, in contract or tort or otherwise) to any Person, including the Borrower, any of its Subsidiaries and Affiliates or their respective security holders or creditors arising out of or in connection with any aspect of this Agreement or the Credit Facilities, except for direct, as opposed to consequential, damages determined in a final, non-appealable judgment by a court of competent jurisdiction to have resulted primarily from the gross or intentional fault of such Indemnified Person.

(2) If, with respect to any Lender, (i) any Change in Law of general application occurring or becoming effective after the Closing Date; or (ii) compliance by the Lender with any direction, request or requirement (whether or not having the force of law) of any Governmental Entity made or becoming effective after the Closing Date, has the effect of causing any loss to the Lender or reducing the Lender's rate of return by (w) increasing the cost to the Lender of performing its obligations under this Agreement or in respect of any Accommodations Outstanding (including the costs of maintaining any capital, reserve or special deposit requirements (other than a reduction resulting from a higher rate or from a change in the calculation of income or capital tax relating to the Lender's income or capital in general)), (x) requiring the Lender to maintain or allocate any capital or additional capital or affecting its allocation of capital in respect of its obligations under this Agreement or in respect of any Accommodations Outstanding, (y) reducing any amount payable to the Lender under this Agreement or in respect of any Accommodations Outstanding by any material amount, (z) causing the Lender to make any payment or to forego any return on, or calculated by reference to, any amount received or receivable by the Lender under this Agreement or in respect of any Accommodations Outstanding, then, subject to Section 12.06(3), the Lender may give notice to the Borrower specifying, with reasonable detail, the nature of the event giving rise to the loss and the Borrower may either: (A) on demand, pay such amounts as the Lender specifies is necessary to compensate it for any such loss, or (B) provided no loss has yet been suffered by the Lender or the Borrower has paid the compensating amount to the Lender, repay the Accommodations Outstanding to such Lender and terminate the Lender's Commitments all without affecting the Commitments or Accommodations Outstanding of any other Lender. A certificate as to the amount of any such loss submitted in good faith by a Lender to the Borrower shall be conclusive and binding for all purposes, absent manifest error.

(3) The Borrower shall not be liable to compensate a Lender for any costs, reduction, payment or foregone return if such compensation is not being claimed as a general practice by such Lender from customers of such Lender who by agreement are liable to pay such or similar compensation. In determining the amount of compensation payable by the Borrower under Section 12.06(2), such Lender shall use all reasonable efforts to minimize the compensation payable by the Borrower including using all reasonable efforts to obtain refunds or credits in the ordinary course of its business, and any compensation paid by the Borrower which is later determined not to have been properly payable or in respect of which a refund, credit or compensation has been received shall forthwith be reimbursed by such Lender to the Borrower.

(4) The Borrower shall pay to each Lender on demand any amounts required to compensate the Lender for any loss suffered or incurred by it as a result of (i) any payment being made in respect of a BA Instrument or Libor Advance other than on the maturity applicable to it; (ii) the failure of the Borrower to give any notice in the manner and at the times required by this Agreement; (iii) the failure of the Borrower to effect an Accommodation in the manner and at the time specified in any Accommodation Notice; or (iv) the failure of the Borrower to make a payment or a mandatory repayment in the manner and at the time specified in this Agreement. A certificate as to the amount of any loss submitted in good faith by a Lender to the Borrower shall be conclusive and binding for all purposes, absent manifest error.

(5) The provisions of this Section 12.06 shall survive the termination of this Agreement and the repayment of all Accommodations Outstanding. The Borrower acknowledges that neither its obligation to indemnify nor any actual indemnification by it of any Lender, the Administrative Agent or any other Indemnified Person in respect of such Person's losses for the legal fees and expenses shall in any way affect the confidentiality or privilege relating to any information communicated by such Person to its counsel.

**Section 12.07 Taxes.** (1) The Borrower agrees to immediately pay any present or future stamp or documentary taxes or any other excise or property taxes, withholding, charges, financial institutions duties, debits or similar levies (all such taxes, charges, duties and levies being referred to as "**Taxes**") which arise from any payment made by the Borrower under any of the Credit Documents or from the execution, delivery or registration of, or otherwise with respect to, any of the Credit Documents. If any Taxes are required to be withheld from any payment hereunder, the Borrower shall (a) increase the amount of such payment so that the Lenders will receive a net amount (after deduction and withholding of all Taxes) equal to the amount otherwise due hereunder; (b) pay such Taxes to the appropriate taxing authority for the account of the relevant Lenders and (c) as promptly as possible thereafter, send the Administrative Agent and the Lenders an original receipt showing payment thereof, together with such additional documentary evidence as the Lenders may from time to time reasonably require.

(2) The Borrower shall indemnify the Lenders and the Administrative Agent for the full amount of Taxes (including, without limitation, any Taxes imposed by any jurisdiction on amounts payable by the Borrower under this Section 12.07) paid by the Lenders or the Administrative Agent and any liability (including penalties, interest and expenses)

arising from or with respect to such Taxes, whether or not they were correctly or legally asserted, excluding, for greater certainty, taxes imposed on or measured by their net income or capital taxes or receipts and franchise taxes. Payment under this indemnification shall be made within 30 days from the date the Administrative Agent or the relevant Lender, as the case may be, make written demand for it. A certificate as to the amount of such Taxes submitted to the Borrower by the Administrative Agent or the relevant Lender shall be conclusive evidence, absent manifest error, of the amount due from the Borrower to the Administrative Agent or the Lenders, as the case may be.

(3) The Borrower shall furnish to the Administrative Agent and the Lenders the original or a certified copy of a receipt evidencing payment of Taxes made by the Borrower within 30 days after the date of any payment of Taxes.

(4) The provisions of this Section 12.07 shall survive the termination of the Agreement and the repayment of all Accommodations Outstanding.

**Section 12.08 Successors and Assigns.** (1) This Agreement shall become effective when executed by the Borrower, the Administrative Agent and each Lender and after that time shall be binding upon and enure to the benefit of the Borrower, the Lenders and the Administrative Agent and their respective successors and permitted assigns.

(2) The Borrower shall not have the right to assign its rights or obligations under this Agreement or any interest in this Agreement without the prior consent of all the Lenders, which consent may be arbitrarily withheld.

(3) A Lender may (i) grant participations, without notice to or consent of the Borrower or the Administrative Agent, in all or any part of its interest in the Credit Facilities to one or more Persons (each a "Participant"), or (ii) upon prior written notice to the Administrative Agent and the Borrower, assign all or any part of its interest in the Credit Facilities to one or more Persons (each an "Assignee"), provided that in the case of any interest which is a partial interest (other than after the occurrence of a Default which is continuing or an Event of Default which has not been waived, in which case no minimums will apply), such partial interest is not less than C$5,000,000 under the Revolving Facility or C$1,000,000 or US$1,000,000 under Facility B (or such lesser amount as agreed to by the Borrower and the Administrative Agent). An assignment shall require (A) the consent of the Borrower, which shall not be unreasonably withheld or delayed (and, solely in the case of an assignment by a Revolving Lender, which consent shall not be unreasonably withheld or delayed if the Eligible Assignee is funding its Commitment out of the United States of America or Canada, but may be withheld in the Borrower's discretion if the Commitments are being funded from elsewhere), prior to the occurrence of a Default which is continuing or an Event of Default which has not been waived, and thereafter shall not require any such consent, and (B) the consent of the Administrative Agent (and, in the case of assignments under the Revolving Facility, the Issuing Lender), which shall not be unreasonably withheld or delayed; provided that the Borrower's consent shall not be required for an assignment to an Eligible Assignee. A Lender granting participation shall, unless otherwise expressly provided in this Agreement, act on behalf of all of its Participants in all dealings with the Borrower in respect of the Credit Facilities and no Participant shall have any voting or consent rights with respect to any matter requiring the Lenders' consent. In the case of an assignment, the Assignee shall have the same rights and

benefits and be subject to the same limitations under the Credit Documents as it would have if it was a Lender, provided that no Assignee or Participant shall be entitled to receive any greater payment, on a cumulative basis, pursuant to Section 12.06 or Section 12.07 than the Lender which granted the assignment or participation would have been entitled to receive.

(4) The Borrower shall provide such certificates, acknowledgments and further assurances in respect of this Agreement and the Credit Facilities as such Lender may reasonably require in connection with any participation or assignment pursuant to this Section 12.08.

(5) In order to effect an assignment in accordance with this Section 12.08, a Lender shall deliver to the Borrower an Assignment and Assumption by which an Assignee of the Lender assumes the obligations and agrees to be bound by all the terms and conditions of this Agreement, all as if the Assignee had been an original party. Upon receipt by the Administrative Agent from the assigning Lender of a processing fee equal to the applicable Assignment Fee and the Assignment and Assumption, the assigning Lender and the Borrower shall be released from their respective obligations under this Agreement (to the extent of such assignment and assumption) and shall have no liability or obligations to each other to such extent, except in respect of matters arising prior to the assignment.

(6) Any assignment or grant of participation pursuant to this Section 12.08 will not constitute a repayment by the Borrower to the assigning or granting Lender of any Accommodation, nor a new Accommodation to the Borrower by such Lender or by the Assignee or Participant, as the case may be, and the parties acknowledge that the Borrower's obligations with respect to any such Accommodations will continue and will not constitute new obligations.

(7) The amounts payable by the Borrower under this Agreement shall not increase on account of withholding taxes as a result of any such assignment or transfer to an Assignee of a Revolving Lender; provided that an assignment which occurs after the occurrence of an Event of Default which has not been waived shall not be subject to this provision.

(8) Any Lender (a "**Granting Lender**") may grant to a special purpose funding vehicle (an "**SPV**"), identified as such from time to time by the Granting Lender to the Agent and the Borrower, the option to provide to the Borrower all or any part of an Advance that such Granting Lender would otherwise be required to make hereunder; provided that (a) nothing herein shall constitute a commitment by any SPV to make any Advance, (b) if an SPV does not make such Advance, the Granting Lender shall remain liable to do so and (c) no SPV shall be entitled to receive any greater payment, on a cumulative basis, pursuant to Section 12.06 or Section 12.07 than the Granting Lender would have been entitled to receive. Any Advance by an SPV shall be made using the Commitment of the Granting Lender as if the Advance in question had been made by such Granting Lender. Each party hereto agrees that no SPV shall be liable for any indemnity or other payment hereunder, all of which liability shall remain with the Granting Lender. Accordingly, each party further agrees (which agreement will survive the termination hereof) that it shall not institute any insolvency or other proceeding against the SPV until a date that is not less than one year and one day following the repayment of all of such SPV's commercial paper and other senior Debt. In addition, any SPV may (a) assign all or any portion of its interests in any Accommodations (i) with notice to, but without

the consent of the Borrower or the Agent, and without paying any fees therefor, to the Granting Lender or (ii) to any financial institutions, with the consent of the Borrower and the Administrative Agent providing liquidity and/or credit support to or for the account of such SPV to support the funding and maintenance of Accommodations; and (b) disclose on a confidential basis any non-public information relating to the Accommodations to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancement to such SPV.

(9) The Administrative Agent shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, each Lender pursuant to the terms hereof from time to time (the "**Register**"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent, the Issuing Lender and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower, the Issuing Lender and any Lender, at any reasonable time and from time to time upon reasonable prior notice. No assignment shall be effective unless recorded in the Register.

**Section 12.09 Mitigation Obligations: Replacement of Lenders.**

(1) **Designation of a Different Lending Office.** If any Revolving Lender requires the Borrower to pay any additional amount to it or to any Governmental Entity for its account pursuant to Section 12.07, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Accommodations Outstanding hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 12.07 in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable out-of-pocket costs and expenses incurred by any Revolving Lender in connection with any such designation or assignment.

(2) **Replacement of Revolving Lenders.** If any Revolving Lender requests compensation under Section 12.06 or if the Borrower is required to pay any additional amount to any Revolving Lender or any Governmental Entity for the account of any Revolving Lender or pursuant to Section 12.07, then the Borrower may either, at its sole expense and effort, upon 10 days' notice to such Revolving Lender and the Administrative Agent: (i) solely in the case where the Borrower is required to pay amounts pursuant to Section 12.07 as aforesaid, repay all outstanding amounts due to such affected Lenders (or such portion which has not been acquired pursuant to clause (ii) below) and thereupon the Commitment of the affected Lenders shall be permanently cancelled and the Commitments (Revolving Commitment) shall be permanently reduced by the same amount and the Commitment of each of the other Lenders shall remain the same; or (ii) on the condition that at such time, no Default exist and is continuing, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 12.08), all of its interests, rights and obligations under this Agreement and the other Credit Documents to an assignee (if available) that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), provided that:

(a) the Borrower pays the Administrative Agent the Assignment Fee;

(b) the assigning Lender receives payment of an amount equal to the outstanding principal of its outstanding Accommodations Outstanding and participations in disbursements under Letters of Credit, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Credit Documents (including any breakage costs and amounts required to be paid under this Agreement as a result of prepayment to a Lender) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts); and

(c) in the case of any such assignment resulting from a claim for compensation under Section 12.06 or payments required to be made pursuant to Section 12.07 such assignment will result in a reduction in such compensation or payments thereafter.

A Revolving Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Revolving Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

**Section 12.10 Right of Set-off.** Upon the occurrence of any Event of Default, each Lender is authorized at any time and from time to time, to the fullest extent permitted by law (including general principles of common law), to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by it to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower under any of the Credit Documents, irrespective of whether or not the Lender has made demand under any of the Credit Documents and although such obligations may be unmatured or contingent. If an obligation is unascertained, the Lender may, in good faith, estimate the obligation and exercise its right of set-off in respect of the estimate, subject to providing the Borrower with an accounting when the obligation is finally determined. Each Lender shall promptly notify the Borrower after any set-off and application is made by it, provided that the failure to give notice shall not affect the validity of the set-off and application. The rights of the Lenders under this Section 12.10 are in addition to other rights and remedies (including all other rights of set-off) which the Lenders may have.

**Section 12.11 Accommodations by Lenders.** The failure of any Lender to make an Accommodation shall not relieve any other Lender of its obligations in connection with such Accommodation, but no Lender is responsible for any other Lender's failure in respect of an Accommodation. Unless the Administrative Agent receives notice from a Lender prior to the date of any Accommodation that the Lender will not make its ratable portion of the Accommodation available to the Administrative Agent, the Administrative Agent may assume that the Lender has made its portion so available on the date of the Accommodation and may, in reliance upon such assumption, make a corresponding amount available to the Borrower. If the Lender has not made its ratable portion available to the Administrative Agent, the Lender shall pay the corresponding amount to the Administrative Agent immediately upon demand. If

the Lender pays the corresponding amount to the Administrative Agent, the amount so paid shall constitute the Lender's part of the Accommodation for purposes of this Agreement. If the Lender does not pay the amount to the Administrative Agent immediately upon demand and such amount has been made available to the Borrower, the Borrower shall pay the corresponding amount to the Administrative Agent immediately upon demand and any amount received and so reimbursed would not and will not constitute an Accommodation. The Administrative Agent shall also be entitled to recover from the Lender or the Borrower, as the case may be, interest on the corresponding amount, for each day from the date the amount was made available to the Borrower until the date it is repaid to the Administrative Agent, at a rate per annum equal to the Administrative Agent's cost of funds.

**Section 12.12 Rateable Payments.** Unless the Administrative Agent receives notice from the Borrower prior to the date on which any payment is due to the Lenders that the Borrower will not make the payment in full, the Administrative Agent may assume that the Borrower has made the payment in full on that date and may, in reliance upon that assumption, distribute to each Lender on the due date an amount equal to the amount then due to the Lender. If the Borrower has not made the payment in full, each Lender shall repay to the Administrative Agent immediately upon demand the amount distributed to it together with interest for each day from the date such amount was distributed to the Lender until the date the Lender repays it to the Administrative Agent, at a rate per annum equal to the Administrative Agent's cost of funds.

**Section 12.13 Interest on Accounts.** Except as may be expressly provided otherwise in this Agreement, all amounts owed by the Borrower to the Administrative Agent and to any of the Lenders, which are not paid when due (whether at stated maturity, on demand, by acceleration or otherwise) shall (to the extent permitted by Law) bear interest (both before and after default and judgment), from the date on which such amount is due until such amount is paid in full, payable on demand, at a rate per annum equal at all times to the sum of the Canadian Prime Rate in effect from time to time, the Applicable Margin and 2%.

**Section 12.14 Governing Law.** This Agreement shall be governed by and interpreted and enforced in accordance with the laws of the Province of Quebec and the laws of Canada applicable therein.

**Section 12.15 Consent to Jurisdiction.** The Borrower and each Lender and each Agent hereby irrevocably submits to the jurisdiction of any Quebec court sitting in Montreal, Quebec in any action or proceeding arising out of or relating to the Credit Documents and hereby irrevocably agrees that all claims in respect of any such action or proceeding may be heard and determined in such Quebec court. The Borrower, each Lender and the Administrative Agent hereby irrevocably waives, to the fullest extent each may effectively do so, the defence of an inconvenient forum to the maintenance of such action or proceeding. The Borrower, each Lender and the Administrative Agent agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by Law.

**Section 12.16 Counterparts.** This Agreement may be executed in any number of counterparts (including by way of facsimile) and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

**Section 12.17 Severability.** Any provision of this Agreement which is or becomes prohibited or unenforceable in any jurisdiction, does not invalidate, affect or impair the remaining provisions thereof and any such prohibition or unenforceability in any jurisdiction does not invalidate or render unenforceable such provision in any other jurisdiction.

**Section 12.18 Assignment to Federal Reserve Bank.** (1) Notwithstanding any provision of this Agreement to the contrary, any Lender governed by the applicable Laws of the United States of America may at any time assign all or a portion of its rights under this Agreement and all other documents ancillary thereto (including the Security Documents) to a Federal Reserve Bank. No such assignment shall relieve the assigning Lender from its obligations under this Agreement or such other documents.

(2) Upon the request of any Lender, the Borrower will execute and deliver one or more promissory notes substantially in the form of Schedule 8, evidencing the Facility B Commitment and Accommodations Outstanding under Facility B.

(3) In the case of any Lender that is a fund that invests in bank loans, such Lender may, without the consent of the Borrower or Administrative Agent, assign or pledge all or any portion of its rights under this Agreement, including the Accommodations and any instrument evidencing its rights as a Lender under this Agreement, to any holder or, trustee for, or any other representative of holders of, obligations owed or securities issued, by such fund, as security for such obligations or securities, without cost to the Borrower; provided that any foreclosure or similar action by such trustee or representative shall be subject to the provisions of this Section concerning assignments. Any such Lender shall, unless otherwise expressly provided in this Agreement, act on behalf of all of its pledgees in all dealings with the Borrower in respect of the Credit Facilities and no such pledgee shall have (i) any voting or consent rights with respect to any matter requiring the Lenders' consent, (ii) any entitlement to any amounts payable hereunder, or (iii) any other rights of any nature hereunder until it has complied with the provisions of this Section concerning assignments.

**Section 12.19 Good Faith and Fair Consideration.** The Borrower acknowledges and declares that it has entered into this Agreement freely and of its own will. In particular, the Borrower acknowledges that this Agreement was negotiated by it and the Lenders in good faith, and that there was no exploitation of the Borrower by the Lenders, nor is there any serious disproportion between the consideration provided by the Lenders and that provided by the Borrower. Furthermore, the parties to this Agreement agree to act in good faith and in a reasonable manner with each other during the Term hereof.

**Section 12.20 Superior Force.** The obligations of the Borrower hereunder shall not be reduced, limited or cancelled pursuant to the occurrence of an event of force majeure, the Borrower expressly assuming the risk of superior force.

**Section 12.21 Sharing of Payments Among Lenders.** If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of (a) obligations in respect of any the Credit Facilities due and payable to such Lender hereunder and under the other Credit Documents at such time in excess of its ratable share (according to the proportion of (i) the amount of such obligations due and payable to such Lender at such

time to (ii) the aggregate amount of the obligations in respect of the Credit Facilities due and payable to all Lenders hereunder and under the other Credit Documents at such time) of payments on account of the obligations in respect of the Credit Facilities due and payable to all Lenders hereunder and under the other Credit Documents at such time obtained by all the Lenders at such time or (b) obligations in respect of any of the Credit Facilities owing (but not due and payable) to such Lender hereunder and under the other Credit Documents at such time in excess of its ratable share (according to the proportion of (i) the amount of such obligations owing (but not due and payable) to such Lender at such time to (ii) the aggregate amount of the obligations in respect of the Credit Facilities owing (but not due and payable) to all Lenders hereunder and under the other Credit Documents at such time) of payment on account of the obligations in respect of the Credit Facilities owing (but not due and payable) to all Lenders hereunder and under the other Credit Documents at such time obtained by all of the Lenders at such time then the Lender receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Accommodations and, as applicable, subparticipations in the Letters of Credit of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of obligations in respect of the Credit Facilities then due and payable to the Lenders or owing (but not due and payable) to the Lenders, as the case may be, provided that:

(i) if any such participations or subparticipations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations or subparticipations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(ii) the provisions of this Section shall not be construed to apply to (A) any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or (B) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Accommodations or, as applicable, subparticipations in Letters of Credit to any assignee or participant, other than to the Borrower or any Subsidiary thereof (as to which the provisions of this Section shall apply).

The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

**Section 12.22 Language.** The Borrower, the Administrative Agent and the Lenders confirm that they have requested that this Agreement and all documents and notices contemplated thereby be drawn up in the English language. L'emprunteur, l'agent administratif et les prêteurs confirment avoir requis que cette convention et tous les documents et avis qui y sont envisagés soient rédigés en langue anglaise.

**Section 12.23 No Waiver and No Novation.** The execution, delivery and effectiveness of this Agreement shall not, except as expressly provided otherwise, operate as a waiver of any of the rights and powers of or remedies available to the Administrative Agent (in such capacity or in its capacity as collateral agent or *fondé de pouvoir*, as applicable) or the Lenders under this Credit Agreement or any of the other Credit Documents nor constitute a waiver of any provision of this Credit Agreement or such other Credit Documents. Nothing in this Agreement shall constitute, evidence or result in repayment, readvance, accord or satisfaction, release or novation of all or any part of the Accommodations, the Debt relating to the Accommodations, or any other obligation or liability of the Borrower under, in respect of or in connection with the Accommodations, the Debt relating to the Accommodations, this Credit Agreement and any other Credit Documents. However, should this Agreement be construed as constituting, evidencing or resulting in repayment, readvance, accord or satisfaction, release or novation of all or any part of the Accommodations, the Debt relating to the Accommodations, or any other obligation or liability of the Borrower under, in respect of or in connection with the Accommodations, the Debt relating to the Accommodations, this Credit Agreement and any other Credit Documents, the Administrative Agent and the Lenders hereby expressly reserve all of the Security granted in their favour by the Borrower under the Security Documents, the whole in accordance with the provisions of Article 1662 of the Civil Code of Québec.

**[signature pages follow]**

**IN WITNESS WHEREOF,** the parties have caused this Agreement to be executed by their respective authorized officers as of the date first above written.

**QUEBECOR MEDIA INC.**

/s/ Jean-François Pruneau

Name: Jean-François Pruneau
Title: Senior Vice President and Chief Financial Officer

/s/ Chloé Poirier

Name: Chloé Poirier
Title: Treasurer

**BANK OF AMERICA, N.A.**
**as Administrative Agent**

/s/ *(signature)*
Name:
Title: Authorized Signing Officer

Address: 1455 Market St.
5th Floor
Mail code CA5-701—05-19
San Francisco, CA 94103

Attention: Robert J. Rittelmeyer, Vice President
Telephone: (415) 436-2616
Fax: (415) 503-5099
Email: rojert.j.rittelmeyer@baml.com

Address for operations: Bank of America N.A.
Credit Services/Agency Services
Bank of America Plaza
901 Main St.
MC: TX1-492-14-11
Dallas, TX 75202-3714

Attention: Diana R. Lopez
VP/Credit Service Consultant
Phone: (972) 338-3774
Fax: (214) 290-8384
E-mail: diana.r.lopez@baml.com

**BANK OF AMERICA, N.A.,**
**Canada Branch, as Lender and as Issuing Lender**

/s/ Medina Sales de Andrade

Name: Medina Sales de Andrade, VP
Title: Authorized Signing Officer

Address: 181 Bay Street
Toronto, Ontario, M5J 2V8

Attention: Medina Sales De Andrade

Telephone: (416) 369-2574
Fax: (416) 369-7647

Email: medina.sales_de_andrade@baml.com

**THE BANK OF NOVA SCOTIA**

/s/ Rob King
Name: Rob King
Title: Managing Director

/s/ Eddy Popp
Name: Eddy Popp
Title: Director

Address:

The Bank of Nova Scotia
Corporate Banking
Communications, Media & Technology
Scotia Plaza, 62nd Floor
40 King Street West
Toronto, Ontario M5W 2X6

Attention: Managing Director

Telephone: (416) 933-1873
Fax: (416) 866-2010
E-mail: rob.king@scotiabank.com

**NATIONAL BANK OF CANADA**

/s/ Luc Bernier
Name: Luc Bernier
Title: Director

/s/ François Montigny
Name: François Montigny
Title: Managing Director

Address: 1155 Metcalfe 5th floor
Montreal, Quebec, H3B 4S9

Attention: Director, Credit Capital Markets

Telephone: 514-390-5639
Fax: 514-390-7860
E-mail: luc.bernier@bnc.ca

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**THE TORONTO-DOMINION BANK**

/s/ Paul Archer
Name: Paul Archer
Title: Managing Director

/s/ Serge Cloutier
Name: Serge Cloutier
Title: Director

Address: 1 Place Ville Marie
Suite 2315
Montreal, Qc
H3B 3M5

Attention: Paul Archer

Telephone: 514-289-1558
Fax: 514-289-0788
E-mail: paul.archer@tdsecurities.com

**CAISSE CENTRALE DESJARDINS**

/s/ André Roy
Name: André Roy
Title: Vice-President

/s/ Antoine Avril
Name: Antoine Avril
Title: Managing Director

Address: 1170, rue Peel, bureau 600
Montréal (Québec)
H3B 0B1

Attention: André Roy, Vice-President

Telephone: (514) 281-7791
Fax: (514) 281-4317
E-mail: andre.roy@ccd.desjardins.com

**ROYAL BANK OF CANADA**

/s/ Pierre Bouffard

Name: Pierre Bouffard
Title: Authorized Signatory

Name:
Title:

Address: 1 Place Ville Marie
Suite 300
Montreal, Quebec
H3B 4R8

Attention: Rod Smith, Managing Director

Telephone: (514) 878-2815
Fax: (514) 874-1349
E-mail: Rod.Smith@rbccm.com

**CITIBANK, N.A., Canadian Branch**

/s/ Isabelle Côté

Name: Isabelle F Côté
Title: Authorized Signatory

Name:
Title:

Address: 123 Front Street West
Toronto, Ontario
M5J 2M3

Attention: Isabelle F Côté, Managing Director
Telephone: 514-393-7502
Fax: 866-550-2418
E-mail: isabelle.f.cote@citi.com

**CANADIAN IMPERIAL BANK OF COMMERCE**

/s/ Alain Longpré
Name: Alain Longpré
Title: Executive Director

/s/ Anissa Rabia-Zeribi
Name: Anissa Rabia-Zeribi
Title: Executive Director

Address:
600 de Maisonneuve West, Suite 3050
Montreal, Quebec
H3A 3J2

Attention: Alain Longpré
Executive Director

Telephone: (514) 847-6533
Fax: (514) 847-6430
E-mail: alain.longpre@cibc.com

**BANK OF MONTREAL**

/s/ Martin Stevenson
Name: Martin Stevenson
Title: Director

_____
Name:
Title:

Address:

Attention:

Telephone:
Fax:
E-mail:

**GOLDMAN SACHS LENDING PARTNERS LLC**

/s/ Nicole Ferry Lacchia
Name: Nicole Ferry Lacchia
Title: Authorized Signatory

Address:
c/o Goldman, Sachs & Co.
30 Hudson Street, 5th Floor
Jersey City, NJ 07302

Attention: Michelle Latzoni

Telephone: (212) 934-3921
Fax: (646) 769-7700
E-mail: gsd.link@gs.com

**HSBC BANK CANADA**

/s/ Annie Houle
Name: Annie Houle
Title: Director

Name:
Title:

Address: 2001 McGill College, suite 300
Montreal, Quebec
H3A 1G1

Attention: Annie Houle, Director

Telephone: 514-286-4567
Fax: 514-285-8637
E-mail: annie_houle@hsbc.ca

**NATIONAL BANK OF CANADA**

/s/ Luc Bernier
Name: Luc Bernier
Title: Director

/s/ François Montigny
Name: François Montigny
Title: Managing Director

Address: 1155 Metcalfe 5th floor
Montreal, Quebec, H3B 4S9

Attention: Director, Credit Capital Markets

Telephone: 514-390-5639
Fax: 514-390-7860
E-mail: luc.bernier@bnc.ca

**BANK OF TOKYO-MITSUBISHI UFJ (CANADA)**

/s/ Amos Simpson
Name: Amos Simpson
Title: Senior Vice President & General Manager

/s/ Thomas Isidean
Name: Thomas Isidean
Title: Assistant Vice President

Address: 600 de Maisonneuve Blvd. West
Suite 2520
Montreal, Quebec
H3A 3J2

Attention: Amos Simpson

Telephone: 514-875-9261
Fax: 514-875-9392
E-mail: asimpson@ca.mufg.jp

**LAURENTIAN BANK OF CANADA**

/s/ Jean-François Morneau
Name: Jean-François Morneau
Title: Senior Manager

/s/ Annie Lajeunesse
Name: Annie Lajeunesse
Title: Directrice principale

Address: 1981 avenue McGill College
Suite 1500
Montreal, Qc
H3A 3K3

Attention: Jean-François Morneau

Telephone: 514-284-4500 x 8977
Fax:
E-mail: jf.morneau@banquelaurentienne.ca

**SCHEDULE A**

**AGENCY BRANCH ACCOUNT**

For the Revolving Lenders and the Facility B-2 Lenders

**Canadian Dollars**

LVTS-Large Value Transaction System
Bank of America, N.A. Canada Branch
200 Front Street West
Toronto, Ontario
Attention: Agency Loans Administration
Swift Code: BOFACATT
Transit #: 56792-241 Account #: 90083255
Reference: Quebecor Media Inc.

US Dollars
BankAmerica International New York
335 Madison Avenue
New York, NY 10017
Swift Code: BOFAU53N ABA# 02600593
For the account of: Bank of America, Canada Branch
Account: #65502-01805
Swift Code#: BOFACATT
Reference: Quebecor Media Inc.

or such other account or address in Canada of which the Administrative Agent may notify the Borrower from time to time.

For the Facility B-1 Lenders

Bank of America, N.A.
Dallas, TX
ABA: 111000012
Account Number: 3750836479
Account Name: Credit Services West
Reference: Quebecor Media Inc.
Attention: Kristine Kelleher

or such other account or address in the U.S.A. of which the Administrative Agent may notify the Borrower from time to time.

## SCHEDULE B

## REVOLVING COMMITMENTS

| LENDERS | REVOLVING FACILITY (C$) |
|---|---|
| Bank of America, N.A., Canada Branch | 37,500,000.00 |
| The Bank of Nova Scotia | 37,500,000.00 |
| The Toronto-Dominion Bank | 37,500,000.00 |
| Caisse Centrale Desjardins | 30,000,000.00 |
| Royal Bank of Canada | 30,000,000.00 |
| Citibank, N.A., Canadian Branch | 25,000,000.00 |
| Canadian Imperial Bank of Commerce | 22,500,000.00 |
| Bank of Montreal | 17,500,000.00 |
| Goldman Sachs Lending Partners LLC | 15,000,000.00 |
| HSBC Bank Canada | 15,000,000.00 |
| National Bank of Canada | 12,500,000.00 |
| Bank of Tokyo-Mitsubishi UFJ (Canada) | 10,000,000.00 |
| Laurentian Bank of Canada | 10,000,000.00 |
| **TOTAL:** | **300,000,000.00** |

**SCHEDULE 1**

**ACCOMMODATION NOTICE**

**TO:** **BANK OF AMERICA, N.A.**, as Administrative Agent

**FROM:** **QUEBECOR MEDIA INC.**

**DATE:**

1) This Accommodation Notice is delivered to you pursuant to the amended and restated credit agreement (as in effect on the date hereof, the "**Credit Agreement**") dated June 14, 2013 entered into among, *inter alia*, QUEBECOR MEDIA INC., as Borrower, and Bank of America, N.A., as Administrative Agent. All terms used in this Accommodation Notice which are defined in the Credit Agreement shall have herein the respective meanings set forth in the Credit Agreement.

2) We hereby request an [**Accommodation/conversion**] under [**the Revolving Facility or Facility B**] of the Credit Agreement as follows:

(a) Date of Accommodation: _____
(b) Currency and amount of Accommodation: _____
(c) Type of Accommodation: _____
(d) Designated Period(s) (if any): _____
(e) Maturity date(s) (if applicable): _____
(f) Payment instruction (if any): _____

3) We have understood the provisions of the Credit Agreement which are relevant to the furnishing of this Accommodation Notice. To the extent that this Accommodation Notice evidences, attests or confirms compliance with any covenants or conditions precedent provided for in the Credit Agreement, we have made such examination or investigation as was, in our opinion, necessary to enable us to express an informed opinion as to whether such covenants or conditions have been complied with.

4) WE HEREBY CERTIFY THAT, in our opinion, as of the date hereof:

(a) All of the representations and warranties of the Borrower contained in Article 7 of the Credit Agreement (except where qualified in Article 7 as being made as at a particular date) are true and correct in all material respects on and as of the date hereof as though made on and as of the date hereof.

(b) All of the covenants of the Borrower contained in Article 8 of the Credit Agreement together with all of the conditions precedent to an Advance and all other terms and conditions contained in the Credit Agreement have been fully complied with.

(c) No Event of Default has occurred and no Default has occurred and is continuing.

Yours truly,

**QUEBECOR MEDIA INC.**

Per: _____

Title: _____

**SCHEDULE 2**

**NOTICE OF REPAYMENT**

**TO:** **BANK OF AMERICA, N.A.**, as Administrative Agent

**FROM:** **QUEBECOR MEDIA INC.**

**DATE:**

1) This notice of repayment is delivered to you pursuant to the Amended and Restated Credit Agreement dated June 14, 2013 entered into among, *inter alia*, QUEBECOR MEDIA INC., as Borrower, and, Bank of America, N. A., as Administrative Agent (as in effect on the date hereof, the "**Credit Agreement**"). All defined terms set forth in this notice shall have the respective meanings set forth in the Credit Agreement.

2) We hereby advise you that we will be repaying the sum of **[C$ / US$]**_____ on _____ as follows [*indicate amount payable in respect of each Facility as well as the type of Advance to be repaid].*

3) As to an amount of **[C$ / US$ _____, the above-mentioned payment should be treated as a [*mandatory prepayment / voluntary prepayment*] under Section 2.05/ Section 2.06]**, **which we understand will have the effect of reducing the amount of Facility B, or, if applicable, the Revolving Facility]** by an equal amount (or by an equivalent amount, if in another currency). **[*If the payment is a mandatory prepayment resulting from an asset sale or an equity issuance, it will be applied (i) firstly, pro rata to permanently reduce Facility B (unless it is an Unacceptable Payment) and (ii) secondly, to repay the Revolving Facility, if there are any Accommodations Outstanding thereunder; in all cases, provide details of the calculations used to determine the amounts.*]**

Yours truly,

**QUEBECOR MEDIA INC.**

Per: _____

Title: _____

**SCHEDULE 3**

**OFFER TO LENDERS**

**TO:** **[*Name of Lender*]**

**FROM:** **QUEBECOR MEDIA INC.**

**DATE:**

1) This offer of repayment is delivered to you pursuant to the Amended and Restated Credit Agreement dated as of June 14, 2013 entered into among, *inter alia*, QUEBECOR MEDIA INC., as Borrower and Bank of America, N.A., as Administrative Agent (as in effect on the date hereof, the "**Credit Agreement**"). All defined terms set forth in this notice shall have the respective meanings set forth in the Credit Agreement.

2) We hereby advise you that on [*insert date, at least 10 and not more than 20 Business Days from the date of this offer*] (the "**Payment Date**"), we will be making a Mandatory Repayment of Facility B in an aggregate amount of US $/C$ ____, of which your proportionate share, based on your Commitment under Facility B, is US $/C$ _____ [*indicate amount payable]*.

3) In accordance with the provisions of the Credit Agreement, you are required to advise us in writing, with a copy to the Administrative Agent, not less than 3 Business Days before the Payment Date if you wish to accept the Mandatory Repayment in question, failing which you shall be deemed to have accepted same.

Yours truly,

**QUEBECOR MEDIA INC.**

Per: _____

Title: _____

## SCHEDULE 4

## APPLICABLE MARGINS

(per annum)

Revolving Facility

| Tier | Leverage Ratio | Drawing Fee and L/C Fee | C$ Prime Rate / US$ Prime Rate | Commitment Fee | Libor |
|---|---|---|---|---|---|
| I | $R \leq 2.75$ | 2.125% | +1.125% | 0.45% | +2.125% |
| II | $2.75 < R \leq 3.5$ | 2.375% | +1.375% | 0.50% | +2.375% |
| III | $3.5 < R \leq 4.0$ | 2.625% | +1.625% | 0.55% | +2.625% |
| IV | $4.0 < R \leq 4.5$ | 2.75% | +1.75% | 0.60% | +2.75% |
| V | $4.5 < R$ | 3.00% | +2.00% | 0.65% | +3.00% |

Facility B

| US$ Prime Rate | Libor |
|---|---|
| +1.00% | 2.00% |

**SCHEDULE 5**

**SECURITY AND SECURITY DOCUMENTS**

First-ranking security (subject only to Permitted Liens) in favour of the Administrative Agent (or the fondé de pouvoir referred to below) on behalf of the Lenders, by way of a hypothec on the universality of all of the movable property of the Borrower which property is or is deemed to be located in the Province of Quebec (and/or, at the option of the Administrative Agent, by way of a hypothec securing debentures ("**Debentures**") granted in favour of the Administrative Agent or a collateral agent designated by the Administrative Agent as the holder of a power of attorney ("fondé de pouvoir") of the Lenders within the meaning of Article 2692 of the Civil Code of Quebec, as contemplated by Section 10.12 of the Credit Agreement) subject, however to limitations on the realisation or enforcement on the shares of TVA Group Inc. (or its successors) if such enforcement could reasonably be expected to cause TVA Group Inc. (or its successors) to lose any Authorization it holds or is required to hold at any time in the future for the operation of its business.

**SCHEDULE 6**

**ASSIGNMENT AND ASSUMPTION AGREEMENT**

This Assignment and Assumption Agreement (this "**Assignment and Assumption**") dated as of the Effective Date referred to below is entered into by and between the party identified below as "**Assignor**" and each party identified on each signature page hereto as an "**Assignee**". Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended or modified from time to time, the "**Credit Agreement**"), receipt of a copy of which is hereby acknowledged by each Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably and ratably sells and assigns to each Assignee, and each Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date referred to below (i) all of the Assignor's respective rights and obligations in its capacity as a Lender under the Credit Agreement, the other Credit Documents and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below the signature of that Assignee of all the Assignor's respective outstanding rights and obligations under the Credit Facilities identified below (including without limitation any guarantees and Security included in such facilities) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other rights of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as to each Assignee, the "**Assigned Interest**"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

| | | |
|---|---|---|
| 1. | Assignor: | • |
| 2. | Assignees and their Assigned Interests: | Listed on the signature pages attached hereto |
| 3. | Borrower: | Quebecor Media Inc. |
| 4. | Administrative Agent: | Bank of America, N. A., as the administrative agent under the Credit Agreement referred to below |
| 5. | Credit Agreement: | The Amended and Restated Credit Agreement dated as of June 14, 2013 among the Borrower named above, the Lenders parties thereto, and the Administrative Agent named above |

6. Assigned Interests:

| Facility Assigned[1] | Aggregate Amount of Commitment/ Accommodations for all Lenders | Amount of Commitment/ Assigned Accommodations | Percentage Assigned of Commitments/ Accommodations |
|---|---|---|---|

7. Effective Date: As to each Assignee, as indicated on attached signature page thereof

8. Trade Date: As to each Assignee, as indicated on attached signature page thereof

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR: •

By:_____
Name:
Title:

Consent and Acceptance: BANK OF AMERICA, N. A.,
as Administrative Agent

By:_____
Name:
Title:

[1] Fill in the appropriate terminology for the type of facilities under the Credit Agreement that are being assigned under this Assignment (i.e. Revolving Commitment or Facility B Commitment)

Consent and Acceptance:[2] QUEBECOR MEDIA INC., as Borrower

By:_____
Name:
Title:

[2] Obtain indicated consent(s) only if required by Credit Agreement.

ASSIGNEE: _____
*[Name of Assignee]*

By: _____
*[Entity signing on behalf of Assignee]3*

By: _____
Name:
Title:

4 Assignee is an Affiliate/Approved Fund of:

_____
*[Identify Lender]*

Trade Date: _____
Effective Date: _____ 5

3 Include if a general partner or manager of the Assignee is signing on behalf of the Assignee.
4 Include as applicable.
5 Effective date to be inserted by Administrative Agent.

*ANNEX 1 TO ASSIGNMENT AND ASSUMPTION*

**STANDARD TERMS AND CONDITIONS FOR ASSIGNMENT**

**AND ASSUMPTION AGREEMENT**

1. Representations and Warranties.

1.1. Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of each Assigned Interest, (ii) each Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Credit Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Documents or any other instrument or document delivered pursuant thereto, other than this Agreement, or any Collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Credit Document or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Credit Document.

1.2. Assignee. Each Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all requirements of an Assignee under the Credit Agreement, (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 8.01 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Lender; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Credit Documents are required to be performed by it as a Lender.

1.3 Assignee's Address for Notices, Etc. Attached hereto as Schedule 1 is all contact information, address, phone and facsimile information and account and payment instructions) relative to the Assignee.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued prior to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the laws applicable in the Province of Quebec.

***SCHEDULE 1 TO ASSIGNMENT AND ASSUMPTION AGREEMENT***
**ADMINISTRATIVE DETAILS**

*(Assignee to list names of credit contacts, addresses, phone and facsimile numbers, electronic mail addresses and account and payment information)*

**SCHEDULE 7**

**SUBORDINATION AGREEMENT FOR BACK-TO-BACK SECURITIES**

This SUBORDINATION AGREEMENT is dated as of •, 200• (the "Agreement").

To: Bank of America, N.A., for itself and as Administrative Agent under the Credit Agreement (defined below) for the Lenders (the "**Administrative Agent**"), • , a • company (the "**Obligor**"), as obligor under the • dated as of •, and • in the principal amount of • $ • and • $ •, respectively, made by the Obligor in favour of • (the "**Subordinated Notes**"), and •, as holder (the "**Holder**") of the Subordinated Notes, for good and valuable consideration, hereby agree as follows:

**1. Interpretation.**

(a) "Cash, Property or Securities". "Cash, Property or Securities" shall not be deemed to include securities of the Obligor or any other Person provided for by a plan of reorganization or readjustment, the payment of which is subordinated at least to the extent provided herein with respect to the Subordinated Notes, to the payment of all Senior Indebtedness which may at the time be outstanding; provided, however, that (i) all Senior Indebtedness is assumed by the new Person, if any, resulting from any such reorganization or readjustment, and (ii) the rights of the holders of the Senior Indebtedness are not, without the consent of such holders, altered by such reorganization or readjustment.

(b) "payment in full". "payment in full", with respect to Senior Indebtedness, means the receipt on an irrevocable basis of cash in an amount equal to the unpaid principal amount of the Senior Indebtedness and premium, if any, and interest and any special interest thereon to the date of such payment, together with all other amounts owing with respect to such Senior Indebtedness.

(c) "Senior Indebtedness". "Senior Indebtedness" means, at any date all indebtedness (including, without limitation, any and all amounts of principal, interest, special interest, additional amounts, premium, fees, penalties, indemnities and "post-petition interest" in bankruptcy and any reimbursement of expenses) under (1) **[the Indenture , including, without limitation, the "Notes", the "Subsidiary Guarantees", the "Exchange Notes", the "Additional Notes" and any Guarantee of the Exchange Notes or the Additional Notes (in each case, as defined in the Indenture)]** and (2) the Amended and Restated Credit Agreement dated as of June 14, 2013, among, *inter alia*, Quebecor Media Inc., as borrower, the financial institutions identified as lenders therein, and Bank of America, N.A., as administrative agent (as amended or modified from time to time, the "**Credit Agreement**"; capitalized terms used herein without definition having the meanings set forth therein) and the Credit Documents.

(2)

2. **Agreement Entered into Pursuant to Credit Agreement**. The Obligor, the Administrative Agent and the Lenders are entering into this Agreement pursuant to the provisions of the Credit Agreement, pursuant to which Quebecor Media Inc. has borrowed approximately C$• and has additional borrowings available of C$• (the "**Accommodations**").

3. **Subordination**. The indebtedness represented by the Subordinated Notes shall be subordinated as follows:

(a) Agreement to Subordinate. The Obligor, for itself and its successors and assigns, and the Holder agree that the indebtedness evidenced by the Subordinated Notes (including, without limitation, principal, interest, premium, fees, penalties, indemnities and "post-petition interest" in bankruptcy and any reimbursement of expenses) is subordinate and junior in right of payment, to the extent and in the manner provided in this Section 3, to the prior payment in full of all Senior Indebtedness. The provisions of this Section 3 are for the benefit of the Administrative Agent acting on behalf of the holders from time to time of Senior Indebtedness under the Credit Agreement, and such holders are hereby made obligees hereunder to the same extent as if their names were written herein as such, and they (collectively or singly) may proceed to enforce such provisions.

(b) Liquidation, Dissolution or Bankruptcy.

(i) Upon any distribution of assets of the Obligor to creditors or upon a liquidation or dissolution or winding-up of the Obligor or in a bankruptcy, arrangement, liquidation, reorganization, insolvency, receivership or similar case or proceeding relating to the Obligor or its property or other marshalling of assets of the Obligor:

(A) the holders of Senior Indebtedness shall be entitled to receive payment in full of all Senior Indebtedness before the Holder shall be entitled to receive any payment of principal of or interest on, or any other amount owing in respect of, the Subordinated Notes;

(B) until payment in full of all Senior Indebtedness, any distribution of assets of the Obligor of any kind or character to which the Holder would be entitled but for this Section 3 is hereby assigned to the holders of Senior Indebtedness absolutely and shall be paid by the Obligor or by any receiver, trustee in bankruptcy, liquidating trustee, agents or other Persons making such payment or distribution to, the Administrative Agent behalf of the holders of Senior Indebtedness under the Credit Agreement, as their interests may appear; and

(C) in the event that, notwithstanding the foregoing, any payment or distribution of assets of the Obligor of any kind or character, whether in Cash, Property or Securities, shall be received by the Holder before all Senior Indebtedness is paid in full, such payment or distribution shall be held in trust for the benefit of and shall be paid over to the Administrative Agent on behalf of the

(3)

holders of Senior Indebtedness under the Credit Agreement, as their interests may appear, for application to the payment of all Senior Indebtedness under the Credit Agreement until all such Senior Indebtedness shall have been paid in full after giving effect to any concurrent payment or distribution to the holders of Senior Indebtedness under the Credit Agreement in respect of such Senior Indebtedness.

(ii) If (A) a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to the Obligor or its property (a "**Reorganization Proceeding**") is commenced and is continuing and (B) the Holder does not file proper claims or proofs of claim in the form required in a Reorganization Proceeding prior to 45 days before the expiration of the time to file such claims, then (1) upon the request of the Administrative Agent, the Holder shall file such claims and proofs of claim in respect of the Subordinated Notes and execute and deliver such powers of attorney, assignments and proofs of claim or proxies as may be directed by the Administrative Agent to enable it to exercise in the sole discretion of the Administrative Agent any and all voting rights attributable to the Subordinated Notes which are capable of being voted (whether by meeting, written resolution or otherwise) in a Reorganization Proceeding and enforce any and all claims upon or in respect of the Subordinated Notes and to collect and receive any and all payments or distributions which may be payable or deliverable at any time upon or in respect of the Subordinated Notes, and (2) whether or not the Administrative Agent shall take the action described in clause (1) above, the Administrative Agent shall nevertheless be deemed to have such powers of attorney as may be necessary to enable the Administrative Agent to exercise such voting rights, file appropriate claims and proofs of claim and otherwise exercise the powers described above for and on behalf of the Holder.

(c) Subrogation. After all Senior Indebtedness is paid in full and until the Subordinated Notes are paid in full, the Holder shall be subrogated to the rights of the holders of Senior Indebtedness. For purposes of this Section 3(c), a distribution made under this Section 3 to holders of Senior Indebtedness which otherwise would have been made to the Holder, or a payment made by the Holder to holders of Senior Indebtedness in respect of a turnover obligation under this Section 3, is not, as between the Obligor and such holder, a payment by the Obligor on Senior Indebtedness.

(d) Relative Rights. This Section 3 defines the relative rights of the Holder and the holders of Senior Indebtedness. Nothing in this Section 3 shall:

(i) impair, as between the Obligor and the Holder, the obligation of the Obligor, which is absolute and unconditional, to pay the principal of and interest on the Subordinated Notes in accordance with their terms; or

(ii) affect the relative rights of the Holder and creditors of the Obligor other than the holders of Senior Indebtedness; or

(iii) affect the relative rights of the holders of Senior Indebtedness among themselves or opposite the Obligor under the Credit Documents; or

(iv) prevent the Holder from exercising its available remedies upon a default, subject to the rights of the holders of Senior Indebtedness to receive cash, property or other assets otherwise payable to the Holder.

(e) Subordination May Not Be Impaired.

(i) No right of any holder of Senior Indebtedness to enforce the subordination of indebtedness evidenced by the Subordinated Notes shall in any way be prejudiced or impaired by any act or failure to act by the Obligor or by any such holder or the Administrative Agent, or by any non-compliance by the Obligor with the terms, provisions or covenants herein, regardless of any knowledge thereof which any such holder or the Administrative Agent may have or be otherwise charged with. Neither the subordination of the Subordinated Notes as herein provided nor the rights of the holders of Senior Indebtedness with respect hereto shall be affected by any extension, renewal or modification of the terms, or the granting of any security in respect of, any Senior Indebtedness or any exercise or non-exercise of any right, power or remedy with respect thereto.

(ii) The Holder agrees that all indebtedness evidenced by the Subordinated Notes will be unsecured by any Lien upon or with respect to any property of the Obligor.

(iii) The Holder agrees not to exercise any offset or counterclaim or similar right in respect of the indebtedness evidenced by the Subordinated Notes except to the extent payment of such indebtedness is permitted and will not assign or otherwise dispose of the Subordinated Notes or the indebtedness which it evidences unless the assignee or acquiror, as the case may be, agrees to be bound by the terms of this Agreement.

(f) Holder Entitled to Rely.

Upon any payment or distribution pursuant to this Section 3, the Holder shall be entitled to rely (i) upon any order or decree of a court of competent jurisdiction in which any proceedings of the nature referred to in Section 3(b) are pending, (ii) upon a certificate if the liquidating trustee or agent or other person in such proceedings making such payment or distribution to the Holder or its representative, if any, or (iii) upon a certificate of the Administrative Agent or any representative (if any) of the holders of Senior Indebtedness for the purpose of ascertaining the persons entitled to participate in such payment or distribution, the holders of the Senior Indebtedness and other indebtedness of the Obligor, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Section 3.

(5)

4. **Enforceability**. Each of the Obligor and the Holder represents and warrants that this Agreement has been duly authorized, executed and delivered by each of the Obligor and the Holder and constitutes a valid and legally binding obligation of each of the Obligor and the Holder, enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles; and on the date hereof, the Holder shall deliver an opinion or opinions of counsel to such effect to the Administrative Agent for the benefit of the Lenders.

5. **Miscellaneous**.

(a) Until payment in full of all the Senior Indebtedness, the Obligor and the Holder agree that no amendment shall be made to either of the Subordinated Notes which would affect the rights of the holders of the Senior Indebtedness.

(b) This Agreement may not be amended or modified in any respect, nor may any of the terms or provisions hereof be waived, except by an instrument signed by the Obligor, the Holder and the Administrative Agent.

(c) This Agreement shall be binding upon each of the parties hereto and their respective successors and assigns and shall inure to the benefit of the Administrative Agent and each and every holder of Senior Indebtedness and their respective successors and assigns.

(d) This Agreement shall be governed by and construed in accordance with the laws of the **[State of New York.]**

(e) The Holder and the Obligor each hereby irrevocably agrees that any suits, actions or proceedings arising out of or in connection with this Agreement may be brought in any state or federal court sitting in the City of New York or any court in the Province of Quebec and submits and attorns to the non-exclusive jurisdiction of each such court.

(f) The Holder and the Obligor will whenever and as often as reasonably requested to do so by the Administrative Agent, do, execute, acknowledge and deliver any and all such other and further acts, assignments, transfers and any instruments of further assurance, approvals and consents as are necessary or proper in order to give complete effect to this Agreement.

(g) Each of the Holder and the Obligor irrevocably appoints CT Corporation System, as its authorized agent in the State of New York upon which process may be served in any such suit or proceedings, and agrees that service of process upon such agent, and written notice of said service to CT Corporation System, by the person serving the same to the addresses listed below, shall be deemed in every respect effective service of process upon the Holder or the Obligor, as applicable, in any such suit or proceeding.

If to the Obligor:

•

(6)

If to the Holder:

•

Each of the Holder and the Obligor further agrees to take any and all action as may be necessary to maintain such designation and appointment of such agent in full force and effect for a period of ten years from the date of this Agreement.

IN WITNESS WHEREOF, the Obligor and the Holder each have caused this Agreement to be duly executed.

•

by_____
Name: ■
Title: ■

•

by_____
Name: ■
Title: ■

**SCHEDULE 8**

**FORM OF NOTE**

FOR VALUE RECEIVED, the undersigned (the "**Borrower**"), hereby promises to pay to _____ or registered assigns (the "**Lender**"), in accordance with the provisions of the Credit Agreement (as hereinafter defined), the principal amount of each Accommodation from time to time made by the Lender to the Borrower under that certain Amended and Restated Credit Agreement dated as of June 14, 2013 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "**Credit Agreement**;" the terms defined therein being used herein as therein defined), among, *inter alia*, the Borrower, the Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent.

The Borrower promises to pay interest on the unpaid principal amount of each Accommodation from the date of such Accommodation until such principal amount is paid in full, at such interest rates and at such times as provided in the Credit Agreement. All payments of principal and interest shall be made to the Administrative Agent for the account of the Lender in US Dollars in immediately available funds at the Administrative Agent's Office, as provided for in the Credit Agreement. If any amount is not paid in full when due hereunder, such unpaid amount shall bear interest, to be paid upon demand, from the due date thereof until the date of actual payment (and before as well as after judgment) computed at the per annum rate set forth in the Credit Agreement.

This Note is one of the Notes referred to in the Credit Agreement, is entitled to the benefits thereof and may be prepaid in whole or in part subject to the terms and conditions provided therein. This Note is also entitled to the benefit of all guarantees and is secured by the Security. Upon the occurrence and continuation of one or more of the Events of Default specified in the Credit Agreement, all amounts then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable all as provided in the Credit Agreement. Loans made by the Lender shall be evidenced by one or more loan accounts or records maintained by the Lender in the ordinary course of business. The Lender may also attach schedules to this Note and endorse thereon the date, amount and maturity of its Loans and payments with respect thereto.

The Borrower, for itself, its successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest, demand, dishonour and non-payment of this Note.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE PROVINCE OF QUEBEC.

**QUEBECOR MEDIA INC.**

By: _____

Name: _____

Title:

**Disclosure Schedule**

**SCHEDULE 1.01(A)**

**EXISTING BACK-TO-BACK DEBT**

**See attached**

**Disclosure Schedule**

**SCHEDULE 1.01(B)**

**EXISTING BACK-TO-BACK PREFFERED SHARES**

**See attached**

**Disclosure Schedule**

**SCHEDULE 1.01(C)**

**EXISTING TAX BENEFIT TRANSACTIONS**

**None**

**Disclosure Schedule**

**SCHEDULE 7.01(a)**

Quebec

**Disclosure Schedule**

**SCHEDULE 7.01(g)**

**PART I**

**LOCATION OF BUSINESS**

Quebec

**PART II**

**LOCATION OF MINUTE BOOKS**

612 St-Jacques St., 18th Floor
Montreal, Quebec, H3C 4M8

**Disclosure Schedule**

**SCHEDULE 7.01(l)**

**CORPORATE CHART OF THE BORROWER**

**See attached**

**Disclosure Schedule**

**SCHEDULE 7.01(p)**

**MATERIAL AGREEMENTS**

- Senior Notes and subsequent senior notes issued thereafter by the Borrower pursuant to additional senior note trust indentures similar to the Senior Note Indenture.

**Disclosure Schedule**

**SCHEDULE 7.01(v)**

**CORPORATE STRUCTURE**

(i) Shareholders of the Borrower

Please see attached.

(ii) Unanimous Shareholders or Other Agreements Relating to Shares Owned by Such Shareholders:

Shareholders Agreement ("**Convention Amendée et Consolidée entre Actionnaires**") dated December 11, 2000 with respect to the Borrower between Capital Communications CDPQ Inc., Quebecor Inc., 3804020 Canada Inc., 2745844 Canada Inc. and the Borrower (as amended from time to time).

**Exhibit 4.3**

**FIRST AMENDING AGREEMENT** to the Amended and Restated Credit Agreement dated as of July 20, 2011 entered into in the City of Montreal, Province of Quebec, as of June 14, 2013.

**AMONG:** **VIDÉOTRON LTÉE**, a company constituted in accordance with the laws of Quebec, having its registered office at 612 St. Jacques Street, 18th floor, in the City of Montreal, Province of Quebec (hereinafter called the "**Borrower**")

**PARTY OF THE FIRST PART**

**AND:** **THE LENDERS, AS DEFINED IN THE CREDIT AGREEMENT** (the "**Lenders**")

**PARTIES OF THE SECOND PART**

**AND:** **ROYAL BANK OF CANADA, AS ADMINISTRATIVE AGENT FOR THE LENDERS**, a Canadian bank, having a place of business at 200 Bay Street, 12th floor, South Tower, Royal Bank Plaza, in the City of Toronto, Province of Ontario (hereinafter called the "**Agent**")

**PARTY OF THE THIRD PART**

**AND:** **HSBC BANK PLC, AS FINNVERA FACILITY AGENT,** a bank governed by the laws of England and Wales, having a place of business at 8 Canada Square, Canary Wharf, London, UK, E14 5HQ (hereinafter called the "**Finnvera Facility Agent**")

**PARTY OF THE FOURTH PART**

**WHEREAS** the parties hereto are parties to an Amended and Restated Credit Agreement dated as of July 20, 2011 (the "**Credit Agreement**");

**WHEREAS** the Borrower has requested certain amendments to the Credit Agreement to extend the Term of the Revolving Facility, to provide for the possibility of future facilities and other matters; and

**WHEREAS** the Lenders have unanimously agreed with the Borrower to the amendments contemplated hereby, and as such, the Lenders have complied with the provisions of Section 18.14 and 18.15 of the Credit Agreement, as evidenced by the signature of each Lender and of the Agent on this Agreement;

2.

**NOW THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:**

## I. INTERPRETATION

All of the words and expressions which are capitalized herein shall have the meanings ascribed to them in the Credit Agreement unless otherwise indicated herein.

## II. AMENDMENTS

1. Subsection 1.1.48 of the Credit Agreement (definition of "**Debt**") is amended by adding the following sentence at the end of the subsection:

> "Finally, for the purpose of calculating the Leverage Ratio only, the amount of cash and Cash Equivalents of the Relevant Group on the date of determination shall be deducted from the amount of any Debt (for greater certainty, other than Debt under the Revolving Facility or any other revolving facility not resulting in a permanent reduction of such Debt) required to be repaid following the issuance of an irrevocable repayment notice, if and only to the extent that such Debt would have been included in the computation of the Leverage Ratio."

2. Subsection 1.1.64 of the Credit Agreement (definition of "**Facility**") is amended by adding a reference to the "New Facility" in the subsection. Accordingly, the subsection now provides as follows:

> "1.1.64 "**Facility**" means the Revolving Facility, the Finnvera Term Facility or a New Facility, and "**Facilities**" means all of them."

3. Subsection 1.1.76 (definition of "**Guarantors**") is hereby amended by moving the reference to Section 9.3 from the third line and fourth lines to the first line. Consequently, subsection 1.1.76 now provides as follows:

> "1.1.76 "**Guarantors**" means, subject to the provisions of Section 9.3, Le SuperClub Vidéotron ltée, Videotron US Inc., 9227-2590 Quebec Inc., 9230-7677 Quebec Inc., Videotron G.P., Videotron L.P., Vidéotron Infrastructures Inc., 8487782 Canada Inc. (formerly known as Jobboom Inc.), and all of the wholly-owned Subsidiaries of the Borrower and the Guarantors created or acquired after the Closing Date. A list of the Guarantors and of all of the members of the VL Group as of the Closing Date is provided in Schedule "L" hereto."

3.

4. Subsection 1.1.97 of the Credit Agreement (definition of "**Margin**") is amended by deleting the table and replacing it by the following:

| Leverage Ratio | Standby Fee | Prime Rate/US Base Rate plus | Stamping Fees / LC Fees |
|---|---|---|---|
| x ≥4.50 | 0.525% | 1.625% | 2.625% |
| 4.50> x ≥4.00 | 0.450% | 1.25% | 2.25% |
| 4.00> x ≥3.50 | 0.400% | 1.00% | 2.00% |
| 3.50> x ≥2.50 | 0.350% | 0.75% | 1.75% |
| 2.50> x ≥1.50 | 0.290% | 0.45% | 1.45% |
| x <1.50 | 0.265% | 0.325% | 1.325% |

5. A new subjection 1.1.104 is hereby added to the Credit Agreement as follows. All other subsections are renumbered accordingly:

> "1.1.104 "**New Facility**" means one or more credit facilities created from time to time as permitted under Section 2.3 and benefitting from the Security, such credit facility being similar in nature and purpose to the Finnvera Term Facility."

6. Subsection 1.1.144 (now 1.1.145) of the Credit Agreement (definition of "**Term**") is amended by deleting the date "July 19, 2016", and replacing it with "July 19, 2018". Consequently, subsection 1.1.144 (now 1.1.145) now provides as follows:

> "1.1.145 "**Term**" means, with respect to the Revolving Facility, the period commencing on the Closing Date and terminating on July 19, 2018, and with respect to the Finnvera Term Facility, the period commencing on November 13, 2009 and terminating on the "Maturity Date" as defined in Schedule "P"."

7. The title to and introductory paragraph of Section 2.3 is amended to make reference to a New Facility. Consequently, the title now will be "**2.3 Incremental Commitments and Facilities**", and the introductory paragraph now provides as follows:

> "The Borrower may, on up to three occasions (with a minimum of $25,000,000 of New Commitments each time, but without any minimum for a New Facility) during the Term of the Revolving Facility, by written notice to the Agent, elect to request an increase to the existing Commitments, other than commitments under a New Facility (any such increase, the "**New Commitments**") or elect to create a New Facility, in accordance with the provisions of this Section."

4.

8. Subsections 2.3.1 to 2.3.6 of the Credit Agreement are amended and replaced by the following subsections 2.3.1 to 2.3.7, to take into account the possible creation of a New Facility:

"2.3.1 The aggregate amount of any such New Commitments and available commitments under any New Facility shall not exceed an amount equal to $75,000,000 minus (a) the aggregate undrawn Tranche A Credit, (b) the principal amount under the Term Loan (as each such term in clause (a) above and in this clause (b) is defined in Schedule "P"), and (c) the amount of any previous New Commitments and New Facility (in each case, drawn and undrawn) that remain in effect. The notice shall specify the date (the "**Increased Amount Date**") on which the Borrower proposes that the New Commitments or New Facility shall be effective, which shall be a date not less than 15 Business Days after the date on which such notice is delivered to the Agent. The notice in respect of New Commitments shall provide that the Borrower is first offering the opportunity to provide each New Commitment to the then-existing Lenders, who may accept same on a *pro rata* basis or as they may otherwise agree. Any Lender approached to provide all or a portion of the New Commitments may elect or decline, in its sole discretion, to provide a New Commitment.

2.3.2 The existing Lenders shall advise the Agent within 10 Business Days following receipt of the Borrowers' request for New Commitments as to the extent, if any, to which they wish to provide the New Commitments, and the Agent shall so advise the Borrower. The Borrower shall then identify each Person that is an Eligible Assignee (each, a "**New Lender**") to whom the Borrower proposes any portion of such New Commitments not accepted by an existing Lender be allocated and the amounts of such allocations, within 2 Business Days from receipt of the Agent's notice referred to in the preceding sentence.

2.3.3 The New Commitments and any New Facility shall become effective as of the Increased Amount Date, provided that (a) no Default or Event of Default shall exist on the Increased Amount Date before or after giving effect to such New Commitments or New Facility; (b) the Borrower shall be in pro forma compliance with each of the covenants set forth in Section 12.11 as of the last day of the most recently ended fiscal quarter after giving effect to such New Commitments or New Facility; (c) the New Commitments shall be effected pursuant to one or more Joinder Agreements executed and delivered by the Borrower, the Guarantors, the New Lenders and the Agent, each of which shall be recorded in the Register (as defined in Section 16.3), and each New Lender shall be subject to the requirements set forth in Section 7.3; (d) the New Facility shall be effected pursuant to one or more amendments referred to in subsection 2.3.7, (e) the Borrower shall make any payments required pursuant to Section 7.4 in connection with the New Commitments; and (f) the Borrower shall deliver or cause to be delivered any legal opinions or other documents reasonably requested by the Agent in connection with any such transaction.

5.

2.3.4 On or before the Increased Amount Date (with effect as of the Increased Amount Date), subject to the satisfaction of the foregoing terms and conditions, (a) with respect to all New Commitments, each of the Lenders shall assign to each of the New Lenders, who shall purchase same, at the principal amount thereof (together with accrued interest), such interests in the Loan Obligations under the Revolving Facility outstanding on the Increased Amount Date as shall be necessary in order that, after giving effect to all such assignments and purchases, such Loan Obligations under the relevant Facility will be held by existing Lenders and New Lenders ratably in accordance with their Commitments after giving effect to the addition of such New Commitments to the Commitments, (b) each New Commitment and commitment under a New Facility shall be deemed for all purposes a Commitment and each Advance made thereunder (a "**New Advance**") shall be deemed, for all purposes, a Loan Obligation under the Facilities, (c) each New Lender shall become a Lender with respect to the New Commitment and all matters relating thereto, and (d) each Lender under a New Facility shall become a Lender with respect to the New Facility and all matters relating thereto.

2.3.5 The Agent shall notify the Lenders, promptly upon receipt, of the Borrower's notice of the Increased Amount Date, the New Commitments and New Lenders in respect thereof, and any New Facility, as well as the effect of same as contemplated by the preceding paragraph.

2.3.6 The terms and provisions of the New Commitments under the Revolving Facility and New Advances thereunder shall be identical to the terms and provisions of the Loan Obligations, except in respect of any upfront fees or other similar fees to be paid in respect of New Commitments under the Revolving Facility. The terms and provisions of the New Commitments and New Advances not intended to simply be increases in the amount of the Revolving Facility shall be identical to the terms and provisions of the Loan Obligations, except as they relate to pricing, term, and amortization and repayment. For greater certainty, in respect of any increase contemplated in the first two sentences above, no additional Fees shall be payable in respect of any then-existing Commitments. Each Joinder Agreement may, without the consent of any other Lenders, effect such amendments to this Agreement and the other Loan Documents as may be necessary or appropriate, in the opinion of the Agent, to give effect to the provisions of this Section 2.3.

6.

2.3.7 With respect to any New Facility and notwithstanding any other provision of this Agreement to the contrary, only the Borrower, the applicable lenders and agents under such New Facility and the Agent shall enter into an amendment to this Agreement to reflect all changes necessary or appropriate, in the opinion of the Agent, as a result of such New Facility, without the need to obtain the signatures of each of the existing Lenders to such amendment."

9. Section 9.3 of the Credit Agreement is amended by inserting a cross-reference to subsection 9.1.1 in the second sentence and by adding two new sentences at the end. Consequently, Section 9.3 now provides as follows:

"9.3 **Guarantors – Exception**

After the Closing Date, any member of the VL Group may create or acquire one or more Subsidiaries that are or are not wholly-owned by a member of the VL Group, including as a result of its participation in a joint venture with another Person. Such Subsidiary shall not be required to provide a Guarantee pursuant to subsection 9.1.1 or the Security, provided that the absence of such Guarantee does not cause the Borrower to breach the provisions of Section 12.12 at the time of the creation or Acquisition or at any time thereafter, and shall not be considered a Guarantor. If such Subsidiary is wholly-owned, it will be a member of the VL Group. In addition, the Borrower may at any time request to the Agent that one or more of its Subsidiaries (each, a "**Released Guarantor**") shall cease to be considered a Guarantor and that its Guarantee provided pursuant to subsection 9.1.1 and its Security be discharged and terminated if the following conditions are satisfied on the effective date on which such Released Guarantor shall so cease to be considered a Guarantor (the "**Release Date**"): (i) the release of the Released Guarantor as a Guarantor on the Release Date shall not cause the Borrower to breach the provisions of Section 12.12, (ii) no Default or Event of Default exists on the Release Date, and (iii) contemporaneously with the Release Date, all existing Guarantees granted by the Released Guarantor in respect of obligations of the Borrower under Additional Offerings permitted by paragraphs (f) and (g) of Section 13.7, and unsecured Debt permitted by paragraph (i) of Section 13.7, shall also be terminated substantially contemporaneously. In the event that a Released Guarantor ceases to be considered a Guarantor by satisfying all of the conditions of the previous sentence of this Section 9.3, the Security on the property of such Released Guarantor and the Guarantee given by it pursuant to subsection 9.1.1 shall be discharged and terminated by the Agent without any requirement to obtain the consent of the Lenders (and such Person shall thereafter cease to be considered a Guarantor)."

7.

10. Section 12.13 of the Credit Agreement is amended by inserting the words "Subject to Section 9.3," at the beginning of the section. Consequently, Section 12.13 now provides as follows:

"12.13 **Maintenance of Security**

Subject to Section 9.3, it shall take all necessary steps to preserve and maintain in effect the rights of the Agent and the Lenders, as well as any collateral agent designated by the Agent, pursuant to the Security Documents, together with any renewals thereof or additional documents creating Charges that may be required from time to time. In addition, if any new Subsidiary of any member of the VL Group is created or Acquired, or if a Person otherwise becomes a member of the VL Group, then subject to Section 9.3, such Subsidiary will provide Security of the nature described in Article 9, together with such legal opinions as may be reasonably requested by the Agent."

11. Section 13.3 of the Credit Agreement is deleted and replaced by the following:

"13.3 **Asset Dispositions**

The VL Group shall not permit an Asset Disposition of all or any part of their property or assets (whether presently held or subsequently acquired), other than sales at fair market value (provided that any single transaction or series of transactions during the period from June 14, 2013 until the end of the Term of the Revolving Facility that involve property having an aggregate fair market value of less than $25,000,000 and a value per transaction of less than $5,000,000 shall not have to be disposed of at fair market value), and, in such case, only if at the time of the proposed Asset Disposition, (a) there is no Default or Event of Default hereunder and the proposed Asset Disposition will not cause such a Default or Event of Default, and (b) the amount of (A) EBITDA of the VL Group generated during the preceding 12 months by the assets comprised in any such Asset Disposition, plus (B) the aggregate 12-month trailing EBITDA of the VL Group generated by all other assets comprised in all previous Asset Dispositions made since the Closing Date (calculated as of the date of the applicable Asset Disposition), does not exceed 15% of the EBITDA of the VL Group for the 12 months ending on the last day of the month immediately preceding the date of the proposed Asset Disposition; provided that the scheduled Asset Disposition of the VL Group for which a letter of intent has been executed on May 1st, 2013, which generated less than 1% of EBITDA of the VL Group for the financial year 2012, shall be considered a permitted Asset Disposition under this Section 13.3 and shall be excluded from any present or future computation of the aggregate amount in paragraph (b) above; provided further that the VL Group shall be permitted to make (i) dispositions of inventory in the ordinary course of business, (ii) dispositions of

machinery, equipment, spare parts and materials, appliances or vehicles, if same are no longer necessary or useful to the operation of the business or have become obsolete, worn out, surplus, damaged or unusable, as well as the non-material assets listed in Schedule "I" consisting of surplus real estate of the VL Group, which are excluded from the Security and not subject to any Charge thereunder, and (iii) Asset Dispositions between members of the VL Group to the extent that the Borrower complies with the provisions of Section 12.12. In the event of any Asset Disposition permitted under this Section 13.3 to a Person other than a member of the VL Group, (i) the Security on the assets so disposed of shall be discharged by the Agent without any requirement to obtain the consent of the Lenders and, (ii) in the case of any such Asset Disposition made in respect of 100% of the Equity Interests of a Guarantor, the Security on the property of such Guarantor and the Guarantee given by it pursuant to subsection 9.1.1 shall also be discharged and terminated by the Agent without any requirement to obtain the consent of the Lenders (and such Person shall thereafter cease to be considered a Guarantor). In addition, any member of the VL Group shall be permitted to dispose of Back-to-Back Preferred Shares in order to repay Back-to-Back Debt, and shall also be permitted to dispose of property as part of a Tax Benefit Transaction, provided that (A) no Default or Event of Default exists at the time and (B) disposing of such Back-to-Back Preferred Shares or property as part of a Tax Benefit Transaction will not cause a Default or an Event of Default."

12. Section 13.7 of the Credit Agreement is hereby deleted in its entirety and replaced by the following:

"13.7 **Debt and Guarantees**

Incur or assume Debt, provide Guarantees or render itself liable in any manner whatsoever, directly or indirectly, for any Indebtedness or obligation whatsoever of another Person, except (a) hereunder for the purposes set forth in Section 3.1; (b) that a member of the VL Group may provide financial assistance to another member of the VL Group to the extent that the Borrower complies with the provisions of Section 12.12; (c) unsecured Debt not exceeding $75,000,000 under the Tranche B Finnvera credit agreement entered into among the Borrower, HSBC Bank plc, The Toronto-Dominion Bank, Credit Suisse and Sumitomo Banking Corporation of Canada dated as of November 13, 2009; (d) in connection with Debt incurred or assumed that is secured by Permitted Charges, and within the limits applicable thereto; (e) in connection with Back-to-Back Transactions and Tax Benefit Transactions including by way of unsecured daylight loans; (f) that the Borrower may incur or assume unsecured Debt by way of Additional Offerings, and that a member of the VL Group may provide unsecured Guarantees in respect of obligations of the Borrower under any such Debt outstanding at any time, to the

extent that the Borrower complies with the applicable Leverage Ratio calculated on a *pro forma* basis and, subject to the provisions of Section 9.3, such member has provided a Guarantee under subsection 9.1.1 or provides such a Guarantee contemporaneously with its Guarantee in relation to the Additional Offering; (g) unsecured Debt by way of Additional Offerings incurred by the Borrower before the Closing Date and listed in Schedule "H" and including, subject to Section 9.3, unsecured Guarantees by members of the VL Group in respect of obligations of the Borrower under such Debt outstanding at any time; (h) the Borrower may borrow Subordinated Debt from Quebecor Media Inc. in a principal amount outstanding from time to time of up to $500,000,000, with interest at a rate not exceeding the greater of (y) the three month bankers' acceptance rate quoted on Reuter's Services, page CDOR, as at approximately 10:00 a.m. on such day plus 3.0% per annum, or (z) 7% per annum (together with interest accrued thereon or paid in kind, the "**QMI Subordinated Debt**"); (i) additional unsecured Debt of up to $100,000,000; (j) in connection with other Subordinated Debt; (k) unsecured daylight loans incurred in connection with Tax Consolidation Transactions, provided that prior to incurring the daylight loan made at the initiation of any Tax Consolidation Transaction in a minimum amount of $75,000,000, the Agent shall have been informed by the Borrower of the incurrence of such daylight loan; and (l) unsecured Debt in respect of daylight loans in the ordinary course of business for cash management purposes; provided that, with respect to any of the matters described in paragraphs (c) to (i) above inclusive, (A) no Default or Event of Default exists at the time, (B) incurring or assuming such Debt (including by way of providing such Guarantee) will not cause a Default or Event of Default, and (C) on a *pro forma* basis, the incurrence or assumption of such Debt would not reasonably be expected to cause the Borrower to breach any of its covenants under Section 12.11 hereof."

13. Section 18.15 of the Credit Agreement is amended to refer to Section 9.3. Consequently, Section 18.15 now provides as follows:

"18.15 **Authorized Waivers, Variations and Omissions**

If so authorized in writing by the Lenders in accordance with the provisions of Section 18.14, the Agent, on behalf of the Lenders, may grant waivers, consents, vary the terms of this Agreement and the Security Documents and do or omit to do all acts and things in connection herewith or therewith. Notwithstanding the foregoing, except with the prior written agreement of (a) each of the Lenders with Commitments in the Facility being amended (or in respect of which a waiver is requested, each such Lender an "**Affected Lender**"), nothing in Section 18.14 or this Section 18.15 shall authorize (i) any extension of the date for, or decrease in the amount of, any payment of principal, interest or other amounts or (ii) any extension

of any maturity date not applicable to all Facilities, and (b) each of the Lenders, nothing in Section 18.14 or this Section 18.15 shall authorize (i) any change (other than an extension) of the date for, increase in the amount of, or change in the currency or mode of calculation or computation of any payment of principal, interest or other amount (including the amount of the Revolving Facility, the Finnvera Term Facility or any New Facility, except as provided in Section 2.3), (ii) any extension of any maturity date applicable to all Facilities, (iii) any change in the terms of Article 18, (iv) any change in the manner of making decisions among the Lenders including the definition of Majority Lenders and Required Lenders-Acceleration, (v) the release of the Borrower or any Guarantor, except as provided herein with respect to permitted Asset Dispositions or as contemplated in Sections 9.3 and 13.1, (vi) the release, in whole or in part, of any of the Security Documents or the Security constituted thereby, except as provided herein with respect to permitted Asset Dispositions (in Section 13.3) or as contemplated in Sections 9.3 and 13.1, (vii) any change in or any waiver of the conditions precedent provided for in Article 10 or (viii) any amendment to this Section 18.15. Waivers of Events of Default not requiring the unanimous consent of the Lenders may be granted by the Majority Lenders or, for Events of Default requiring a waiver in the circumstances described in (a) above, the Affected Lenders (and not by the Required Lenders-Acceleration).

In addition, no amendment to or waiver of (A) Section 4.2 shall be made without the consent of the Issuing Lenders, (B) Section 4.3 shall be made without the consent of the Swing Line Lender, and (C) the definition of "Defaulting Lender" without the consent of the Agent, the Finnvera Agent, the Issuing Lender and the Swing Line Lender."

**III. AMENDMENTS TO SCHEDULE P**

Following the British Bankers' Association's announced decision to discontinue LIBOR fixing for a number of currencies (including the Canadian dollar), the Borrower and the Foreign Tranche A Lenders have agreed that there will no longer be any appropriate or reasonable method to establish the Tranche A LIBOR for a Tranche A LIBOR Advance Amount or Tranche A Designated Period. In compliance with the provisions of Section 3.9 of Schedule P, the Borrower and the Foreign Tranche A Lenders (with the consent of Finnvera) hereby agree to substitute, on a permanent basis, for the duration of the Tranche A Facility, the interest applicable to Tranche A Advances made by Foreign Tranche A Lenders from Tranche A LIBOR to Tranche A CDOR, such substitution to take effect on the Effective Date (but, in any event, no later than June 14, 2013 which correspond to the last Banking Day prior to the next Tranche A Rollover Date). Consequently and as of such Tranche A Rollover Date:

11.

1. Section 3.2 of Schedule P is amended by removing thereunder the concept whereby the Tranche A Advances made by a Foreign Tranche A Lender shall be in the form of Tranche A LIBOR Advances. Consequently, Section 3.2 of Schedule P shall now provide as follows:

> **"3.2 Type of Tranche A Advances**
>
> Tranche A Advances made by a Domestic Tranche A Lender or Foreign Tranche A Lender in accordance with Section 3.6 of this Schedule P shall be in the form of Tranche A CDOR Advances."

2. Exhibit "P-6" of Schedule P is hereby amended (i) by deleting the following defined terms: "Tranche A LIBOR", "Tranche A LIBOR Advance Amount", "Tranche A LIBOR Advances" and "Tranche A LIBOR Basis" (collectively, the "**Deleted Defined Terms**"), and (ii) by amending the other defined terms set forth therein which include or make reference to any one or more of the Deleted Defined Terms (collectively, the "**Other Defined Terms**") by deleting the inclusion of or reference to such Deleted Defined Terms and any accessory text relating thereto from the definitions of the Other Defined Terms such that such Other Defined Terms shall be read as if such Deleted Defined Terms and such accessory text relating thereto are unwritten.

After giving effect to the above, (i) each reference in Schedule P to *(x)* any one or more of the Deleted Defined Terms, *(y)* any accessory text relating strictly to any such Deleted Defined Terms or relating partly to any such Deleted Defined Terms (in which case, only to such partial extent), and *(z)* any Articles, Sections, Exhibits and Schedules relating strictly to any such Deleted Defined Terms or relating partly to any such Deleted Defined Terms (in which case, only to such partial extent) and any accessory text thereof, and (ii) each Article, Section and Exhibit relating strictly to any such Deleted Defined Terms or relating partly to any such Deleted Defined Terms (in which case, only to such partial extent), if any, shall be deemed unwritten; provided that nothing in this Section shall modify, by virtue of any deletions made pursuant to this Section, the numerical references of any other Articles, Sections or Exhibits of Schedule P.

## IV. EFFECTIVE DATE AND CONDITIONS

1. This First Amending Agreement shall become effective as of June 14, 2013 (the "**Effective Date**"), subject to the fulfilment of all conditions precedent set out herein.

2. On the Effective Date, the Credit Agreement shall be modified by the foregoing amendments. The parties hereto agree that the changes to the Credit Agreement set out herein and the execution hereof shall not constitute novation and all the Security shall continue to apply to the Credit Agreement, as amended hereby, and all other obligations secured thereby. Without limiting the generality of the foregoing and to the extent necessary, (i) the Lenders and the Agent reserve all of their rights under each of the Security Documents, and (ii) each of the Borrower and the Guarantors obligates itself again in respect of all present and future obligations under, *inter alia*, the Credit Agreement, as amended hereby.

3. The Borrower shall pay all fees and costs, including (a) the fees referred to in the Borrower's request letter dated May 13, 2013, and (b) legal fees associated with this Agreement incurred by the Agent as contemplated and restricted by the provisions of Section 12.14 of the Credit Agreement.

4. The Borrower shall provide the opinion of its counsel, in form and substance acceptable to the Agent and the Lenders' counsel, with respect to the power, capacity, and authority of the Borrower and each of the Guarantors to enter into or intervene in this First Amending Agreement and to perform its obligations hereunder, with respect to the enforceability of this First Amending Agreement in accordance with its terms, and with respect to the continued enforceability (unaffected hereby) of all of the Security.

5. All of the representations and warranties of the Borrower contained in Article 11 of the Credit Agreement (except where qualified in Article 11 as being made as at a particular date) are true and correct on and as of the Effective Date as though made on and as of the Effective Date.

## V. MISCELLANEOUS

1. All of the provisions of the Credit Agreement that are not amended hereby shall remain in full force

and effect.

2. This Agreement shall be governed by and construed in accordance with the Laws of the Province of Quebec.

3. The parties acknowledge that they have required that the present agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto be drawn up in English. Les parties reconnaissent avoir exigé la rédaction en anglais de la présente convention ainsi que de tous documents exécutés, avis donnés et procédures judiciaires intentées, directement ou indirectement, relativement ou à la suite de la présente convention.

IN WITNESS WHEREOF THE PARTIES HERETO HAVE SIGNED THIS AGREEMENT ON THE DATE AND AT THE PLACE FIRST HEREINABOVE MENTIONED.

**VIDÉOTRON LTÉE**

/s/ Marie-Josée Marsan
Name: Marie-Josée Marsan
Title: Vice President Finance and
Chief Financial Officer

/s/ Chloé Poirier
Name: Chloé Poirier
Title: Treasurer

**ROYAL BANK OF CANADA, as Agent**

/s/ Rodika Dutka
Name: Rodika Dutka
Title: Manager, Agency

**THE REVOLVING FACILITY LENDERS:**

**ROYAL BANK OF CANADA, as Lender**

/s/ Pierre Bouffard
Name: Pierre Bouffard
Title: Authorized Signatory

Name:
Title:

**NATIONAL BANK OF CANADA**

/s/ Luc Bernier
Name: Luc Bernier
Title: Director

/s/ Bruno Lévesque
Name: Bruno Lévesque
Title: Director

**THE TORONTO-DOMINION BANK**

*/s/ (signature)*
Name:
Title:

/s/ *(signature)*
Name:
Title:

**BANK OF MONTREAL**

/s/ Martin Stevenson
Name: Martin Stevenson
Title: Director

**BANK OF AMERICA, N.A., Canada Branch**

/s/ Medina Sales de Andrade
Name: Medina Sales de Andrade
Title: Vice President

Name:
Title:

**CANADIAN IMPERIAL BANK OF COMMERCE**

/s/ Alain Longpré
Name: Alain Longpré
Title: Executive Director

/s/ Anissa Rabia-Zeribi
Name: Anissa Rabia-Zeribi
Title: Executive Director

**THE BANK OF NOVA SCOTIA**

/s/ Rob King
Name: Rob King
Title: Managing Director

/s/ Eddy Popp
Name: Eddy Popp
Title: Director

**CITIBANK, N.A., Canadian Branch**

/s/ Isabelle F. Côté
Name: Isabelle F. Côté
Title: Authorized Signatory

**CAISSE CENTRALE DESJARDINS**

/s/ *(signature)*
Name:
Title:

/s/ *(signature)*
Name:
Title:

**LAURENTIAN BANK OF CANADA**

/s/ Jean-François Morneau
Name: Jean-François Morneau
Title:

/s/ Sophie Boucher
Name: Sophie Boucher
Title:

**HSBC BANK CANADA**

/s/ *(signature)*
Name:
Title:

Name:
Title:

**GOLDMAN SACHS LENDING PARTNERS LLC**

/s/ Rebecca Kratz
Name: Rebecca Kratz
Title:

Name:
Title:

**MIZUHO CORPORATE BANK, LTD.**

/s/ W.M. McFarland
Name: W.M. McFarland
Title: Senior Vice President Canada Branch

/s/ *(signature)*
Name:
Title:

**BANK OF TOKYO – MITSUBISHI UFJ (CANADA)**

/s/ *(signature)*
Name:
Title:

Name:
Title:

**ICICI BANK CANADA**

/s/ Arup Ganguly
Name: Arup Ganguly
Title: Vice President – Corporate Banking

/s/ Leslie Mathew
Name: Leslie Mathew
Title: Assistant Vice President – Corporate Banking

**SUMITOMO MITSUI BANKING CORPORATION OF CANADA**

/s/ E.R. Langley
Name: E.R. Langley
Title: Senior Vice President

Name:
Title:

**HSBC BANK PLC, as Finnvera Facility Agent**

/s/ Mark Looi

Name: Mark Looi
Title: Director 38368A

**THE FINNVERA TERM FACILITY LENDERS:**

**HSBC BANK PLC**

/s/ Mark Looi
Name: Mark Looi
Title: Director 3836A

**THE TORONTO-DOMINION BANK**

/s/ Vince Chang
Name: Vince Chang
Title: Managing Director

/s/ Sumit Paliwaz
Name: Sumit Paliwaz
Title: Director

**SUMITOMO MITSUI BANKING CORPORATION OF CANADA**

/s/ E.R. Langley
Name: E.R. Langley
Title: Senior Vice President

The undersigned acknowledge having taken cognizance of the provisions of the foregoing First Amending Agreement and agree that the Guarantees and Security executed by them (A) remain enforceable against them in accordance with their terms, and (B) continue to guarantee or secure, as applicable, all of the obligations of the Persons specified in such Guarantees and Security Documents in connection with the Credit Agreement as defined above, and as amended hereby:

**LE SUPERCLUB VIDÉOTRON LTÉE**

/s/ Jean-François Pruneau
Name: Jean-François Pruneau
Title: Vice President, Finance

/s/ Marie-Josée Marsan
Name: Marie-Josée Marsan
Title: Vice President Finance and Chief Financial Officer

**VIDEOTRON US INC.**

/s/ Marie-Josée Marsan
Name: Marie-Josée Marsan
Title: Vice President Finance and Treasurer

**VIDEOTRON L.P., represented by its general partner 9230-7677 Québec Inc.**

/s/ Marie-Josée Marsan
Name: Marie-Josée Marsan
Title: Vice President Finance and Chief Financial Officer

**VIDÉOTRON INFRASTRUCTURES INC.**

/s/ Marie-Josée Marsan
Name: Marie-Josée Marsan
Title: Vice President Finance and Chief Financial Officer

**9227-2590 QUÉBEC INC.**

/s/ Marie-Josée Marsan
Name: Marie-Josée Marsan
Title: Vice President Finance and Chief Financial Officer

/s/ Marie-Josée Marsan
Name: Marie-Josée Marsan
Title: Vice President Finance and Chief Financial Officer

**9230-7677 QUÉBEC INC.**

/s/ Marie-Josée Marsan
Name: Marie-Josée Marsan
Title: Vice President Finance and Chief Financial Officer

**VIDEOTRON G.P.**

/s/ Chloé Poirier
Name: Chloé Poirier
Title: Treasurer

**8487782 CANADA INC.**

/s/ Marie-Josée Marsan
Name: Marie-Josée Marsan
Title: Vice President Finance and Chief Financial Officer

**Exhibit 7.1**

**Quebecor Media Inc.**

**Statement Regarding Calculation of Ratio of Earnings to Fixed Charges as Disclosed in Quebecor Media Inc.'s Annual Report on Form 20-F for the Year Ended December 31, 2013**

For the purpose of calculating the ratio of earnings to fixed charges disclosed in Quebecor Media Inc.'s Annual Report on Form 20-F for the year ended December 31, 2013 under IFRS, (i) earnings consist of net income plus income taxes, fixed charges, amortized capitalized interest, less interest capitalized and (ii) fixed charges consist of interest expensed and capitalized, plus amortized premiums, discounts and financing fees amortization and an estimate of the interest within rental expense.

**Exhibit 8.1**

## Main Subsidiaries of Quebecor Media Inc.

| Name of Subsidiary | Jurisdiction of Incorporation or Organization | Equity Interest/Voting Interest |
|---|---|---|
| Videotron Ltd. / Vidéotron ltée | Québec | 100% / 100% |
| Videotron G.P. | Québec | 100% / 100% |
| Le SuperClub Vidéotron ltée | Québec | 100% / 100% |
| Sun Media Corporation / Corporation Sun Media | British Columbia | 100% / 100% |
| Imprimerie Quebecor Media Inc. | Canada | 100% / 100% |
| Groupe TVA Inc. / TVA Group Inc. | Québec | 51.4% / 99.9% |
| TVA Publications Inc. | Canada | 100% / 100% |
| Groupe Archambault Inc. / Archambault Group Inc. | Canada | 100% / 100% |
| Les Éditions CEC inc. | Québec | 100% / 100% |
| Groupe Sogides Inc. | Canada | 100% / 100% |
| Nurun Inc. | Canada | 100% / 100% |

**Exhibit 12.1**

**Certification of the Principal Executive Officer of**
**Quebecor Media Inc.**
**pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Robert Dépatie, President and Chief Executive Officer of Quebecor Media Inc. (the "Company"), certify that:

1. I have reviewed this annual report on Form 20-F of the Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: March 20, 2014

/s/ Robert Dépatie
Name: Robert Dépatie
Title: President and Chief Executive Officer

**Exhibit 12.2**

**Certification of the Principal Financial Officer of**
**Quebecor Media Inc.**
**pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Jean-François Pruneau, Senior Vice President and Chief Financial Officer of Quebecor Media Inc. (the "Company"), certify that:

1. I have reviewed this annual report on Form 20-F of the Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: March 20, 2014

/s/ Jean-François Pruneau
Name: Jean-François Pruneau
Title: Senior Vice President and Chief Financial Officer

**Exhibit 13.1**

**Certification of the Principal Executive Officer of**
**Quebecor Media Inc.**
**pursuant to 18 U.S.C. Section 1350,**
**as adopted pursuant to**
**Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Quebecor Media Inc. (the "Company") on Form 20-F for the year ending December 31, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert Dépatie, President and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 20, 2014

/s/ Robert Dépatie
Name: Robert Dépatie
Title: President and Chief Executive Officer

*The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.*

**Exhibit 13.2**

**Certification of the Principal Financial Officer of**
**Quebecor Media Inc.**
**pursuant to 18 U.S.C. Section 1350,**
**as adopted pursuant to**
**Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Quebecor Media Inc. (the "Company") on Form 20-F for the year ending December 31, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jean-Francois Pruneau, Senior Vice President and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 20, 2014

/s/ Jean-François Pruneau
Name: Jean-François Pruneau
Title: Senior Vice President and Chief Financial Officer

*The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.*