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**

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2010

☐ **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 Quebec, Canada
(Jurisdiction of incorporation or organization)

612 St-Jacques Street
Montréal, Quebec, 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 January 17, 2006)
7 3/4% Senior Notes due March 2016 (issued October 5, 2007)
(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.

123,602,807 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 "Company" and "Quebecor Media" refer to Quebecor Media Inc., a corporation under the *Business Corporations Act* (Quebec) 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 to "Sun Media" are references to our indirect wholly-owned subsidiary Sun Media Corporation and its subsidiary; all references in this annual report to "Osprey Media" are references to our wholly-owned subsidiary Osprey Media Publishing Inc. (which was wound up and its operations integrated into Sun Media's operations on January 1, 2011) and its subsidiary; all references to "Le SuperClub Vidéotron" are references to our indirect 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 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 in this annual report to "Canoe" are references to our subsidiary Canoe Inc. All references in this annual report to "Quebecor" or "our parent company" are references to Quebecor Inc., and all references to "Capital CDPQ" are refererences to CDP Capital d'Amérique Investissements inc.

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 January 17, 2006, our 7 3/4% Senior Notes due 2016 originally issued on October 5, 2007, and our 7 3/8% Senior Notes due January 15, 2021 originally issued on January 5, 2011.

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, A.C. Nielsen Media Research, Kagan Research LLC, the Canadian Newspaper Association ("**CNA**"), the Audit Bureau of Circulations, NADbank® Inc. 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.

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

Our consolidated financial statements have been prepared in accordance with the accounting principles generally accepted in Canada ("**Canadian GAAP**"). For a discussion of the significant differences between Canadian GAAP and the accounting principles generally accepted in the United States ("**U.S. GAAP**"), as they relate to our consolidated financial statements, see Note 26 to our audited consolidated financial statements for the three-year period ended December 31, 2010 included under "Item 17. Financial Statements" of this annual report. We prepare our financial statements in Canadian dollars. In this annual report, references to Canadian dollars, Cdn$ or $ are to the currency of Canada, and references to U.S. dollars or US$ are to the currency of the United States.

We use certain financial measures that are not calculated in accordance with Canadian GAAP or U.S. GAAP to assess our financial performance. We use these non-GAAP financial measures, such as operating income, cash flows from segment operations, free cash flows from continuing operating activities and average monthly revenue per user ("**ARPU**"), because we believe that they are meaningful measures of our performance. Our method of calculating these non-GAAP financial measures may differ from the methods used by other companies and, as a result, the non-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 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-GAAP Financial Measures". We also provide a definition of operating income, and a reconciliation of operating income to the most directly comparable financial measure under Canadian GAAP and under U.S. GAAP in footnote 2 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 GAAP financial measure in the same section.

Unless otherwise indicated, information provided in this annual report, including all operating data presented, is as of December 31, 2010.

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 set forth as U.S. dollars per Cdn$1.00 and are the rates published by the Bank of Canada for Canadian dollars per US$1.00. On March 15, 2011, the noon rate was Cdn$1.00 equals US$1.0173. 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, 2010	0.9709	1.0054	0.9278	1.0054
December 31, 2009	0.8757	0.9716	0.7692	0.9555
December 31, 2008	0.9381	1.0289	0.7711	0.8166
December 31, 2007	0.9304	1.0905	0.8437	1.0120
December 31, 2006	0.8818	0.9099	0.8528	0.8581

Month Ended:	Average[2]	High	Low	Period End
March 2011 (through March 15, 2011)	1.0268	1.0324	1.0173	1.0173
February 28, 2011	1.0126	1.0268	1.0045	1.0268
January 31, 2011	1.0062	1.0140	0.9978	0.9978
December 31, 2010	0.9923	1.0054	0.9825	1.0054
November 30, 2010	0.9874	0.9987	0.9743	0.9743
October 31, 2010	0.9825	0.9970	0.9690	0.9815
September 30, 2010	0.9680	0.9783	0.9506	0.9711

[1] The average of the exchange rates for all days during the applicable year.
[2] The average of the exchange rates for all days 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; 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 rolling-out and developing our new 3G+ 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, including competition from alternative means of programs and content transmission;
- fragmentation of the media landscape;
- new technologies that would change consumer behaviour towards our product suite;
- unanticipated higher capital spending required in the deployment of our 3G+ 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".

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 table presents selected consolidated financial information for our business for each of the years 2006 through 2010. We derived this selected financial information from our consolidated financial statements. Our consolidated balance sheets as at December 31, 2010 and 2009 and consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2010 are included in this annual report. The information presented under the caption "Ratio of earnings to fixed charges or coverage deficiency" is unaudited. The selected historical financial data 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 and notes thereto contained in "Item 17. Financial Statements" of this annual report (beginning on page F-1). Our historical results are not necessarily indicative of our future financial condition or results of operations.

Our consolidated financial statements as at December 31, 2010, 2009 and 2008 and for the years ended December 31, 2010, 2009 and 2008 have been audited by Ernst & Young LLP, an independent registered public accounting firm. Ernst & Young LLP's report on these consolidated financial statements (other than our consolidated balance sheets as at December 31, 2008) is included in this annual report. Our consolidated financial statements as at December 31, 2007 and 2006 and for the years ended December 31, 2007 and 2006 have been audited by KPMG LLP, an independent registered public accounting firm (such audit before the effects of the adjustments to retrospectively apply the change in accounting described in Note 1(b) and Note 26(ix) to the audited financial statements included in Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2009). KPMG LLP's report is not included in this annual report.

Our consolidated financial statements have been prepared in accordance with Canadian GAAP. For a discussion of the principal differences between Canadian GAAP and U.S. GAAP as they relate to our consolidated financial statements, see Note 26 to our audited consolidated financial statements contained in "Item 17. Financial Statements" of this annual report.

CANADIAN GAAP DATA

	Year Ended December 31,				
	2010	2009[1]	2008[1]	2007[1]	2006[1]
	(in millions, except ratio)				
STATEMENT OF INCOME DATA:					
Revenues					
Telecommunications	**$ 2,209.0**	$ 2,001.2	$ 1,804.2	$ 1,552.6	$ 1,309.5
News Media	**1,034.8**	1,054.9	1,210.7	1,098.6	983.2
Broadcasting	**448.2**	439.0	436.7	415.5	393.3
Leisure and Entertainment	**302.5**	307.8	301.9	329.8	315.8
Interactive Technologies and Communications	**98.0**	91.0	89.6	82.0	73.9
Inter-segment	**(92.4)**	(87.5)	(83.7)	(87.9)	(59.9)
	4,000.1	3,806.4	3,759.4	3,390.6	3,015.8
Cost of sales, selling and administrative expenses	**(2,652.3)**	(2,521.7)	(2,639.8)	(2,427.2)	(2,219.2)
Amortization	**(399.7)**	(341.5)	(316.7)	(287.7)	(258.0)
Financial expenses	**(265.4)**	(238.2)	(276.0)	(230.1)	(212.9)
Gain (loss) on valuation and translation of financial instruments	**46.1**	61.5	(3.7)	(9.9)	(11.7)
Restructuring of operations, impairment of assets and other special items	**(50.3)**	(29.6)	(54.6)	(11.2)	(16.7)
Loss on debt refinancing	**(12.3)**	—	—	(1.0)	(342.6)
Impairment of goodwill and intangible assets	**—**	(13.6)	(671.2)	(5.4)	(180.0)
Income taxes	**(166.7)**	(177.3)	(155.2)	(75.7)	53.8
Non-controlling interest	**(18.8)**	(23.8)	(23.2)	(19.3)	(0.7)
Income from discontinued operations	**—**	2.9	2.3	5.2	2.0
Net income (loss)	**$ 480.7**	$ 525.1	$ (378.7)	$ 328.3	$ (170.2)
OTHER FINANCIAL DATA AND RATIO:					
Operating income[2]	**$ 1,347.8**	$ 1,284.7	$ 1,119.6	$ 963.4	$ 796.6
Additions to property, plant, equipment and intangible assets	**819.5**	602.6	1,103.2	468.7	435.5
Comprehensive income (loss)	**524.0**	555.2	(438.3)	374.3	(169.0)
Ratio of earnings to fixed charges or coverage deficiency[3 4] (unaudited)	**3.0x**	3.3x	$ 212.4	2.7x	$ 232.5

	At December 31,				
	2010	2009	2008	2007	2006
	(in millions)				
BALANCE SHEET DATA:					
Cash and cash equivalents	**$ 242.7**	$ 300.0	$ 22.5	$ 26.1	$ 34.1
Total assets	**8,731.1**	8,293.0	7,994.4	7,557.2	6,578.0
Total debt (current and long-term portions)	**3,513.4**	3,761.2	4,335.8	3,027.5	2,796.1
Capital stock	**1,752.4**	1,752.4	1,752.4	1,752.4	1,752.4
Shareholders' equity	**2,868.2**	2,430.8	1,942.0	2,448.0	2,183.1
Dividends	**87.5**	75.0	65.0	110.0	23.7
Number of common shares outstanding	**123.6**	123.6	123.6	123.6	123.6

U.S. GAAP DATA

	Year Ended December 31,				
	2010	2009[1]	2008[1]	2007[1]	2006[1]
	(in millions, except ratio)				
STATEMENT OF INCOME DATA:					
Revenues					
Telecommunications	**$ 2,215.7**	$ 2,010.6	$ 1,804.7	$ 1,552.0	$ 1,312.2
News Media	**1,034.8**	1,054.9	1,210.7	1,098.6	983.2
Broadcasting	**448.2**	439.0	436.7	415.5	393.3
Leisure and Entertainment	**302.5**	307.8	301.9	329.8	315.8
Interactive Technologies and Communications	**98.0**	91.0	89.6	82.0	73.9
Inter-segment	**(92.4)**	(87.5)	(83.7)	(87.9)	(59.9)
	4,006.8	3,815.8	3,759.9	3,390.0	3,018.5
Cost of sales, selling and administrative expenses	**(2,665.0)**	(2,551.4)	(2,634.6)	(2,431.2)	(2,225.0)
Amortization	**(399.7)**	(341.5)	(316.5)	(287.7)	(257.9)
Financial expenses	**(265.4)**	(238.2)	(276.0)	(230.1)	(212.9)
Gain (loss) on valuation and translation of financial instruments	**24.0**	18.6	0.1	1.0	(7.1)
Restructuring of operations, impairment of assets and other special items	**(50.3)**	(29.6)	(54.6)	(11.2)	(16.7)
Loss on debt refinancing	**(12.3)**	—	—	(1.0)	(275.7)
Impairment of goodwill and intangible assets	**—**	(13.6)	(667.4)	(5.4)	(180.0)
Income taxes	**(156.8)**	(162.8)	(165.1)	(99.7)	13.3
Income from discontinued operations	**—**	2.9	2.5	5.4	1.9
Net income (loss)	**$ 481.3**	$ 500.2	$ (351.7)	$ 330.1	$ (141.6)
Net income (loss) attributable to:					
Equity shareholders	**462.6**	475.1	(376.7)	312.9	(142.8)
Non-controlling interest	**18.7**	25.1	25.0	17.2	1.2
OTHER FINANCIAL DATA AND RATIO:					
Operating income[2]	**$ 1,341.8**	$ 1,264.4	$ 1,125.3	$ 958.8	$ 793.5
Additions to property, plant, equipment and intangible assets	**811.1**	600.8	1,103.2	468.7	435.5
Comprehensive income (loss)	**420.9**	495.0	(376.4)	376.1	(49.7)
Comprehensive income (loss) attributable to:					
Equity shareholders	**410.9**	474.0	(401.2)	356.9	(56.4)
Non-controlling interest	**10.0**	21.0	24.8	19.2	6.7
Ratio of earnings to fixed charges or coverage deficiency[4] [5] (unaudited)	**2.9x**	3.1x	$ 198.9	2.7x	$ 163.0

	At December 31,				
	2010	2009	2008[1]	2007	2006
	(in millions)				
BALANCE SHEET DATA:					
Cash and cash equivalents	**$ 242.7**	$ 300.0	$ 22.5	$ 26.1	$ 34.1
Total assets	**8,623.5**	8,231.3	7,967.6	7,523.4	6,533.4
Total debt (current and long-term portions)	**3,579.2**	3,782.6	4,318.6	3,016.1	2,766.3
Capital stock	**1,752.4**	1,752.4	1,752.4	1,752.4	1,752.4
Shareholders' equity	**2,687.2**	2,363.4	1,953.1	2,407.9	2,155.3
Dividends	**87.5**	75.0	65.0	110.0	23.7
Number of common shares outstanding	**123.6**	123.6	123.6	123.6	123.6

[1] Certain comparative figures for years prior to 2010 have been reclassified, in particular between revenues and cost of sales, selling, and administrative expenses pertaining to the News Media segment, to conform to the presentation adopted in 2010.

2 Quebecor Media defines operating income, reconciled to net income (loss) under Canadian GAAP, as net income (loss) before amortization, financial expenses, gain (loss) on valuation and translation of financial instruments, restructuring of operations, impairment of assets and other special items, loss on debt refinancing, impairment of goodwill and intangible assets, income taxes, non-controlling interest and income from discontinued operations. Quebecor Media defines operating income, reconciled to net income (loss) under U.S. GAAP, as net income (loss) before amortization, financial expenses, gain (loss) on valuation and translation of financial instruments, restructuring of operations, impairment of assets and other special items, loss on debt refinancing, impairment of goodwill and intangible assets, income taxes, and income from discontinued operations. Operating income as defined above is not a measure of results that is consistent with Canadian GAAP or U.S. GAAP. 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 and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with Canadian GAAP or U.S. GAAP. Our parent company, Quebecor, considers the media segment as a whole and uses 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 Quebecor Media's consolidated results as well as results of Quebecor Media's 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. Operating income is also relevant because it is a significant component of Quebecor Media's 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 Quebecor Media'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 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 operating income may not be the same as similarly titled measures reported by other companies. The following table provides a reconciliation under Canadian GAAP of operating income to net income (loss) as presented in our consolidated financial statements:

	Year Ended December 31,				
	2010	**2009**	**2008**	**2007**	**2006**
Reconciliation of operating income to net income (loss) (Canadian GAAP) (in millions of Canadian dollars)					
Operating Income					
Telecommunications	**$1,035.9**	$ 972.9	$ 797.9	$ 642.3	$ 509.8
News Media	**200.3**	199.5	227.1	232.8	217.7
Broadcasting	**76.2**	80.0	66.0	59.4	41.8
Leisure and Entertainment	**27.5**	25.9	20.2	26.9	19.3
Interactive Technologies and Communications	**6.0**	4.1	5.1	2.8	7.5
Head office	**1.9**	2.3	3.3	(0.8)	0.5
	1,347.8	1,284.7	1,119.6	963.4	796.6
Amortization	**(399.7)**	(341.5)	(316.7)	(287.7)	(258.0)
Financial expenses	**(265.4)**	(238.2)	(276.0)	(230.1)	(212.9)
Gain (loss) on valuation and translation of financial instruments	**46.1**	61.5	(3.7)	(9.9)	(11.7)
Restructuring of operations, impairment of assets and other special items	**(50.3)**	(29.6)	(54.6)	(11.2)	(16.7)
Loss on debt refinancing	**(12.3)**	—	—	(1.0)	(342.6)
Impairment of goodwill and intangible assets	**—**	(13.6)	(671.2)	(5.4)	(180.0)
Income taxes	**(166.7)**	(177.3)	(155.2)	(75.7)	53.8
Non-controlling interest	**(18.8)**	(23.8)	(23.2)	(19.3)	(0.7)
Income from discontinued operations	**—**	2.9	2.3	5.2	2.0
Net income (loss)	**$ 480.7**	$ 525.1	$ (378.7)	$ 328.3	$(170.2)

The following table provides a reconciliation under U.S. GAAP of operating income to net income (loss) as disclosed in our consolidated financial statements:

	Year Ended December 31,				
	2010	2009	2008	2007	2006
Reconciliation of operating income to net income (loss) (U.S. GAAP) (in millions of Canadian dollars)					
Operating Income					
Telecommunications	**$1,028.3**	$ 967.1	$ 799.0	$ 640.4	$ 508.8
News Media	**201.5**	187.8	228.0	231.7	217.0
Broadcasting	**76.3**	79.9	67.1	62.1	43.4
Leisure and Entertainment	**27.5**	25.9	20.5	26.9	19.3
Interactive Technologies and Communications	**6.0**	4.1	5.1	2.8	7.5
Head office	**2.2**	(0.4)	5.6	(5.1)	(2.5)
	1,341.8	1,264.4	1,125.3	958.8	793.5
Amortization	**(399.7)**	(341.5)	(316.5)	(287.7)	(257.9)
Financial expenses	**(265.4)**	(238.2)	(276.0)	(230.1)	(212.9)
Gain (loss) on valuation and translation of financial instruments	**24.0**	18.6	0.1	1.0	(7.1)
Restructuring of operations, impairment of assets and other special items	**(50.3)**	(29.6)	(54.6)	(11.2)	(16.7)
Loss on debt refinancing	**(12.3)**	—	—	(1.0)	(275.7)
Impairment of goodwill and intangible assets	**—**	(13.6)	(667.4)	(5.4)	(180.0)
Income taxes	**(156.8)**	(162.8)	(165.1)	(99.7)	13.3
Income from discontinued operations	**—**	2.9	2.5	5.4	1.9
Net income (loss)	**$ 481.3**	$ 500.2	$ (351.7)	$ 330.1	$(141.6)
Net income (loss) attributable to:					
Equity shareholders	**462.6**	475.1	(376.7)	312.9	(142.8)
Non-controlling interest	**18.7**	25.1	25.0	17.2	1.2

[3] For the purpose of calculating the ratio of earnings to fixed charges under Canadian GAAP, (i) earnings consist of net income (loss), 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 and an estimate of the interest within rental expense.

[4] Coverage deficiencies are expressed in millions of Canadian dollars. Our 2008 coverage deficiency was significant due to the non-cash charge related to an impairment of goodwill and intangible assets in the amount of $671.2 million pursuant to Canadian GAAP ($667.4 million pursuant to U.S. GAAP). Our 2006 coverage deficiency was significant due to the non-cash charge related to an impairment of goodwill and intangible assets in the amount of $180.0 million and to our loss on debt refinancing in the amount of $342.6 million pursuant to Canadian GAAP ($275.7 million pursuant to U.S. GAAP). We believe cash flows from continuing operating activities and available sources of financing will be sufficient to cover our operating, investing and financing needs during the twelve months following December 31, 2010.

[5] For the purpose of calculating the ratio of earnings to fixed charges under U.S. GAAP, (i) earnings consist of net income (loss), 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 and an estimate of the interest within rental expense.

B – Capitalization and Indebtedness

Not applicable.

C – Reasons for the Offer and Use of Proceeds

Not applicable.

D – 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 issued and outstanding Senior Notes. 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. 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.

Risks Relating to Our Business

Our cable and telecommunications businesses 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.

In our cable operations, we compete against 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**"), satellite master antenna television systems and over-the-air television broadcasters. 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 "**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 Quebec. The same ILEC is also a cable operator in our main service area and recently launched its own IPTV service in Montréal, with a full rollout throughout the Province of Quebec expected in the years to come. In addition, third-party Internet providers (or "**TPIA**") could launch IP video services in our footprint using ILEC DSL networks.

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 the video store industry (rental & sale) as well as other emerging content delivery platforms.

Due to ongoing technological developments, the distinction between traditional platforms (broadcasting, Internet, and telecommunications) is fading rapidly. For instance, the Internet, as well as distribution over mobile devices, are becoming important broadcasting and distribution platforms. In addition, mobile operators, with the development of their respective 3G 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 "ISP"), and TPIA offering residential and commercial Internet access services as well as open Wi-Fi networks in some cities. The CRTC also requires us to offer access to our high-speed Internet system to ISP competitors, and third-party ISPs to access our network, for the purpose of providing telephony and networking applications, in addition to retail Internet access services.

Our VoIP service 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 facilities-based and therefore have a much lower infrastructure cost. Competition from ILECs has increased in recent years, particularly as a result of the Canadian government's decision in 2007 to lift winback restrictions on ILECs and to change the criteria for forbearance from regulation of local exchange services. Since this decision, the CRTC has approved numerous applications for local forbearance submitted by ILECs, in both the residential and business local exchange markets. As a

result, Videotron's incumbent local service competitors are free 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 Quebec. These rulings granting the ILECs' forbearance applications enable ILECs to adjust their local exchange service prices for the approved exchanges without approval from the CRTC. Such flexibility to respond to intensifying competition for local exchange services could have an adverse effect on our ability to compete successfully with ILECs in the local telephony market. In addition, 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.

With our new mobile HSPA+ network, we compete against a mix of market participants, some of them being active in some or all the products we offer, with others offering only mobile telephony services in our market. In addition, users of mobile voice and data systems may find their communications 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, adapt more quickly to evolving industry trends or changing market requirements, or introduce competing services. For instance, since 2008 some corporations offering 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 and increase their respective mobile telephony penetration rates in our market. Also, certain foreign operators recently started the deployment of Long Term Evolution-Advanced (LTE-Advanced 4G) networks, and this technology could become an industry standard if it is widely adopted. These LTE-Advanced 4G technologies are undergoing development with a view to the additional network capacity that may be required to address the surging demand for wireless data, although such technologies remain in the stage of research and development, testing and interoperability efforts. The cost of implementing, modifying our existing network or competing against future technological innovations may be prohibitive to us, and we may lose customers if we fail to keep pace with these changes or fail to keep pace with surging network capacity demand. Any of these factors could adversely affect our ability to operate our HSPA+ mobile business successfully and profitably. Moreover, 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. See also the risk factor "— Videotron is using a new technology for which only a limited number of handsets is available" below.

Delays in the completion of the deployment of our facilities-based mobile services could restrain our ability to gain market share and could adversely affect our ability to deploy and operate our mobile operations successfully and profitably.

In July 2008, in the context of Canada's spectrum auction for third generation advanced wireless services ("**3G+**" or "**AWS**"), we acquired spectrum licenses for AWS covering all regions of the Province of Quebec and certain areas of Ontario. We were the successful bidder for 40 MHz spectrum licenses in all parts of the Province of Quebec, except the Outaouais region where we obtained 20 MHz spectrum licenses and certain other regions of the Province of Quebec where we obtained 50 MHz spectrum licenses. We also acquired 20 MHz spectrum licenses in Eastern Ontario and 10 MHz spectrum licenses in the city of Toronto. These licenses, the control of which was transferred from Quebecor Media to Videotron subsequent to the completion of the auction, were issued by Industry Canada in December 2008. Videotron launched its AWS offering on September 9, 2010 in the Greater Montréal Area, the Greater Québec City Area and in corridors in between. Additional service coverage regions were rolled out in the fourth quarter of 2010. Videotron plans to cover most of its potential customer base by the end of the second quarter of 2011.

Under Industry Canada's policy concerning mandatory roaming and antenna site and tower sharing, parties are required to consider tower-sharing arrangements in respect of existing towers prior to proposing the

construction of new antenna tower structures. We are therefore dependent on the participation of incumbent operators to satisfy this requirement for the limited number of sites remaining to be built. Although incumbent carriers are required to respond to tower-sharing requests, there can be no assurance that they will accede to such requests or otherwise negotiate tower-sharing rates and terms that are economically or technologically acceptable to us. Industry Canada has established an arbitration process to encourage commercially reasonable outcomes, but such a process may prove lengthy and burdensome. This process could delay the completion of the deployment and the future expansion of our mobile services network, which could have an adverse effect on our business, prospects and financial conditions. In addition, even though we have entered into tower-sharing arrangements with certain incumbent operators, the installation and deployment of our related systems may be further delayed by negotiations with these incumbent operators.

Industry Canada's policy concerning antenna site and tower sharing includes requirements with respect to land-use authority and public consultation regarding proposed tower installations or modifications. We must therefore undertake public notification and address local and neighborhood concerns before building a new tower structure. In some instances we may be required to come to a tower-sharing agreement with an existing operator, move existing towers or build additional sites to reach the desired coverage. This process could lead to delays in acquiring and developing new sites for cellular towers and could increase the cost and expense of the completion and maintenance of our AWS network, which could have an adverse effect on our business, prospects, results of operations and financial conditions.

In order to complete the deployment of its mobile services facilities in a timely manner, Videotron has entered into commercial agreements with certain key suppliers. The inability of our key suppliers to meet our procurement and timing requirements could result in delays in completion of the deployment of our mobile network and in additional expenses, which could adversely affect our ability to deploy and operate our mobile business successfully and profitably.

We have entered into roaming agreements with other mobile operators in order to provide worldwide coverage to our mobile telephony customers.

To date, 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 renew these 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.

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

Videotron is using a new technology for which only a limited number of handsets is available.

AWS in the 2GHz range is a spectrum that has not been broadly used until recently for mobile telephony. While certain mobile device suppliers offer hardware for AWS technology, there are currently only a limited number of AWS handsets on the market. As a result, the handset portfolio for AWS we are currently offering does not include certain more popular devices and is not as broad as those of certain other providers. Moreover, most handset manufacturers have reduced the number of stock keeping units (or "**SKUs**") in their portfolio. If they continue to offer exclusivity on future products in Canada, this could potentially reduce the number of handsets available to us in the AWS band. We could potentially incur higher costs of customer acquisition due to a smaller market for this type of technology and could potentially have a reduced number of handsets to offer our customers, which could slow the growth of our customer base and adversely affect our ability to operate our mobile business successfully and competitively.

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 certain 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 expansion of new or additional services. We expect that additional capital expenditures will 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 increasing levels of broadband penetration, increasing need for personal connectivity and networking, increasing affordability of smartphones and Internet-only devices (e.g., high-usage data devices such as mobile Internet keys, tablets and electronic book readers), increasingly multimedia-rich services and applications, increasing wireless competition, and possibly 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 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.

There can be no assurance that we will be able to obtain the funds necessary to finance our capital improvement programs, new strategies and services or other capital expenditure requirements in addition to the completion of the deployment of our mobile services infrastructure, whether through internally generated funds, additional borrowings or other sources. If we are unable to generate sufficient funds or obtain additional financing on acceptable terms, we may not be able 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.

See also the risk factors "— Our cable and telecommunications businesses 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", "— Delays in the completion of the deployment of our facilities-based mobile services could restrain our ability to gain market share and could adversely affect our ability to deploy and operate our mobile operations successfully and profitably", "— 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 "— We or our subsidiaries may need to refinance certain of our indebtedness. The inability to do so on favourable 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 hydro electric and telephone utilities and to 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 hydro electric companies and all of the major telecommunications companies in our service territory. Our agreement with Hydro-Québec, by far the largest of the hydro electric companies, expires in December 2011. Rates are currently adjusted annually based on the Consumer Price Index (CPI). An increase in rates charged by Hydro-Québec could have a significant impact on Videotron's cost structure.

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

The recent trend for mobile substitution or "Cord-Cutting" (subscribers ending their landline telephony services and opting for mobile telephony services only) which is caused by the increasing mobile penetration rate in Canada and the various unlimited offers launched by mobile operators could affect the demand for cable telephony services. 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 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.

The media industry is experiencing rapid and significant technological change, which has 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 and 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 improvement of 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 the benefit of a 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 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, launching and deploying additional value-added products and services such as AWS, 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 implement these strategies fully or realize their anticipated results without incurring significant costs or 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 change and the 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 our 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, which may affect our ability to implement our business strategies to the extent we are unable to secure additional financing on acceptable terms or generate sufficient funds internally to cover these 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 and on our ability to meet our obligations, including our ability to service our indebtedness.

We have grown rapidly and are seeking to continue our growth. This rapid growth presents significant strains on our management. 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, as was the case for our expansion into facilities-based mobile telephony operations, under appropriate conditions. This growth has placed, and will continue to place, significant demands on our management. 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 upon 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 operating results. In addition, to implement and manage our businesses and operating strategies effectively, we must maintain a high level of efficiency, performance and content quality, continue to enhance our operational and management systems, and continue to effectively attract, train, motivate and manage our employees. In connection with our current expansion as a facilities-based mobile services provider, Videotron currently anticipates a near-term need to attract and train a substantial number of new employees, including many skilled employees, to staff this operation. In addition, Videotron will need to efficiently integrate these employees into its existing operations. 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. In addition, advertising spend is being affected by continuing soft economic conditions as well as the continuing fragmentation of the media landscape.

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 News Media 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 News Media 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 revenue.

In addition to the impact of economic cycles, 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 a result, competition for advertising spend 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 and e-readers) to consumers and advertisers. While we continue to pursue initiatives to offer value-added advertising solutions to our advertisers, such as 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. 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 to our online sites, which depends partly on our ability to generate online traffic and partly on the rate at which users click through on advertisements. We may be adversely affected by the development of new technologies to block the display of our advertisements and there can be no assurance that we will be successful in attracting online traffic or advertisers to our Internet sites.

In broadcasting, the proliferation of cable and satellite channels, advances 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 a more challenging advertising sales environment.

These factors could have a material adverse effect on our revenues, results of operations, financial condition, business and prospects. See also the risk factor "— Our News Media and Broadcasting businesses face substantial competition for readership and audience share, respectively. Our newspaper circulation levels and broadcasting audience share may continue to decline as consumers migrate to other media alternatives, which could have a material adverse effect on our revenues, results of operations, financial condition, business and prospects", as well as "Item 4. Information on the Company — Regulation — Canadian Broadcast Programming (Off the Air and Thematic Television) — Advertising."

Our News Media and Broadcasting businesses face substantial competition for readership and audience share, respectively. Our newspaper circulation levels and broadcasting audience share may continue to decline as consumers migrate to other media alternatives, which could have a material adverse effect on our revenues, results of operations, financial condition, business and prospects.

Revenue generation in our News Media business depends in large part on advertising revenues, which are in turn driven by readership and circulation levels, as well as market demographics, price, service and advertiser results. Readership and circulation levels tend to be based upon the content of the newspaper, service, availability and price. For several years, we, along with the newspaper industry as a whole, have experienced challenges in maintaining circulation volume and revenues because of, among other things, competition from other newspapers and other media platforms (often free to the user), such as the Internet and wireless devices, 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. A prolonged decline in readership and circulation levels in our newspaper business 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 it 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. To maintain our circulation base and online traffic, we may incur additional costs, and we can provide no assurance that we will be able to recover these costs through increased circulation and advertising revenues. Lack of audience acceptance for our content or fragmented readership could also limit our ability to generate advertising and circulation revenues.

In our Broadcasting business, audience share and ratings information, as well as audience demographics and price, are the principal drivers in the competition for television advertising. As with the newspaper industry, the conventional television audience has grown increasingly fragmented, due in large part to the proliferation and growth in popularity of cable and satellite channels and the migration to alternative content delivery sources, such as the Internet and wireless devices, which are increasingly being used for distribution of (and access to) news, entertainment and other content. 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 businesses 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 from suppliers pursuant to programming contracts. 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, upon our capacity to offer quality content and an appealing variety of programming choices and packages. If the number of specialty channels being offered decreases significantly or if the content offered on such channels does not receive audience acceptance, it may have a significant negative impact on revenues from our cable operations.

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

The most significant cost in our Broadcasting business is television programming. Our Broadcasting operations may be exposed to volatile or increased television programming costs which may adversely affect our operating results. To that effect, we have, for instance, in the past requested that our regulator lift certain obligations imposed on TVA Group to buy an earmarked percentage of programs from independent producers that are all members of a single union. This request was denied.

Developments in cable, satellite, Internet, wireless and other forms of content distribution could also affect both the availability and the cost of programming and increase competition for advertising revenue. The production and distribution costs of television and other forms of entertainment may also increase in the future. Moreover, programs may be purchased for broadcasting two to three years in advance, making it difficult to predict how such programs will perform. In some instances, programs must be replaced before their costs have been fully amortized, resulting in accounting adjustments that would accelerate the recognition of expenses.

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 2010, the total newsprint consumption of our newspaper operations was approximately 144,000 metric tonnes. Newsprint represents our single largest raw material expense and one of our most significant operating costs. Newsprint expense represented approximately 9.8% ($81.4 million) of our News Media segment's operating expenses for the year ended December 31, 2010. 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 for purchases above certain thresholds and benefit from a ceiling on the unit cost of newsprint. Our agreement with our Newsprint Supplier is a short-term agreement 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 newspaper publishing is labour intensive and our operations are 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.

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 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 could prevent us from delivering some of our products and services throughout our network until we have resolved the failure, which may result in significant customer dissatisfaction and potential civil litigation.

We are dependent upon our information technology systems and those of certain third-parties and 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 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 operations, we may not be able to protect our services from piracy. We may be unable to prevent unauthorized access to our analog and digital programming, as well as 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 services, which may have an adverse effect on our customer base and lead to a possible decline in our revenues.

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 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 revenue, 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 costs of serving those customers could adversely affect our reputation, growth, 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. These materials and services include set-top boxes, cable and telephony modems, servers and routers, fiber-optic cable, telephony switches, inter-city links, support structures, software, the "backbone" telecommunications network for our Internet access and telephony service, 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. 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 "— Delays in the completion of the deployment of our facilities-based mobile services could restrain our ability to gain market share and could adversely affect our ability to deploy and operate our mobile operations successfully and profitably" above and "— Videotron is using a new technology for which only a limited number of handsets is available".

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 strikes and other labour protests.

At December 31, 2010, approximately 42% of our employees were represented by collective bargaining agreements. Through our subsidiaries, we are currently party to 102 collective bargaining agreements:

- Videotron is party to 5 collective bargaining agreements representing approximately 3,340 unionized employees. The two most important collective bargaining agreements, covering unionized employees in the Montréal and Québec City regions, have terms extending to December 31, 2013. There are also two collective bargaining agreements covering unionized employees in the Saguenay and Gatineau regions, with terms running through December 31, 2014 and August 31, 2015, respectively, and one other collective bargaining agreement, covering approximately 50 employees of our SETTE inc. subsidiary, which will expire on December 31, 2012.
- Sun Media (including Osprey Media) is party to 74 collective bargaining agreements, representing approximately 1,760 unionized employees. 21 collective bargaining agreements have expired, representing approximately 920 unionized employees, or 52% of its unionized workforce. Negotiations regarding these collective bargaining agreements are either in progress or will be undertaken in 2011. The other collective bargaining agreements are scheduled to expire on various dates through December 2013.
- TVA Group is party to 13 collective bargaining agreements, representing approximately 1,160 unionized employees. Of this number, 2 collective bargaining agreements, representing approximately 20 unionized employees or 1.7% of its unionized workforce, have expired. Negotiations regarding these collective bargaining agreements are in progress. The other collective bargaining agreements will expire between April 30, 2011 and December 31, 2013.
- Of the other 10 collective bargaining agreements, representing approximately 530 unionized employees, one collective bargaining agreement representing approximately 40 unionized employees or 7% of its unionized workforce is expired. The other collective bargaining agreements will expire between May 2011 and December 2017.

We have, in the past, experienced labour disputes which have disrupted our operations, resulted in damage to our network or equipment and impaired our growth and results of operations. On February 26, 2011, the members of the Syndicat des travailleurs de l'information du Journal de Montréal (STIJM) voted 64.1% to accept the mediator's recommendation for a settlement to the labour dispute at the *Journal de Montréal*. On January 24, 2009, in view of the union's refusal to recognize the urgency of the situation and the need for far-reaching changes to the *Journal de Montréal's* business model, the employer had declared a lockout. The parties must now negotiate a back-to-work agreement to end the dispute.

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

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.

Our auditors are not required to issue a report on our internal control over financial reporting in this annual report.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, our management is responsible for establishing and maintaining adequate internal control structures and procedures for financial reporting, and to prepare a report which contains an assessment of the effectiveness of our internal control over financial reporting. Management's report on our internal controls over financial reporting is included in "Item 15. Controls and Procedures" of this annual report. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 eliminated the requirement for certain issuers, such as Quebecor Media and Videotron, to obtain an attestation report of the Company's registered public accounting firm on their internal control over financial reporting.

While we have concluded that our internal control over financial reporting was effective as of December 31, 2010, we cannot be certain that our external auditors would have come to the same conclusion.

We will adopt new accounting standards in 2011, and this adoption may have a material impact on our consolidated financial statements.

Beginning in 2011, Canadian GAAP, as used by publicly accountable enterprises, will be fully converged to International Financial Reporting Standards ("**IFRS**"). For our 2011 interim and annual financial statements, we will be required to report under IFRS and to provide IFRS comparative information for the 2010 fiscal year.

IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures. In order to prepare for the transition to IFRS, we have established an IFRS implementation team which includes senior levels of management from all relevant business units and subsidiaries, and have engaged an external expert advisor.

We have developed implementation solutions for all important topics and have completed our project implementation strategy. We have also assessed the exemptions from full retrospective application available to us under the transitional provisions. In 2010, management had quantified the expected material differences on transition between IFRS and the current accounting treatment under Canadian GAAP and had implemented parallel recording of financial information in accordance with IFRS. Comprehensive training was provided to key employees and further investment in training and resources was made throughout the transition to facilitate a timely and efficient changeover to IFRS.

The preliminary impact of this changeover to IFRS on our financial position as at January 1, 2010 and December 31, 2010 and on our results of operations for the year ended December 31, 2010 has been determined in accordance with current IFRS standards. The adoption will also result in certain changes to our reported financial position and results of operations in the future. However, IFRS will not change cash flows. Moreover, under current circumstances, IFRS was determined not to have an effect on the compliance with any of our financial covenants nor any other contractual obligations. We continue to monitor and assess the impact of evolving IFRS currently in development, which may result in future changes that may be material to our reported financial position and could have a material adverse effect on our results of operations in ways that are difficult to predict at this time. See also "Item 5. Operating and Financial Review and Prospects — Recent Accounting Developments in Canada" for a discussion of significant differences between IFRS and Canadian GAAP and their related preliminary impacts with regards to recognition, measurement, presentation and disclosure of financial information in respect of our consolidated financial statements.

Risks Relating to Our Industries

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. For the time being, 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 is currently reviewing whether to relax the foreign ownership restrictions. 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. 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 Company — 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 necessary to comply with existing and newly adopted laws and regulations or penalties for any failure to comply. 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.

The CRTC may not renew our existing distribution licenses or grant us new licenses on acceptable terms, or at all.

Our CRTC broadcasting and distribution licenses must be renewed from time to time, typically every seven years, and cannot be transferred without regulatory approval. While CRTC regulations and policies do not require CRTC approval before a broadcaster purchases an unregulated media entity, such as a newspaper, the CRTC may consider the issue of our cross-media ownership at license renewal proceedings, and may also consider this issue in deciding whether to grant new licenses. The CRTC further has the power to prevent or address the emergence of undue competitive advantage on behalf of one licensee where it is found to exist.

The CRTC may require us to take measures which could have a material adverse effect on the integration of our assets, our employees and our ability to realize certain of the anticipated benefits of our acquisitions. Our inability to renew any of our licenses or acquire new interests or licenses on acceptable terms, or at all, could have a material adverse effect on our business, financial condition or results of operations.

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 term of ten years. 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 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 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. Certain of our facilities are subject to federal, provincial, state and municipal laws and regulations concerning, among other things, emissions to the air, water and sewer discharge, the handling and disposal of hazardous materials and waste, recycling, the 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 to us. Environmental laws and regulations and their interpretation have changed rapidly in recent years and may continue to do so 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 are not currently conducting or planning any material study or remedial measure, and none has been required by regulatory authorities. However, we cannot provide assurance that all environmental liabilities have been determined, that any prior owner of our properties did not create a material environmental condition not known to us, that a material environmental condition does not otherwise exist as to any of our property, 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 meet 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, 2010, we had $3.52 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, thereby 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, among other things, our ability to borrow additional funds on commercially reasonable terms, if at all.

Although we are leveraged, the respective indentures governing our outstanding Senior Notes, as well as our existing credit facilities, 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, as well as our latest financing transactions, see Notes 15 and 28 of our audited consolidated financial statements for the year ended December 31, 2010 included under "Item 17. 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 outstanding Senior Notes contain a number of operating and financial covenants restricting our ability to, among other things:

- borrow money or sell preferred stock;
- issue guarantees of debt;
- make certain types of investments;
- pay dividends and make other restricted payments;
- create or permit certain liens;
- use the proceeds from sales of assets and subsidiary stock;
- enter into asset sales;
- create or permit restrictions on the ability of our restricted subsidiaries, if any, to pay dividends or make other distributions;
- engage in certain transactions with affiliates; and
- enter into mergers, consolidations and transfers of all or substantially all of our assets.

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 could, if not cured or waived, result in an acceleration of these debt instruments 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, 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 upon the earnings of our subsidiaries and the distribution of those earnings to us, or upon loans, advances or other payments made by these entities to us. The ability of these entities to pay dividends or make other loans, advances or payments to us will depend upon their operating results and will be subject to applicable laws and contractual restrictions contained in the instruments governing their debt. Videotron has outstanding several series of debt securities and each of Videotron, Sun Media and TVA Group has credit facilities that limit the ability of each to distribute cash to us.

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, many of which are outside of our or their control. We can provide no assurance that the cash flow and earnings of our operating subsidiaries and the amount that they are able to distribute to us, as dividends or otherwise, will be sufficient for us 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 and results of operations.

We or our subsidiaries may need to refinance certain of our indebtedness. The inability to do so on favourable terms, or at all, could have a material adverse effect on us.

We or our subsidiaries may need to refinance certain of our respective existing debt instruments at or prior to their maturity. The ability to obtain additional financing to repay such existing debt at maturity will depend upon a number of factors, including prevailing market conditions and our operating performance. The tightening of credit availability and the challenges affecting global capital markets could also limit our or our subsidiaries' ability to refinance existing maturities. There can be no assurance that any such financing will be available to us on favourable 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".

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 extreme upward pressure on the cost of new debt capital and severe restrictions in credit availability for many companies. 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. Continuation of these disruptions 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 continued 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 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. Continued market disruptions and broader economic challenges may lead to lower demand for certain of our products and increased incidences of customers' 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 and financial position.

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 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, thereon 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 100% of our U.S. dollar-denominated debt outstanding at December 31, 2010, 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 Company 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, 2010, the net aggregate fair value of our cross-currency interest rate swaps and foreign-exchange forward agreements was in a net liability position of $451.2 million. 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 have entered into and 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 the portion of 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.

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, including recently, 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.

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.

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 a change of control, as that term is defined in the indenture governing our Senior Notes, or if we or our subsidiaries dispose of significant assets under specified circumstances, 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 or asset sale. 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 agreement relating to our senior indebtedness to which we become a party may contain similar provisions. Our failure to offer to repurchase our Senior Notes 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) 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 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.

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

We are incorporated under the laws of the Province of Quebec. 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, under the terms of the respective indentures governing our 7 3/4% Senior Notes due March 2016 and our 7 3/4% Senior Notes due March 2016, 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. Nevertheless, 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, judgments of courts of the United States predicated upon the civil liability provisions of the U.S. 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 U.S. federal or state securities law against us or against our directors, controlling persons and officers who are not residents of the United States, in original actions or in actions for enforcement of judgments of courts of the United States.

ITEM 4 – INFORMATION ON THE COMPANY

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, Quebec, 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 does not, however, form part of this annual report and is not incorporated herein by reference. In respect of our issued and outstanding notes (other than our 7 3/8% Senior Notes due 2021, which were issued on January 5, 2011), 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 (Quebec) (since February 14, 2011, the *Business Corporations Act* (Quebec)). In connection with our formation, our parent company, Quebecor, transferred all the shares of its wholly owned subsidiary Quebecor Communications Inc. ("**QCI**"), to us, which made QCI our wholly-owned subsidiary. The assets of QCI, as of the date of the transfer in October 2000, included a 70% interest in Sun Media (which was subsequently increased to 100%); a 57.3% interest in Nurun (which was subsequently increased to 100%); all the assets of the Canoe network; and all the assets of our Leisure and Entertainment segment. In addition, Quebecor and Capital CDPQ contributed $0.9 billion and $2.8 billion, respectively, in cash in exchange for common shares of the capital stock of Quebecor Media. On December 31, 2001, QCI was liquidated into Quebecor Media.

On October 23, 2000, we acquired all of the outstanding shares of Groupe Videotron for $5.3 billion. At the time of the acquisition, the assets of Groupe Videotron included all of the shares of Videotron, a 99.9% voting interest in TVA Group, all of the shares of Le SuperClub Vidéotron, a 66.7% voting interest in Videotron Telecom Ltd. (which was merged with Videotron on January 1, 2006), a 54.0% voting interest (which was subsequently increased to 100%) in Netgraphe Inc. (which changed its name, effective December 31, 2004, to Canoe), and other assets.

Since December 31, 2007, we have completed several business acquisitions, combinations, divestiture and business development projects and financing transactions through our direct and indirect subsidiaries, including, among others, the following:

- In March 2011, Quebecor Media completed another step in its development plan by reaching an agreement with Québec City granting Quebecor Media management and naming rights for a 25-year period to the new multipurpose amphitheater to be built in Québec City. These rights represent a major asset to Quebecor Media that will allow the Company to pursue initiatives to leverage growth and convergence opportunities and to cross-promote its brands, programs and other content, including through a potential National Hockey League franchise in Québec City.
- On February 3, 2011, Quebecor Media expanded its distribution network in the Province of Quebec and its stable of community newspapers with the acquisition of *Les Hebdos Montérégiens'* 15 newspapers. Sun Media Corporation now has 71 community newspapers across Québec and Quebecor Media's distribution network has the capacity to reach more than 3.1 million Québec households (87% of the total).

- On January 5, 2011, Quebecor Media issued $325.0 million aggregate principal amount of its 7 3/8% Senior Notes due January 15, 2021 for net proceeds of $319.2 million (net of fees payable to the underwriters and the expenses of the offering) in private placements exempt from the registration requirement of the Securities Act and prospectus requirements of applicable Canadian securities laws. 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 $288.0 million proceeds of the QMI Contribution to redeem all of its outstanding 7 5/8% Senior Notes due February 15, 2013 in the aggregate principal amount of US$205.0 million, and to finance the settlement and termination of related hedging contracts.
- On January 1, 2011, as part of a corporate reorganization of the News Media segment, Osprey Media was wound up and its operations were integrated into Sun Media.
- On November 26, 2010, the CRTC granted its approval for *Sun News*, a Category Two digital specialty TV channel license focused on news and opinion that we will control through TVA Group (51%) and Sun Media (49%). *Sun News* will offer comprehensive coverage of the events that impact Canadian society and the country's political and economic life. We expect to cease *Sun TV*'s activities after the launch of *Sun News*, which is expected to occur in the spring of 2011.
- On November 10, 2010, Quebecor Media announced the creation of a new national sales office in the Province of Québec. Like the QMI National Sales Office in Toronto for the English-language market, this office will offer the French-language market the new integrated approach to marketing solutions. Quebecor Media is pooling the expertise of its various teams to provide its customers a one-stop shop in the Province of Québec, where sales representatives will offer solutions that meet each customer's specific needs.
- On September 9, 2010, Videotron launched its High-Speed Packet Access ("**HSPA+**") mobile communication network (3G+). As of December 31, 2010, 92,600 lines had been activated on its 3G+ network (comprising 55,800 new lines and 36,800 migrations from Videotron's Mobile Virtual Network Operator ("**MVNO**") services). As of December 31, 2010, residents of the greater Montréal, Québec City, Mauricie, Sherbrooke, Bois-Francs, Montérégie and Laurentians regions have access to advanced mobile services from Videotron. Videotron plans to cover most of its potential customers by the end of the second quarter of 2011. As a result of technological upgrades that were consistent with the evolutionary process endorsed by the International Telecommunications Union (ITU), Videotron announced on March 9, 2011 that the designation of its mobile network was evolving towards 4G.
- In September 2010, Videotron launched its illico mobile, a service delivered over its 3G+ network that provides customers with mobile telephone access to 30 television channels, 45 Galaxy music channels, and to the illico mobile store, which carries a varied catalogue of approximately 35,000 digital titles.
- In June 2010, Videotron launched illico web (illicoweb.tv), a new Internet television service offering an exceptional variety of content to our digital television and Internet customers, at no additional cost. Customers can now access from a computer thousands of French and English movies, series and music from 33 different television channels.
- In May 2010, Osprey Media paid down the $114.8 million balance on its term credit facility. On June 30, 2010, all Osprey Media's credit facilities were cancelled.
- On January 14, 2010, Quebecor Media made a US$170.0 million early payment on drawings on its term loan "B" and settled a corresponding portion of its hedge agreements for $30.9 million, for a total cash disbursement of $206.7 million. On January 14, 2010, Quebecor Media also obtained from its credit agreement lenders the extension of the maturity date of its $100 million revolving credit facility from January 2011 to January 2013 and certain other favourable amendments to the covenants contained in its credit facilities.
- In January 2010, Videotron issued $300.0 million aggregate principal amount of its 7 1/8% Senior Notes due 2020 for net proceeds of $293.9 million (net of financing expenses) in private placements exempt

from the registration requirement of the Securities Act and prospectus requirements of applicable Canadian securities laws. Videotron used the proceeds to repay the drawings under its Senior Secured Credit Facility and for general corporate purposes.

- On November 13, 2009, Videotron amended its Senior Secured Credit Facility to create thereunder a separate $75.0 million secured term facility having a maturity date expiring in June 2018 ("**Export Financing Facility**"). In addition, on November 13, 2009, Videotron entered into a separate credit agreement with a group of lenders and HSBC Bank plc acting as agent for the lenders, providing for an unsecured term credit facility ("**Facility B**") in a maximum amount equal to the difference between US$100 million and the aggregate of the US dollar equivalent of each drawing made under the Export Financing Facility. Facility B has a maturity expiring in April 2016. The proceeds of each of the Export Financing Facility and Facility B may be used, *inter alia*, for payments and/or reimbursement of payments of export equipment and local services in relation to the contract for wireless infrastructure equipment entered into by Videotron with an affiliate of Nokia Corporation.
- On May 12, 2009, Quebecor Media announced the operational integration of Internet portals operations into Sun Media. This integration reflects Quebecor Media's determination to seize the opportunities available on the new media landscape by combining the strengths of its assets from its Internet and newspaper operations under a unified leadership.
- On March 5, 2009, Videotron issued US$260.0 million aggregate principal amount of its 9 1/8% Senior Notes due 2018 for net proceeds of $332.4 million (including accrued interest and net of financing expenses). Videotron used the proceeds to repay drawings on its Senior Secured Credit Facility and for general corporate purposes.
- In July 2008, in the context of Canada's spectrum auction for third generation AWS, we acquired spectrum licenses for AWS covering all regions of the Province of Quebec and certain areas of Ontario. We were the successful bidder for 40 MHz spectrum licenses in all parts of the Province of Quebec, except the Outaouais region where we obtained 20 MHz spectrum licenses and certain regions of the Province of Quebec where we obtained 50 MHz spectrum licenses. We also acquired 20 MHz spectrum licenses in Eastern Ontario and 10 MHz spectrum licenses in the city of Toronto. These licenses, the control of which was transferred from Quebecor Media to Videotron subsequent to the completion of the auction, were issued by Industry Canada on December 23, 2008.
- On June 2, 2008, TVA Group repurchased 3,000,642 Class B shares under the Substantial Issuer Bid filed on March 31, 2008 and amended on May 14, 2008, for an aggregate cash consideration of $51.4 million. In 2009, 253,300 Class B shares were repurchased under a Normal Course Issuer Bid for a cash consideration of $2.6 million. As a result of these repurchases, Quebecor Media's interest in TVA Group increased from 45.24% on December 31, 2007 to 51.44% as of December 31, 2010.
- On April 15, 2008, Videotron issued US$455.0 million aggregate principal amount of its 9 1/8% Senior Notes due 2018 for net proceeds of $447.8 million. Videotron used the proceeds to repay drawings on its Senior Secured Credit Facility and for general corporate purposes.
- On April 7, 2008, Videotron amended its Senior Secured Credit Facility to increase its commitments under the facility from $450.0 million to $575.0 million and extend the maturity date to April 2012.
- On February 26, 2008, Quebecor Media, through a wholly-owned subsidiary, completed its acquisition, pursuant to a public offer and subsequent compulsory acquisition procedure, of all of the issued and outstanding common shares of Nurun (including common shares issuable upon the exercise of outstanding options, conversion or exchange rights) not already held by Quebecor Media and its affiliates, at a price of $4.75 per common share. The Nurun common shares were delisted from the Toronto Stock Exchange on February 27, 2008. The aggregate cash consideration paid by Quebecor Media pursuant to this public offer was approximately $75.2 million.

B – Business Overview

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 and distribution, and new media services. Through its operating subsidiaries, 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.

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 Quebec 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 more effectively launch and deploy new products and services. 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. In addition, we are the franchisor of the largest chain of video stores in the Province of Quebec through our Le SuperClub Vidéotron subsidiary. We believe that 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, assists us in marketing and distributing our advanced services, such as cable Internet access, digital television and mobile telephony, on a large scale basis. Our News Media segment, through its newspaper publishing operations in our Sun Media and Osprey Media operating subsidiaries until December 31, 2010 (Osprey Media was wound up and its operations were integrated into Sun Media on January 1, 2011 as part of a corporate reorganization), is the largest newspaper publisher in Canada based on total paid and unpaid circulation (according to management estimates) and is Canada's second largest newspaper publisher in terms of weekly paid average circulation according to statistics published in the CNA's "Circulation Data Report — 2009" (the "**CNA Circulation Data**"). 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, we can 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. Moreover, our new mobile service offering plays an integral part of our strategic vision for our combined platform and quadruple-play technology offering. 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 that 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 video-on-demand service available on our illico TV, illico web and illico mobile platforms. In addition, customers can now 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, 99% 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 future capital expenditures over the next five years 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 fiber coaxial clustered network covers approximately 75% of the Province of Quebec'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, 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, despite intense competition, successfully increased sales of our digital television products, improved penetration of our high-speed Internet access, VoIP telephony services and cable products and successfully launched facilities-based and mobile telephony services.

Our Strategy

Our objective is to increase our revenues and profitability by leveraging the integration 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:

- *Strengthen our position as a telecommunications leader with our new 3G+ mobile services.* With the new 3G+ services of Videotron, we provide an offering of advanced mobile telecommunications services to consumers and small businesses that are based on effective, reliable technology, diverse and convergent content and unambiguous business policies. Our new mobile service 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. Our past experience as a MVNO wireless operator has provided us with the knowledge and know-how to develop commercial and operational capability within the mobile industry and a strong existing customer base to grow from, all of which has enabled us to successfully launch our new mobile network.
- *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 increase in the 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.
- *Leverage growth opportunities and convergence of content and platforms.* We are the largest private sector French language programming broadcaster, a leading producer of French language programming, the largest newspaper publisher 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 launch of *Sun News* (currently anticipated for the spring of 2011) which will be an addition to Sun Media's English-language news media and website offering, the integration of our newspaper operations and Internet/portal operations under a unified executive leadership, the transfer of the printing of several of our publications to two state-of-the-art facilities owned by Quebecor Media Printing, the creation of Quebecor Media Network, the sharing of editorial content between our News Media business and QMI News Agency, 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.

- *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. Our efforts to obtain a National Hockey League franchise for Québec City is an example of such initiatives.
- *Leverage geographic clustering*. Our Videotron subsidiary holds cable licenses that cover approximately 75% of the Province of Quebec'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 support.
- *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. We also strongly believe in offering the best customer experience, providing a one-stop shop for our Videotron customers, from ordering to billing, including after-sales support.
- *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 Quebec and the third largest in Canada, in each case based on the number of cable customers, a major ISP and a provider of cable and mobile telephony services in the Province of Quebec. Our cable network covers approximately 75% of the Province of Quebec's estimated 3.5 million residential and commercial premises.

Our mobile network, which was launched on September 9, 2010, 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 anytime, anywhere. The deployment of our new 3G+ 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. Additionally, we can build on our experience as a MVNO wireless operator and our existing customer base in order to be successful in the highly competitive mobile telephony industry and seek to offer a full range of telecommunication services to our customers.

In addition, through our Le SuperClub Vidéotron subsidiary, we are also the franchisor of the largest chain of video and video game rental stores in the Province of Quebec and among the largest of such chains in Canada, with a total of 223 retail locations as of December 31, 2010.

Videotron Business Solutions is a premier full-service business telecommunications provider serving businesses of small, medium and large size. 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 Quebec, with record satisfaction levels for our industry according to a recent Léger Marketing study. Products and services include Internet, television, cable and mobile telephony services, hosting, private network connectivity and audio and video transmission.

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

For the year ended December 31, 2010, our Telecommunications operations generated revenues of $2.21 billion and operating income of $1.04 billion. For the year ended December 31, 2009, our Telecommunications operations generated revenues of $2.00 billion and operating income of $972.9 million.

Products and Services

Videotron currently offers its customers cable services, mobile telephony services, business telecommunications services and video rental services (as franchisor):

Cable Services

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. We intend to continue to develop and deploy additional services to further broaden our service offering.

- Cable Internet Access. Leveraging our advanced cable infrastructure, we offer cable Internet access to our residential customers primarily via cable modems attached to personal computers. We provide this service at download speeds of up to 50 Mbps. In some portion of the network, we offer download speeds of up to 120 Mbps or 2160 times the speed of a conventional telephone modem. As of December 31, 2010, we had 1,252,100 cable Internet access customers, representing 69.1% of our basic customers and 47.9% 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 55.6% as of September 30, 2010.
- Digital Television. We have installed headend equipment capable of delivering digitally encoded transmissions to a two-way digital capable set-top box in the customer's home. This digital connection provides significant advantages. In particular, it increases channel capacity, which allows us to increase both programming and service offerings while providing increased flexibility in packaging our services. Our basic digital package includes 29 television channels, 45 audio services providing CD-quality music, 19 AM/FM radio channels, an interactive programming guide as well as television based e-mail capability. Our extended digital basic television offering, branded as "*sur mesure*" (i.e.,

individual channel selections), offers customers the ability to select more than 200 additional channels of their choice, including U.S. super-stations and other special entertainment programs, allowing them to customize their choices. This also offers customers significant programming flexibility including the option of French-language only, English-language only or a combination of French-and-English-language programming, as well as many foreign-language channels. We also offer pre-packaged themed service tiers in the areas of news, sports and discovery. Customers who purchase basic service and one customized package can also purchase channels on a *à la carte* basis at a specified cost per channel per month. As part of our digital service offering, customers can also purchase near-video-on-demand services on a per-event basis. As of December 31, 2010, we had 1,219,600 customers for our digital television service, representing 67.3% of our basic customers and 46.7% of our total homes passed. Our customers currently have the option to purchase or lease the digital set-top boxes required for digital service. We believe that the sale of equipment to customers improves customer retention, and, as of December 31, 2010, we had 1,724,005 set-top boxes deployed, of which approximately 96% were owned by customers and 4% were leased.

- Cable Telephony. In January 2005, we launched our cable telephony service using VoIP technology in selected areas of the Province of Quebec, and since then we have been rolling-out this offering among our other residential and commercial customers in the Province of Quebec. We offer discounts to our bundled customers, when compared to the sum of the prices of the individual services provided to these customers. We also offer discounts for a second telephone line subscription. In addition, we offer a Softphone service, a computer-based service providing users with more flexibility when traveling, the ability to make local calls anywhere in the world, and new communications management capabilities. As of December 31, 2010, we had 1,114,300 subscribers to our cable telephony service, representing a penetration rate of 61.5% of our basic cable subscribers and 42.7% 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 through illico web and illico mobile. Our digital cable customers are able to rent their video-on-demand selections for a period of 24 hours, which they are then able to watch at their convenience with full stop, rewind, fast forward, pause and replay functionality during that period. 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 on a weekly basis. Regulations prevent us from offering such blocks of programs for a longer period. We also offer a substantial amount of video-on-demand content free of charge to our digital cable customers, comprised predominantly of previously aired television programs and youth-oriented programming. In addition, we offer pay television channels on a subscription basis that permits our customers to access and watch most of the movies available on the linear Pay TV channels these clients subscribe to.
- Pay-per-view (Canal Indigo). “Canal Indigo” is a pay-per-view channel where our digital customers can order live events and movies based on a pre-determined schedule.
- Other Products and Services. To maintain and enhance our market position, we are focused on increasing penetration of high-definition television and personal video recorders, as well as other high-value products and services.

Traditional Cable Television Services

Customers subscribing to our traditional analog “basic” and analog “extended basic” services generally receive a line-up of 44 channels of television programming, depending on the bandwidth capacity of their local cable system. We also feature an expanding offering of optional channels as well as customized selection of channels or channel packages tailored to satisfy the specific needs of the different customer segments we serve.

Our analog cable television service offerings include the following:

- Basic Service. All of our customers receive a package of basic programming, consisting of local broadcast television stations, the four U.S. commercial networks and PBS, selected Canadian specialty programming services, and local and regional community programming. Our basic service customers generally receive 27 channels on basic cable.
- Extended Basic Service. This expanded programming level of services, which is generally comprised of approximately 17 channels, includes a package of French-and-English-language specialty television programming and U.S. cable channels in addition to the basic service channel line-up described above. Branded as "Telemax", this service was introduced in almost all of our markets largely to satisfy customer demand for greater flexibility and choice.

Mobile Telephony Services

On September 9, 2010, we launched our HSPA+ mobile communication network (3G+). As of December 31, 2010, residents of the greater Montréal, Québec City, Mauricie, Sherbrooke, Bois-Francs, Montérégie and Laurentians regions have access to advanced mobile services from Videotron. We plan to cover most of our potential customers by the end of the second quarter of 2011.

Our strategy in the coming years is to strengthen our position as a telecommunications leader with our new 3G+ mobile services. With the new 3G+ services of Videotron, we provide an offering of advanced mobile telecommunications services to consumers and small businesses that is based on effective, reliable technology, diverse and convergent content and unambiguous business policies. Our new mobile service 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 anytime, anywhere. Our past experience as a MVNO wireless operator has provided us with the knowledge and know-how to develop commercial and operational capability within the mobile industry and a strong existing customer base to grow from, all of which has enabled us to sucessfully launch our new mobile network.

As of December 31, 2010, Videotron had 136,100 subscribers to its mobile telephony services, including 92,600 lines activated on its 3G+ network.

Business Telecommunications Services

Videotron Business Solutions is a premier full-service business telecommunications provider. We serve three customer segments: small and medium-sized businesses, large businesses, and 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 Quebec, with record satisfaction levels for our industry according to a recent Léger Marketing study. Products and services for small and medium businesses are supported by our coaxial technology and our solid expertise in business services. Customized solutions designed to meet customers' needs incorporating tools such as fiber-optic landlines, High Speed Internet access, television, telephony services, website hosting, private network connectivity and audio and video transmission, all based on state-of-the-art technology, are also offered to large businesses and carriers. This year, we have added new services to our offering, notably mobile communications services, telephony services using our multiple label switching ("**MPLS**") network and 120Mbps high speed Internet access targeted at small and medium size businesses using our Hybrid fiber coaxial ("**HFC**") network.

Video Rental Services

Through Le SuperClub Vidéotron, we are the franchisor of the largest chain of video and video game rental stores in the Province of Quebec and among the largest of such chains in Canada, with a total of 223 retail locations. With 142 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.

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,				
	2010	**2009**	**2008**	**2007**	**2006**
Homes passed[1]	**2,612,406**	2,575,315	2,542,859	2,497,403	2,457,213
Cable					
Basic customers[2]	**1,811,570**	1,777,025	1,715,616	1,638,097	1,572,411
Penetration[3]	**69.3%**	69.0%	67.5%	65.6%	64.0%
Digital customers	**1,219,600**	1,084,100	927,322	768,211	623,646
Penetration[4]	**67.3%**	61.0%	54.1%	46.9%	39.7%
Number of digital set-top boxes	**1,724,005**	1,484,065	1,209,595	953,393	738,530
Dial-up Internet Access					
Dial-up customers	**3,851**	4,988	6,533	9,052	13,426
Mobile High Speed Internet					
Mobile High Speed Internet	**2,319**	—	—	—	—
Cable Internet Access					
Cable modem customers	**1,252,100**	1,170,570	1,063,847	932,989	791,966
Penetration[3]	**47.9%**	45.5%	41.8%	37.4%	32.2%
Telephony Services					
Cable telephony customers	**1,114,300**	1,014,038	851,987	636,352	397,860
Penetration[3]	**42.7%**	39.4%	33.5%	25.5%	16.2%
Wireless telephony lines	**136,100**	82,813	63,402	45,077	11,826

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

In the year ended December 31, 2010, we recorded a net increase of 34,600 basic cable customers. During the same period, we also recorded net additions of: 81,500 subscribers to our cable Internet access service; 135,500 customers to our digital television service, the latter of which includes customers who have upgraded from our analog cable service; and 100,300 customers to our cable telephony services. In 2010, we added 53,300 net lines on our mobile wireless telephony services.

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. Competition in the cable industry was first introduced in Canada in 1997. As of August 31, 2009, the most recent date for which data is available, there were approximately 8.1 million cable television customers in Canada, representing a basic cable penetration rate of approximately 55.9% of homes passed. For the twelve months

ended August 31, 2009 (the most recent data available), total industry revenue was estimated to be over $9.2 billion and is expected to grow in the future because Canadian cable operators have aggressively upgraded their networks and have begun launching and deploying new products and services, such as cable Internet access, digital television services and, more recently, telephony services. The following table summarizes the most recent available annual key statistics for the Canadian and U.S. cable television industries.

	Twelve Months Ended August 31,					
	2009	2008	2007	2006	2005	CAGR[1]
	(Dollars in billions, homes passed and basic cable customers in millions)					
Canada						
Industry Revenue	$ 9.2	$ 8.2	$ 7.1	$ 6.1	$ 5.0	16.5%
Homes Passed[2]	14.5	13.8	13.6	13.0	11.2	6.7%
Basic Cable Customers[3]	8.1	7.9	7.7	7.5	6.9	4.1%
Basic Penetration	55.9%	57.2%	56.6%	57.7%	61.6%	-2.4%

	Twelve Months Ended December 31,					
	2009	2008	2007	2006	2005	CAGR[1]
	(Dollars in billions, homes passed and basic cable customers in millions)					
U.S.						
Industry Revenue	US$ 90.2	US$ 86.3	US$ 78.8	US$ 71.9	US$ 65.7	6.5%
Homes Passed[2]	125.7	124.2	123.0	111.6	110.8	2.6%
Basic Cable Customers	62.6	63.7	64.9	65.4	65.4	-0.9%
Basic Penetration	49.8%	51.3%	52.8%	58.6%	59.0%	-3.3%

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

1 Compounded annual growth rate from 2005 through 2009.
2 “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.
3 Including IPTV in some Provinces for the 2008 figure.

A significant portion of Canada’s cable television customers are based in the Province of Quebec. As of October 2010, the Province of Quebec is home to approximately 23.2% of Canada’s population and approximately 24.3% of its basic cable customers. Based on the statistics provided by the CRTC, basic cable penetration in the Province of Quebec, which was approximately 54.0% as of August 31, 2009, has traditionally been lower than in other provinces in Canada, mainly due to the higher concentration of French-speaking Canadians in the Province of Quebec. It is estimated that over 80% of the Province of Quebec’s population is French-speaking. Contrary to the English-speaking provinces of Canada, where programming in English comes from all over North America, programming in French is available over-the-air in most of the Province of Quebec’s French-speaking communities. The arrival of a variety of French-language specialty channels not available over-the-air and, more recently, the introduction of HD content, contributed to a penetration increase.

Expansion of Digital Distribution and Programming

In recent years, digital technology has significantly expanded the range of services that may be offered to our customers. We now offer almost 370 channels on our digital platform, including 165 English-language channels, 56 French-language channels, 53 HDTV channels, 10 time-shifting channels, 63 radio/music channels and 20 others.

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

Our strategy, in the coming years, will be to continue the expansion in our offering and maintain the quality of our programming. Our cable television service depends in large part on our ability to distribute a wide range of appealing, conveniently-scheduled television programming at reasonable rates and will be an important factor in our success to maintain the attractiveness of our services to customers. In addition, we will continue working on the expansion of our added-value products, such as video-on-demand and digital television interactive content. In late 2010, we also started offering sporting events, movies and documentaries using new 3D technologies.

Mobile Telephony Industry

In terms of wireless penetration rate, the Canadian mobile telephony market is relatively under-developed. Based on *The Netsize Guide 2010: Mobile Renaissance*, Canada is in the bottom 10% out of forty-one countries in terms of wireless penetration, with a penetration rate of 68.3% in the first quarter of 2010, and we estimate that, as of December 31, 2009, the Province of Quebec had a penetration rate under the Canadian provincial average. Comparatively, the United States had a penetration rate of 92.7% as at March 31, 2010, while Western Europe's penetration rates approximate and sometimes exceed 100% in some countries. Based on management estimates, the penetration rate in Canada should increase by approximately 5% annually from now to 2014.

The wireless spectrum auction completed in July 2008 has brought new players onto the market, which led to lower prices for customers. Traditional incumbents recently launched, or have operated for some time, low-price subsidiaries. In the Province of Quebec, a new entrant recently launched new low-priced unlimited services. As of December 31, 2010, incumbents were still dominant in the Industry with a market share exceeding 90% in the Province of Quebec.

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, 2010, there were 24.0 million subscribers in Canada.

Pricing of our Products and Services

Our revenues are derived from the monthly fees our customers pay for cable 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 bundled customers, when compared to the sum of the prices of the individual services provided to these customers. As of December 31, 2010, the average monthly invoice on recurring subscription fees per customer was $88.34 and approximately 74% 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, as follows:

Service	Price Range
Basic analog cable	$15.07 – $ 31.88
Extended basic analog cable	$30.50 – $ 44.19
Basic digital cable	$15.98 – $ 17.98
Extended basic digital cable	$29.98 – $ 78.98
Pay-television	$ 3.99 – $ 29.99
Pay-per-view (per movie or event)	$ 4.49 – $ 69.99
Video-on-demand (per movie or event)	$ 0.99 – $ 59.99
Dial-up Internet access	$ 9.95 – $ 15.95
Cable Internet access	$27.95 – $159.95
Mobile High Speed Internet	$24.95 – $ 34.95
Cable telephony	$17.35 – $ 23.35
Mobile wireless telephony	$19.95 – $109.50

Our Network Technology

Cable

As of December 31, 2010, our cable systems consisted of 25,721 km of fiber optic cable and 41,154 km of coaxial cable, passing approximately 2.6 million homes and serving approximately 2.0 million customers. Our network is the largest broadband network in the Province of Quebec covering approximately 75% of households and, according to our estimates, more than 75% of the businesses located in the major metropolitan areas of the Province of Quebec. Our extensive network supports direct connectivity with networks in Ontario, Eastern Quebec, the Maritimes and the United States.

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

	450 MHz and Under	480 to 625 MHz	750 to 860 MHz	Two-Way Capability
December 31, 2006	2%	23%	75%	98%
December 31, 2007	1%	2%	97%	99%
December 31, 2008	1%	0%	99%	99%
December 31, 2009	1%	0%	99%	99%
December 31, 2010	1%	0%	99%	99%

Our cable television networks are comprised of four distinct parts including signal acquisition networks, main headends, distribution networks and subscriber drops. The signal acquisition network picks up a wide variety of television, radio and multimedia signals. These signals and services originate from either a local source or content provider or are picked up from distant sites chosen for satellite or over-the-air reception quality and transmitted to the main headends by way of over-the-air links, coaxial links or fiber optic relay systems. Each main headend processes, modulates, scrambles and combines the signals in order to distribute them throughout the network. Each main headend is connected to the primary headend in order to receive the digital MPEG2 signals and the IP Backbone for the Internet services. The first stage of this distribution consists of a fiber optic link which distributes the signals to distribution or secondary headends. After that, the signal uses the hybrid fiber 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 HFC network architecture as the standard for our ongoing system upgrades. Hybrid fiber coaxial network architecture combines the use of fiber optic cable with coaxial cable. Fiber optic cable has excellent broadband frequency characteristics, noise immunity and physical durability and can carry hundreds of video and data channels over extended distances. Coaxial cable is less expensive and requires greater signal amplification in order to obtain the desired transmission levels for delivering channels. In most systems, we deliver our signals via fiber optic cable from the headend to a group of 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 fiber-optic cable. To allow for this configuration, secondary headends were put into operation in the Greater Montréal Area and in the Greater Québec City Area. Remote secondary headends must also be connected with fiber 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 bound 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, our network underwent an extensive modernization effort in the Greater-Montréal region in order to meet the ever expanding service needs of the customer in terms of video, telephony and Internet services. The modernization implies an extension of the upper limit of the RF spectrum available for service offerings and a deep fiber deployment, which significantly extends the fiber 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 fiber 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 fiber 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 unparalleled flexibility to meet customer needs and future network evolution requirements. The modernization of the Greater-Montréal network is scheduled to be completed by 2015.

Our strategy of maintaining a leadership position in respect of the suite of products and services that we offer and launching new products and services requires investments in our network to support growth in our customer base and increases in bandwidth requirements. Approximately 99% of our network in the Province of Quebec 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

Our HSPA+ mobile communication network (3G+) allows data transmission speeds up to 21 Mbps. As of December 31, 2010, our network reached approximately 65% of the population of the Province of Quebec and close to 80% of our cable homes passed, allowing residents of the greater Montréal, Québec City, Mauricie, Sherbrooke, Bois-Francs, Montérégie and Laurentians regions to have access to advanced mobile services from

Videotron. The majority of our towers and antennas are linked through our fiber optic network using MPLS protocol, and our network was built and designed to support important customer growth in coming years. We plan to cover most of our potential customers by the end of the second quarter of 2011.

Our strategy in the coming years is to strengthen our position as a telecommunication leader with our new 3G+ mobile services and to keep the technology at the cutting edge as it continues to evolve rapidly in order to offer speeds up to 42 Mbps in 2011. We also intend to expand our offer of handset devices in 2011, as an increasing number of manufacturers should offer technologically advanced products compatible with our HSPA+ network. With our new 3G+ services, we provide an offering of advanced mobile telecommunication services to consumers and small businesses that is based on effective, reliable technology, diverse and convergent content and unambiguous business policies.

Our new mobile service 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 anytime, anywhere. Our past experience as a MVNO wireless operator has provided us with the knowledge and know-how to develop commercial and operational capability within the mobile industry and a strong existing customer base to grow from, all of which has enabled us to successfully launch our new mobile network.

Marketing and Customer Care

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

- develop attractive bundle offers to encourage our customers to subscribe to two or more products, which increases ARPU and customer retention as well as increasing our operating margin;
- continue to rapidly deploy advanced products and services such as cable Internet access, digital television, cable telephony and mobile wireless telephony services;
- design product offerings that provide greater opportunity for customer entertainment and information choices;
- target marketing opportunities based on demographic data and past purchasing behaviour;
- develop targeted marketing programs to attract former customers, households that have never subscribed to our services and customers of alternative or competitive services;
- enhance the relationship between customer service representatives and our customers by training and motivating customer service representatives to promote advanced products and services;
- leverage the retail presence of Le SuperClub Vidéotron, Videotron's branded stores and kiosks, Archambault stores and third-party commercial retailers;
- cross-promote the wide variety of content and services offered within the Quebecor Media group (including, for example, the content of TVA Group productions and the 1-900 service for audience voting during reality television shows popular in the Province of Quebec) in order to distribute our cable, data transmission, cable telephony and mobile telephony services to our existing and future customers;
- introduce new value-added packages of products and services, which we believe increases ARPU and improves customer retention; and
- leverage our business market, using our network and expertise with our commercial customer base, which should enable us to offer additional bundled services to our customers and may result in new business opportunities.

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

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

Programming

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

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

Competition

We operate in a competitive business environment in the areas of price, product and service offerings and service reliability. We compete with other providers of television signals and other sources of home entertainment. In addition, as we expand into additional services such as Internet, cable telephony and mobile telephony services, we may face additional competition. Due to ongoing technological developments, the distinctions among the traditional platforms (broadcasting, Internet, and telecommunications) is 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 3G+ networks, are now offering wireless and fixed wireless Internet services and our VoIP telephony service is also competing with Internet-based solutions.

- Over-the-air Television and Providers of Other Entertainment. Cable television has long competed with broadcast television, which consists of television signals that the viewer is able to receive without charge using an over-the air antenna. The extent of such competition is dependent upon the quality and quantity of broadcast signals available through over-the-air reception compared to the services provided by the local cable system. Cable systems also face competition from alternative methods of distributing and receiving television signals and from other sources of entertainment such as live sporting events, movie theatres and home video products, including digital recorders, DVD players and video games. The extent to which a cable television service is competitive depends in significant part upon the cable system's ability to provide a greater variety of programming, superior technical performance and superior customer service than are available over the air or through competitive alternative delivery sources.

- Direct Broadcast Satellite. DBS is a significant competitor to cable systems. DBS delivers programming via signals sent directly to receiving dishes from medium and high-powered satellites, as opposed to cable delivery transmissions. This form of distribution generally provides more channels than some of our television systems and is fully digital. DBS service can be received virtually anywhere in Canada through the installation of a small rooftop or side-mounted antenna. Like digital cable distribution, DBS systems use video compression technology to increase channel capacity and digital technology to improve the quality of the signals transmitted to their customers.
- DSL. The deployment of DSL technology provides customers with Internet access at data transmission speeds greater than that available over conventional telephone lines. DSL service is comparable to cable-modem Internet access over cable systems. We also face competition from other providers of DSL service.
- 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. The penetration of IPTV has increased steadily since the CRTC and Industry Canada authorized VDSL services. VDSL technology increases the available capacity of DSL lines, thereby allowing the distribution of digital video. Multi-system operators are now facing competition from ILECs, which have been granted licenses to launch video distribution services using this technology, which operates over copper phone lines. In Canada, VDSL is offered in urban areas by Bell Aliant in Atlantic Canada, SaskTel in Saskatchewan, Manitoba Telecom Services Inc. in Manitoba, TELUS Corporation in Alberta and British Columbia, Bell Internet in Ontario and Bell TV's service in some large multi-residential buildings in certain urban centers, and, in our markets ILECs have been installing this new technology. The transmission capabilities of VDSL will be significantly boosted with the deployment of technologies such as vectoring (the reduction or elimination of the effects of far-end crosstalk) and twisted pair bonding (use of additional twisted pairs to increase data carriage capacity). Certain ILECs have already started replacing many of their main feeds with fiber 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.
- Mobile wireless telephony services. With our new mobile telephony HSPA+ network, we compete against a mix of market participants, some of them being active in some or all the products we offer, while others only offer mobile wireless telephony services in our market. 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. Some foreign operators recently started the deployment of Long Term Evolution-Advanced (LTE-Advanced 4G) networks and this technology could become an industry standard if it is widely adopted. These LTE-Advanced 4G technologies are being developed in anticipation of the additional network capacity that may be required to address the surging demand for wireless data. Such technologies remain in the stage of research and development and testing.
- Private Cable. Additional competition is posed by satellite master antenna television systems known as "SMATV systems" serving multi dwelling units, such as condominiums, apartment complexes, and private residential communities.
- Other Cable Distribution. Currently, a cable operator offering television distribution and providing cable-modem Internet access service is serving the Greater Montréal Area. This cable operator is owned by the regional ILEC.

- Wireless Distribution. Cable television systems also compete with wireless program distribution services such as multi channel MDS. 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 Quebec, which used to control a significant portion of the telephony market in the Province of Quebec, as well as other VoIP telephony service providers and mobile wireless telephone service providers.
- Other ISPs. In the Internet access business, cable operators compete against other ISPs offering residential and commercial Internet access services. The CRTC requires the large Canadian incumbent cable operators to offer access to their high speed Internet system to competitive ISPs at mandated rates.

News Media

Our newspaper publishing operations, which we conduct through our Sun Media operating subsidiary (Osprey Media, which was an operating subsidiary in our newspaper publishing operations until December 31, 2010, was wound-up and its operations integrated into Sun Media on January 1, 2011 as part of a corporate reorganization), are the largest newspaper publisher in Canada based on total paid and unpaid circulation, according to management estimates. With a 23.7% average market share, our newspaper publishing operations are the second largest newspaper publisher in Canada in terms of weekly paid circulation, according to the CNA Circulation Data. As of December 31, 2010, our News Media segment published 36 paid-circulation dailies, six free commuter dailies and 198 community weekly newspapers, magazines, buyers guides, farm publications and other specialty publications. As of December 31, 2010, the combined weekly circulation of our News Media segment's paid and unpaid newspapers was approximately 15.1 million copies, according to internal statistics.

As of December 31, 2010, Sun Media published 190 publications across Canada, in urban markets, including nine of the top ten urban markets in Canada, and in community markets. Sun Media published 17 paid daily newspapers and according to the NADbank® Study referred to below in section " — Newspaper Operations — The Urban Daily Group — Paid daily newspapers" of this annual report, each of Sun Media's eight urban daily newspapers ranked either first or second in its market in terms of weekly readership. As of December 31, 2010, Sun Media also published 167 weekly newspapers, shopping guides and agricultural and other specialty publications, as well as six free daily commuter publications: 24 Hours in Toronto, Vancouver, Ottawa, Calgary and Edmonton and 24 Heures in Montréal.

Osprey Media, which is now integrated into Sun Media, publishes local daily and non-daily newspapers in Ontario, together with other print products including magazines. As of December 31, 2010, Osprey Media's publications comprised 19 paid daily newspapers and 31 non-daily newspapers, as well as numerous specialty publications, including shopping guides. 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.

Our News Media segment includes Internet portals operations focusing on e-commerce, information and communication services. Canoe operates the Internet portal network of the same name, which logs over 8.7 million unique visitors per month in Canada, including more than 4.1 million in the Province of Quebec, and ranks as the number one general news destination in Canada (according to ComScore Media Metrix figures for December 2010).

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 its national network of printing and production facilities; and a combination of print and online directory publishing.

During 2010, Quebecor Media continued the development of its News Media segment in order to increase its revenue streams. In this regard, the QMI news agency (the "**QMI News 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 News Agency has been the main supplier of general Canadian news content to our media properties. In addition, we continue to leverage our printing capacities and distribution services with Quebecor Media Network which offers flyer printing and distributing across Canada.

Quebecor Media owns 100% of the voting and equity interests in each of Sun Media (which now includes the operations of Osprey Media) and Canoe.

For the year ended December 31, 2010, our News Media operations generated revenues of $1.03 billion and operating income of $200.3 million, with 73.5% of these revenues derived from advertising, 19.0% from circulation, and 7.5% from commercial printing and other revenues. For the year ended December 31, 2009, our News Media operations generated revenues of $1.05 billion and operating income of $199.5 million, with 73.3% of these revenues from advertising, 19.7% from circulation, and 7.0% 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, 2010, our News Media Segment's combined average weekly circulation (paid and unpaid) was approximately 15.1 million copies, according to internal statistics. According to the CNA Circulation Data, Sun Media's and Osprey Media's combined 23.7% market share of paid weekly circulation for Canadian daily newspapers makes our newspaper publishing operations the second largest newspaper publisher in Canada in terms of weekly paid average circulation.

According to the CNA Circulation Data, there are approximately 96 paid circulation daily newspapers, numerous paid non-daily publications and free-distribution daily and non-daily publications. Of the 96 paid circulation daily newspapers, 22 have average weekday circulation in excess of 50,000 copies. These include 16 English-language metropolitan newspapers, four French language daily newspapers and two national daily newspapers. In addition to daily newspapers, both paid and unpaid non-daily newspapers are distributed nationally and locally across Canada. Newspaper companies may also produce and distribute niche publications that target specific readers with customized editorial content and advertising. The newspaper market consists primarily of two segments, broadsheet and tabloid newspapers, which vary in format. With the exception of the broadsheet the London Free Press, all of Sun Media's urban paid daily newspapers are tabloids.

Newspaper publishers derive revenue primarily from the sale of retail, classified, national and insert advertising, and to a lesser extent through paid subscriptions and single copy sales of newspapers. The mature nature of the Canadian newspaper industry has resulted in limited growth, if any, for traditional newspaper publishers, for many years, and the newspaper industry is now undergoing fundamental changes, including the growing availability of free access to media, shifting readership habits, digital transferability, the advent of real-time information and secular changes in the advertising market. As a result of these changes in the market, competition in the newspaper industry now comes not only from other newspapers (including other national, metropolitan (both paid and free) and suburban newspapers), magazines and more traditional media platforms, such as broadcasters, cable systems and networks, satellite television and radio, direct marketing and solo and shared mail programs, but also from digital media technologies, which have introduced a wide variety of media distribution platforms (including, most significantly, the Internet and distribution over wireless devices) to consumers and advertisers. As a result, the 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 newspaper operations, representing 73.5% of our newspaper operations' total revenues in 2010. Advertising rates are based upon the size of the market in which each newspaper operates, circulation, readership, demographic composition of the market and the availability of alternative advertising media. Our strategy is to maximize advertising revenue by providing advertisers with a range of pricing and marketing alternatives to better enable them to reach their target audience. Our newspapers offer a variety of advertising alternatives, including full-run advertisements in regular sections of the newspaper targeted to different readers (including automotive, real estate and travel), geographically targeted inserts, special interest pullout sections and advertising supplements.

The principal categories of advertising revenues in our newspaper operations are classified, retail and national advertising. Classified advertising has accounted for the largest share of our advertising revenues in our urban daily newspapers for the year ended December 31, 2010 (46.7% for the year) followed by retail advertising (33.3% for the year) and national advertising (16.8% for the year). Classified advertising is made up of four principal sectors: automotive, private party, recruitment and real estate. Automotive advertising is the largest classified advertising category, representing approximately 59.8% of all of our classified advertising, in terms of revenue, for the year ended December 31, 2010. Retail advertising is display advertising principally placed by local businesses and organizations. Most of our retail advertisers are department stores, electronics stores and furniture stores. National advertising is display advertising primarily from advertisers promoting products or services on a national basis. Our national advertisers are principally in the retail automotive sector.

In the smaller community papers, substantially all of the advertising revenues are derived from local retailers and classified advertisers. These newspapers publish advertising supplements with specialized themes such as agriculture, tourism, home improvement and gardening to encourage advertisers to purchase additional 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, 2010, our top ten national advertisers accounted for approximately 8.6% of the total advertising revenue and approximately 6.3% 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 19.0% of total revenues of our News Media segment in 2010. In the large urban markets, newspapers are available through newspaper boxes and retail outlets Monday through Sunday, except *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 are targeting editorial content to identified groups through the introduction of niche products, and in recent years we have launched e-editions of a number of our newspapers.

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

content with QMI News Agency. Finally, 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.

Newspaper Operations

We operate our newspaper business through our Sun Media subsidiary (although until December 31, 2010, we operated it through two principal subsidiaries, namely Sun Media and Osprey Media, the latter of which was wound up and its operations integrated into Sun Media's operations on January 1, 2011). We operate in urban and community markets through two groups of products:

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

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

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

The Urban Daily Group

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

Paid daily newspapers

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

As of December 31, 2010, on a combined weekly basis, the eight paid daily newspapers in Sun Media's Urban Daily Group had a circulation of approximately 5.4 million copies, according to internal statistics. These newspapers hold either the number one or number two position in each of their respective markets in terms of weekly readership.

Paid circulation is defined as average sales of a newspaper per issue. Readership (as opposed to paid circulation) is an estimate of the number of people who read or looked into an average issue of a newspaper and is measured by an independent survey conducted by NADbank Inc. According to the NADbank® 2009 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 2009 as well as their market position by weekly readership during that period, based on information provided in the NADbank® Study:

NEWSPAPER	2009 AVERAGE READERSHIP SATURDAY	SUNDAY	MON-FRI	MARKET POSITION BY READERSHIP[1]
Journal de Montréal	624,000	389,400	612,500	1st
Journal de Québec	198,400	134,500	184,000	1st
Toronto Sun	500,500	657,300	560,500	2nd
London Free Press	148,900	n/a	146,000	1st
Ottawa Sun	96,700	85,800	129,100	2nd
Winnipeg Sun	75,900	75,100	100,300	2nd
Edmonton Sun	131,700	151,500	160,200	2nd
Calgary Sun	123,400	137,300	139,000	2nd
Total Average Readership	1,899,500	1,630,900	2,031,600	

[1] Based on paid weekly readership data published by the NADbank® Study.

Journal de Montréal. The *Journal de Montréal* is published seven days a week and is distributed by *Messageries Dynamiques*, Sun Media's division that specializes in the distribution of publications. According to the CNA Circulation Data, the *Journal de Montréal* ranks third in paid circulation among non-national dailies in Canada and second 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*.

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

	YEAR ENDED DECEMBER 31 2010	2009	2008
Journal de Montréal			
Saturday	**271,600**	274,700	302,500
Sunday	**236,900**	247,900	257,600
Monday to Friday	**242,200**	250,300	260,700

Source: Internal Statistics

Journal de Québec. *The Journal de Québec* is published seven days a week and is distributed by *Messageries Dynamiques*. 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*.

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

	YEAR ENDED DECEMBER 31 2010	2009	2008
Journal de Québec			
Saturday	**113,000**	111,500	124,300
Sunday	**98,800**	98,200	104,100
Monday to Friday	**96,300**	97,200	103,100

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 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.

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

	YEAR ENDED DECEMBER 31		
	2010	2009	2008
Toronto Sun			
Saturday	**149,100**	145,700	159,200
Sunday	**247,200**	266,400	322,300
Monday to Friday	**180,200**	171,400	187,200

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 newspaper in its market and is published six days a week, Monday through Saturday.

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

	YEAR ENDED DECEMBER 31		
	2010	2009	2008
London Free Press			
Saturday	**81,400**	87,000	92,000
Monday to Friday	**73,000**	74,900	79,100

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*.

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

	YEAR ENDED DECEMBER 31		
	2010	2009	2008
Ottawa Sun			
Saturday	**37,900**	39,000	40,700
Sunday	**40,800**	42,900	45,500
Monday to Friday	**44,700**	46,600	48,400

Source: Internal Statistics

The *Ottawa Sun* also publishes the *Ottawa Pennysaver*, a free weekly community shopping guide with circulation of approximately 168,700 as of December 31, 2010, according to 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*.

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

	YEAR ENDED DECEMBER 31		
	2010	2009	2008
Winnipeg Sun			
Saturday	**34,000**	48,500	37,000
Sunday	**33,500**	45,500	44,300
Monday to Friday	**34,800**	50,000	38,500

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*.

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

	YEAR ENDED DECEMBER 31		
	2010	2009	2008
Edmonton Sun			
Saturday	**49,200**	50,500	58,000
Sunday	**58,800**	67,300	77,800
Monday to Friday	**51,400**	56,200	62,300

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*.

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

	YEAR ENDED DECEMBER 31		
	2010	2009	2008
Calgary Sun			
Saturday	**46,800**	48,300	51,600
Sunday	**60,900**	67,900	74,900
Monday to Friday	**45,700**	47,300	55,700

Source: Internal Statistics

Free daily newspapers

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

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

	Year ended December 31,		
FREE DAILY COMMUTER PUBLICATIONS	2010	2009	2008
24 Hours — Toronto	**246,300**	256,800	266,300
24 Heures — Montréal	**151,500**	148,600	145,000
24 Hours — Vancouver	**123,000**	120,700	138,900
24 Hours — Calgary	**36,000**	40,300	46,600
24 Hours — Edmonton	**35,800**	36,100	45,500
24 Hours — Ottawa	**34,600**	32,800	50,700

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 integrated Canoe's operations with Sun Media's operations under a unified executive leadership, we have launched e-editions of a number of Sun Media's newspapers, we have transferred the printing of several of our publications to two state-of-the-art facilities owned by Quebecor Media Printing (our wholly-owned subsidiary), we have created Quebecor Media Network, and our News Media Business is sharing editorial content with QMI News Agency. 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.

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 nine paid daily community newspapers, 155 community weekly newspapers and shopping guides, and 12 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, 2010 was approximately 2.9 million free

copies and approximately 0.5 million paid copies, according to internal statistics. The table below sets forth the average daily paid circulation and geographic location of the daily newspapers published by Sun Media's Community Newspaper Group for the year ended December 31, 2010:

NEWSPAPER[1]	LOCATION	AVERAGE DAILY PAID CIRCULATION
Recorder and Times	Brockville, Ontario	9,600
Beacon Herald	Stratford, Ontario	8,500
Simcoe Reformer	Simcoe, Ontario	6,500
Daily Herald Tribune	Grande Prairie, Alberta	6,300
Sentinel-Review	Woodstock, Ontario	5,400
St. Thomas Time-Journal	St. Thomas, Ontario	4,300
Miner & News	Kenora, Ontario	3,000
Fort McMurray Today	Fort McMurray, Alberta	2,800
The Daily Graphic	Portage La Prairie, Manitoba	2,100
Total Average Daily Paid Circulation		48,500

Source: Internal Statistics

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

As of December 31, 2010, Osprey Media's operations consisted of 19 daily newspapers and 31 non-daily newspapers as well as numerous specialty publications including shopping guides. The total average weekly circulation of the Osprey Media publications for the year ended December 31, 2010 was approximately 0.5 million free copies and approximately 2.0 million paid copies, according to internal statistics.

The table below sets forth the average daily paid circulation and geographic location of the daily newspapers published by Osprey Media for the year ended December 31, 2010:

NEWSPAPER	LOCATION (all in Ontario)	AVERAGE DAILY PAID CIRCULATION
Kingston Whig-Standard	Kingston	23,800
St. Catharines Standard	St. Catharines	21,400
Sudbury Star	Sudbury	16,900
Brantford Expositor	Brantford	16,800
Peterborough Examiner	Peterboroug	14,700
Sault Star	Sault Ste Marie	14,600
Sarnia Observer	Sarnia	13,200
Owen Sound Sun Times	Owen Sound	13,100
North Bay Nuggett	North Bay	12,500
Niagara Falls Review	Niagara Falls	11,900
Cornwall Standard-Freeholder	Cornwall	11,200
Welland Tribune	Welland	10,600
Belleville Intelligencer	Belleville	10,300
Chatham Daily News	Chatham	8,800
Timmins, The Daily Press	Timmins	7,400
Barrie Examiner	Barrie	6,200
Orillia Packet & Times	Orillia	5,600
Pembrooke, The Daily Observer	Pembrooke	5,000
Northumberland Today	Northumberland	4,100
Total Average Daily Paid Circulation		228,100

Source: Internal Statistics

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

Province	Number of Publications
Ontario	87
Quebec	54
Alberta	38
Manitoba	12
Saskatchewan	4
New Brunswick	1
Total Publications	196

Source: Internal Statistics

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 and Distribution

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

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

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.

Network

Sun Media's Urban Daily Group includes the distribution business of Messageries Dynamiques, which distributes dailies, weeklies, magazines and other electronic and print media and reaches approximately 200,000 households and 14,000 retail outlets through its operations in the Province of Quebec. In addition, we continue to leverage our printing capacities and distribution services with Quebecor Media Network which offers flyer printing and distributing across Canada.

Television

On November 26, 2010, the CRTC granted its approval for *Sun News*, a Category Two digital specialty TV channel license focused on news and opinion that we will control through TVA Group (51%) and Sun Media (49%). *Sun News* will offer comprehensive coverage of the events that impact Canadian society and the country's political and economic life. We expect to cease *Sun TV*'s activities after the launch of *Sun News*, which is expected to occur in the spring of 2011. See also Note 24 (Corporate reorganization) to our audited consolidated financial statements contained in "Item 17. Financial Statements" of this annual report.

Internet/Portals

Canoe is an integrated company offering e-commerce, information and communication services. It owns the Canoe Network, which, according to the ComScore December 2010 Media Metrix survey, attracts more than 8.7 million unique visitors per month in Canada, including more than 4.1 million in the Province of Quebec, and ranks as the number one general news destination in Canada. Canoe also owns Jobboom Publishing, Quebec's leader in employment and career publishing. Brought together, Canoe's complementary operations form one of the most complete portfolios of Internet related properties in Canada.

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

Media Properties

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

- Canoe (*canoe.ca*), a bilingual, integrated media and Internet services network and one of Canada's leading Internet portals with more than 444 million page views in December 2010, according to Canoe internal statistics;
- TVA Group and Le Canal Nouvelles TVA ("**LCN**") (*tva.canoe.com* and *lcn.canoe.com*) dedicated websites for the TVA television network and the LCN all-news channel (both owned by our subsidiary TVA Group), which has begun streaming TVA and LCN programming live on the websites; in addition, Canoe has developed and operates several websites for popular TVA Group programs, such as *Occupation Double* (*occupationdouble.com*);
- Sun Media dedicated websites for the weeklies and dailies newspapers (such as *torontosun.com*, *edmontonsun.com*, *lejournaldequebec.canoe.ca* and *lejournaldemontreal.canoe.ca*), which provide local and national news;
- *Canoe.tv*, the first Canadian web broadcaster with unique content commissioned by Canoe.tv in addition to video content from traditional sources including Quebecor Media, the Sun Media network of newspapers and various external partners;
- Argent and Canoe Money (*argent.canoe.ca* and *money.canoe.ca*), a financial website which offers, among other things, a variety of services ranging from financial information to portfolio management tools. It is owned by TVA Group but maintained and operated by Canoe;

- Yoopa (*yoopa.ca*), a website dedicated to children and families that Canoe acquired in September 2007 and operates for and on behalf of TVA Group; and
- CanoeKlix (*canoeklix.com*), a pay-per-click advertising solution developed by Canoe and launched in 2006.

E-commerce Properties

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

- *Jobboom.com*, a unique Web-based employment site with over 2.5 million members at December 31, 2010, which also includes Édition Jobboom (careers book editors) and Jobboom Formation (an Internet directory of continuing education services);
- *Autonet.ca*, one of Canada's leading Internet sites devoted entirely to automobiles;
- *Canoeclassifieds.ca* and *Vitevitevite.ca* (formerly *canoeclassees.ca*), classified ad sites through which visitors can view more than 50,000 classified ads, reaching potential purchasers across the country by integrating more than 250 dailies and community newspapers;
- Micasa.ca, one of the leading real-estate listing sites in the Province of Quebec, providing comprehensive property listing services available to all real estate brokers as well as individual homeowners;
- *ReseauContact.com*, a French dating and friendship site with approximately 330,000 unique visitors in November 2010, according to ComScore Media Metrix; and
- *EspaceCanoe.ca*, an advanced technology platform for social communities that supports the sharing of videos, photos and opinions by users in an innovative Web 2.0-type environment.

Seasonality and Cyclicality

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

Our newspaper business is cyclical in nature. 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 2010, the total newsprint consumption of our newspaper operations was approximately 144,000 metric tonnes. Newsprint represents our single largest raw material expense and one of our most significant operating costs. Newsprint expense represented approximately 9.8% ($81.4 million) of our News Media segment's operating expenses for the year ended December 31, 2010. 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. Our agreement with our Newsprint Supplier is a short-term agreement, 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 our liquidity, results of operations and financial condition. For additional information see "Key Information — Risk Factors — Risks Relating to Our Business — 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."

Broadcasting

Through TVA Group, we are the largest private-sector broadcaster of French-language entertainment, information and public affairs programs in North America. According to data published by the BBM People Meters (which is based on a measurement methodology using audimetry), we had a 25.1% market share of French-speaking viewers in the Province of Quebec in 2010 and according to the Canadian TVB Report for the period from January 1, 2010 through October 31, 2010, our share of the Province of Quebec's French-language broadcast television advertising market was 38.0%.

In 2010, we aired eight of the ten most popular TV programs in the Province of Quebec, including *Le Banquier, Des Nouvelles de Céline, Le Gala Artis* and *Occupation Double à Whisler*. In addition, in 2010, the Réseau TVA ("**TVA Network**") had 22 of the top 30 French-language prime time television shows, according to BBM People Meter data. Since May 1999, the TVA Network, which consists of ten stations, has been included in the basic channel line-up of most cable and satellite providers across Canada, enabling us to reach a significant portion of the French-speaking population of Canada outside the Province of Quebec.

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, *Télé achats*, a French-language infomercial and tele-shopping channel, *Argent*, an economic, business and personal finance news service, *mysteryTV*, a national English-language Category One specialty television service devoted to mystery and suspense programming, *addikTV*, a national French-language Category One specialty television service devoted to mystery and suspense programming, *Prise 2*, a French-language Category Two specialty television service devoted to the Province of Quebec and American television classics, *The Cave*, a national English-language Category One specialty television service dedicated to the Canadian man's lifestyle, *CASA*, a French-language Category Two specialty television service devoted to home-improvements, do-it-yourself and cooking and *YOOPA*, a French-language Category Two specialty television service aimed exclusively at preschoolers. On November 26, 2010, the CRTC granted its approval for *Sun News*, a Category Two digital specialty TV channel license focused on news and opinion that we will control through TVA Group and Sun Media. *Sun News* will offer comprehensive coverage of the events that impact Canadian society and the country's political and economic life.

TVA Group publishes more than 70 magazines including regular, special and seasonal issues. Its principal magazines focus on five market niches: entertainment, fashion and beauty, decoration, teenagers and services. It is also active in the custom publishing segment and operates websites in order to broadcast its trademarks on different digital platforms.

Through TVA Group, we also control *Sun TV*, a television station in Toronto, Ontario. *Sun TV*'s license has been renewed and is expiring on March 31, 2011, along with most English private television networks in Canada. However, since some policy decisions tend to be reported, for example regarding a fee for carriage and the

Canada-wide plan for digital over-the-air television broadcasting, we expect the CRTC to issue administrative renewals in order to provide enough time to prepare and process the renewal applications.

In 2009, 253,300 Class B shares of TVA Group were repurchased under a Normal Course Issuer Bid for a total cash consideration of $2.6 million in 2009. No shares were repurchased in 2010 under such a program. In the year ended December 31, 2008, TVA Group repurchased 3,000,642 Class B shares under the Substantial Issuer Bid dated April 1, 2008 and amended on May 14, 2008, for a total cash consideration of $51.4 million. As a result of these repurchases, Quebecor Media's interest in TVA Group increased from 45.2% as of December 31, 2007 to 51.4% as of December 31, 2010.

As at December 31, 2010, we own 51.4% of the equity and control 99.9% of the voting power in TVA Group.

For the year ended December 31, 2010, our Broadcasting operations generated revenues of $448.2 million and operating income of $76.2 million. For the year ended December 31, 2009, our Broadcasting operations generated revenues of $439.0 million and operating income of $80.0 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 Quebec: Société Radio Canada, "V" (previously known as "TQS Network") and TVA Network. In addition to French language programming, there are three English-language national broadcast networks in the Province of Quebec: the Global Television Network, CTV and the Canadian Broadcasting Corporation, known as CBC. Global Television Network, V and CTV are privately held 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 Quebec also have access to certain U.S. networks, either directly over the air or via broadcast distributors.

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 Quebec in 2010:

Network	Share of Province of Quebec Television
TVA Network	25.1%
Societé Radio Canada	12.4%
V	7.3%
Various French language specialty and pay cable TV	44.0%
Others	11.2%

Source: BBM People Meters 2010 for the period between January 1, 2010 and December 31, 2010.

Digital Transition

In its Broadcasting Regulatory Policy with respect to digital transition, the CRTC identified the major markets where it expects conventional broadcasters to convert, before August 31, 2011, their full-power, over-the-air analog transmitters to digital. The only market where TVA Group is present and where the conversion is not mandatory is Rimouski.

Television Broadcasting

French language Market

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 Noranda, CHOT-TV in Gatineau, CHAU-TV in Carleton and CIMT-TV in Rivière-du-Loup. We own a 45% interest of the latter two. Approximately 85% to 95% 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.

English-language Market

We own, through TVA Group, the English-language television station *Sun TV* (CKXT-TV). *Sun TV* broadcasts in the Greater Toronto area, Canada's largest market, as well as in Hamilton, Ontario. *Sun TV*'s broadcast schedule includes a mixture of original local programming designed to reflect the diverse lifestyle, culture and sports interests of the Toronto-Hamilton market. The schedule also addresses the many tastes and preferences of its market with an appealing variety of well known acquired American programming such as "60 Minutes" along with a blend of situation comedies, talk shows, and primetime movies. *Sun TV*'s signal is transmitted from a main transmitter on the CN Tower and a rebroadcast transmitter in Hamilton. In 2008, TVA Group's completed the implementation of digital retransmitters permitting *Sun TV* to be rebroadcast for analog television and transitional digital television in the Ottawa and London (Ontario) markets, subject to national advertising only.

On November 26, 2010, the CRTC granted its approval for *Sun News*, a Category Two digital specialty TV channel license focused on news and opinion that we will control through TVA Group (51%) and Sun Media (49%). *Sun News* will offer comprehensive coverage of the events that impact Canadian society and the country's political and economic life. We expect to cease *Sun TV*'s activities after the launch of *Sun News*, which is expected to occur in the spring of 2011.

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, 2010, we derived approximately 74% of our advertising revenues from national advertisers and 26% 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 majority 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 1560 hours of original programming from January 2010 through December 2010, consisting primarily of soap operas, morning and general interest shows, variety shows and quiz shows.

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

Specialty Broadcasting

TVA Group controls or participates in 10 specialty services other than television over the air, including the following:

Type of Service	Language	Voting Interest
Analog Specialty Services:		
• *LCN – Le Canal Nouvelles*	French	100.0%
• *Évasion*	French	8.3%
Category One Digital Specialty Services:		
• *The Cave*	English	51.0%
• *mysteryTV*	English	50.0%
• *addikTV*	French	100.0%
• *Argent (LCN – Affaires)*	French	100.0%
Category Two Digital Specialty Services:		
• *Prise 2*	French	100.0%
• *CASA*	French	100.0%
• *YOOPA*	French	100.0%
Exempted Programming Service:		
• *Télé achats*	French	100.0%

LCN

LCN, is a 24-hour broadcast format comprised mainly of news, sports and weather components, updated on a regular basis. *LCN* went on the air in 1997 and had approximately 2.3 million subscribers as of December 2010, according to internal statistics. *LCN*'s revenues are primarily derived from subscription revenues and sale of air-time to national advertisers.

Argent

Argent broadcasts economic, business and personal finance news. This channel benefits from the expertise and knowledge of TVA Group's news team, as well as TVA Group's presence in every Quebec region. *Argent* is developing a unique niche by offering a business focused product that has never before been offered in the Province of Quebec's television market. *Argent* is providing an essential service in the Province of Quebec's economy by promoting businesses of all sizes and explaining and commenting on the business and financial news that will impact Quebec's economic future. *Argent* began broadcasting in February 2005.

Évasion

Évasion is a national French-language television specialty service that is dedicated exclusively to tourism, adventure and travel. *Évasion* began broadcasting in January 2000.

The Cave

The Cave (formerly *Men TV*) is a national English-language Category One specialty television service dedicated to the Canadian man's lifestyle with programming related to the luxury market, the gourmet market, men's beauty and fitness, the book and music market, outdoor adventures and leisure sports. *The Cave* began broadcasting in September 2001.

mysteryTV

mysteryTV is a national English-language Category One specialty service devoted to current suspense and crime drama franchises. It also offers a lot of "thrillers" and "drama" type movies. This service aims at being the destination for compelling and engrossing television. *mysteryTV* began broadcasting in September 2001.

addikTV

addikTV (formerly *Mystère*) is a national French-language Category One specialty television service. Since August 2010, *addikTV*'s programming has been modified so as to become a channel dedicated to the presentation of popular Canadian and American movies and television series. In 2008, *addikTV* was also launched in high-definition.

Prise 2

Prise 2 is a national French-language Category Two specialty television service devoted to the Province of Quebec and American classics. *Prise 2* began broadcasting in February 2006.

CASA

CASA (formerly *Les idées de ma maison*) is a national French-language Category Two specialty television service devoted to renovation, do-it-yourself and cooking. *CASA* began broadcasting in February 2008.

YOOPA

YOOPA is a French-language Category Two specialty television service aimed exclusively at preschoolers. *YOOPA* began broadcasting in April 2010.

Télé achats (Home Shopping Service; Infomercials)

TVA Group also owns 100% of home-shopping specialty channel *Télé achats*, a programming service that the CRTC has exempted from licensing requirements. Through TVA Boutiques Inc., we also operate *Shopping TVA*, a daily one-hour home tele-shopping service broadcast on the TVA Network, as well as *Télé achats*, a 24-hour infomercial and tele-shopping channel.

Magazine Publishing

TVA Publications Inc. ("**TVA Publications**") publishes more than 70 magazines (which include its regular publications, special issues and seasonal publications). Its principal magazines focus on five main market niches: entertainment, fashion and beauty, decoration, teenagers and services. According to the Audit Bureau of Circulations, TVA Publications represented approximately 73% of newsstand sales of French language magazines in the Province of Quebec as of December 31, 2010. TVA Publications is the leading magazine publisher in the Province of Quebec 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 *zik.ca* and *Jelis.ca* services, distribution of CDs and DVDs and Blu-ray discs (through Select, a division of Archambault Group), online music distribution by way of file transfer (through Select Digital, a division of Archambault Group), music recording and video production (through Musicor, a division of Archambault Group), the recording of live concerts, the production of live-event video shows and television advertising (through Les Productions Select TV, a subsidiary of Archambault Group) and the production of music shows and concerts (through Musicor Spectacles, a division of Archambault Group). Through its 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**"), 13 general literature publishers under the Groupe Sogides Inc. ("**Sogides Group**") umbrella, and Messageries A.D.P. Inc. ("**Messageries A.D.P.**"), the exclusive distributor for approximately 165 Quebec and European French-language publishers.

For the year ended December 31, 2010, the revenues of our Leisure and Entertainment segment totalled $302.5 million and operating income totalled $27.5 million. For the year ended December 31, 2009, the revenues of our Leisure and Entertainment segment totalled $307.8 million and operating income totalled $25.9 million.

Cultural Products Production, Distribution and Retailing

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

Archambault Group, through Select, is also one of the largest independent music distributors in Canada with 20% of the Province of Quebec market and 64% of the Province of Quebec French market. Select has a catalogue of over 5,463 different CDs, 1,318 DVDs and VHS videos, a large number of which are from French speaking artists. In addition, Archambault Group, through Select Digital, is a digital aggregator of downloadable products with a selection of approximately 77,000 songs available through 192 retailers worldwide.

Book Publishing and Distribution

Through Sogides Group (which is comprised of 13 publishing houses: six in Groupe Librex inc., namely Éditions Libre Expression, Éditions Internationales Alain Stanké, Éditions Logiques, Éditions du Trécarré, Éditions Quebecor and Publistar, four in Groupe l'Homme, namely Les Éditions de l'Homme, Le Jour, Utilis, Les Presses Libres and three in Groupe Ville-Marie Littérature inc., namely L'Hexagone, VLB Éditeur and Typo) and the academic publisher CEC Publishing, we are involved in French-language book publishing and we form one of the Province of Quebec's largest book publishing groups. In 2010, we published or reissued a total of 618 titles.

Through Messageries ADP, our book distribution company, we are the exclusive distributor for 165 Province of Quebec and European French-language publishers. We distribute French-language books to approximately 2,750 retail outlets in Canada.

Ownership

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

Interactive Technologies and Communications

Through our Nurun subsidiary, we provide interactive communication and technology services in North America, Europe and China. Nurun helps companies and other organizations develop interactive strategies, including strategic planning and interface design, technical platform implementation, online marketing programs, client relationships and social media strategy. Nurun's clients include organizations and multinational corporations such as L'Oréal, Groupe Danone, BRP, Tag Heuer, SEAT, AT&T, Videotron, Home Depot, Ferrero, Chivas Regal, Telecom Italia, Sears Canada and the Government of Quebec.

For the year ended December 31, 2010, our Interactive Technologies and Communications segment generated revenues of $98.0 million and operating income of $6.0 million. For the year ended December 31, 2009, our Interactive Technologies and Communications segment generated revenues of $91.0 million and operating income of $4.1 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 has a policy of self-insurance when the foreseeable losses from self-insurance are low relative to the cost of purchasing third-party insurance. 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.

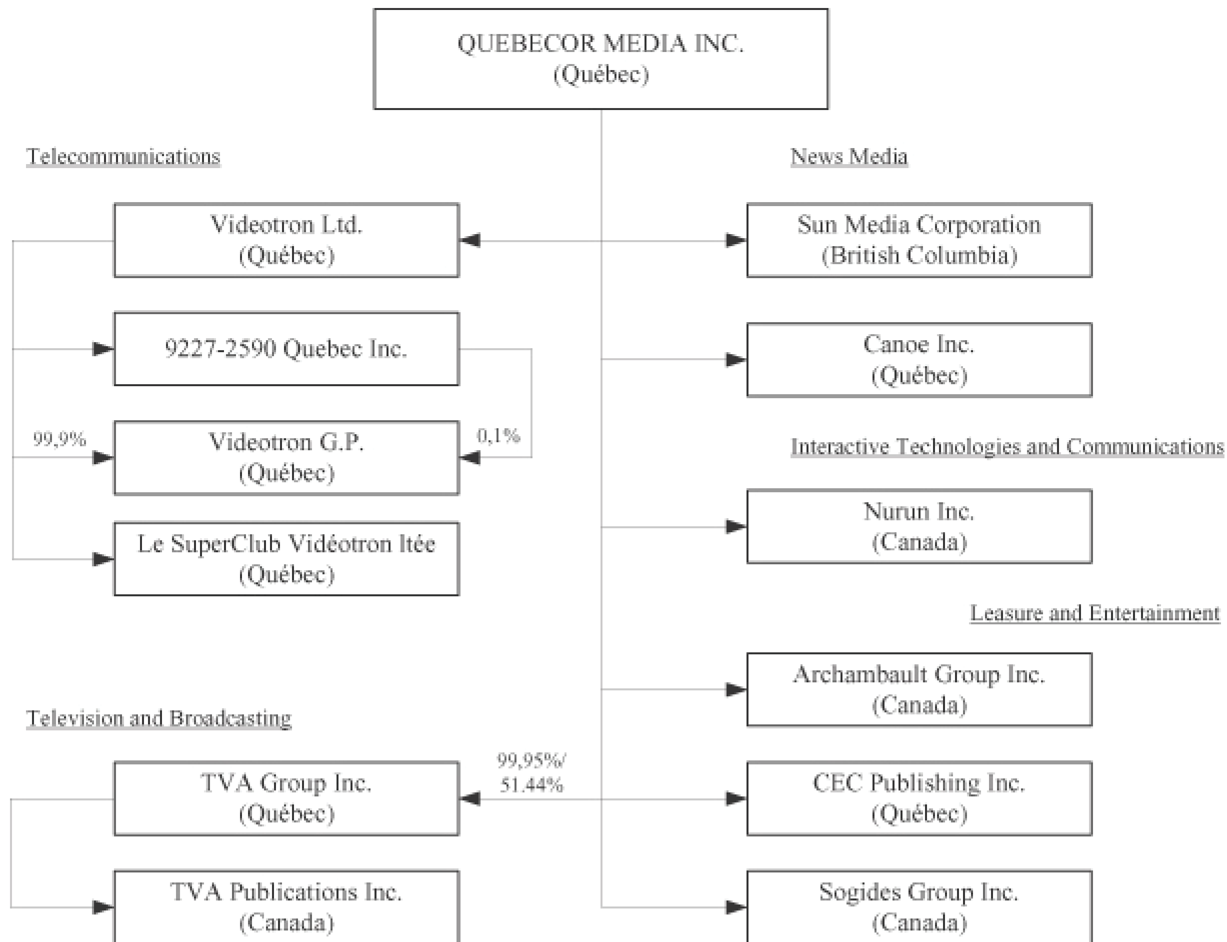
Environment

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

Our properties, as well as areas surrounding those properties, particularly those in areas of long-term industrial use, may have had historic uses, or may have current uses, in the case of surrounding properties, which may affect our properties and require further study or remedial measures. We are not currently conducting or planning any material study or remedial measure. 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 January 1, 2011 and shows 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 54.72% of Quebecor Media and CDP Capital, a wholly-owned subsidiary of the *Caisse de dépôt et placement du Québec*, owns the other 45.28% of Quebecor Media. Quebecor's primary asset is its interest in Quebecor Media. The *Caisse de dépôt et placement du Québec* 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, Quebec, Canada H3C 4M8.

Telecommunications

Videotron's corporate offices are located in leased space at 612 St-Jacques Street, Montréal, Quebec, Canada H3C 4M8, 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 50,000 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 where its regional headend for the Québec City region is located. 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 and Osprey Media's principal business offices are located at 333 King Street East, Toronto, Ontario, Canada M5A 3X5, and 100 Renfrew Drive, Suite 110, Markham, Ontario, Canada L3R 9R6.

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 2250 Islington Avenue[1]	Operations building, including printing plant — *Toronto Sun* *24 Hours* (Toronto)	531,400
Mirabel, Quebec 12800 Brault Street[2]	Operations building, including printing plant — *Journal de Montréal* *24 Heures* (Montréal)	235,000
London, Ontario 369 York Street	Operations building, including printing plant — *London Free Press*	147,600
Calgary, Alberta 2615-12 Street NE	Operations building, including printing plant — *Calgary Sun*	90,000
Vanier, Quebec 450 Bechard Avenue	Operations building, including printing plant — *Journal de Québec*	74,000
Toronto, Ontario 333 King Street East	Operations building — *Toronto Sun* and Head Office *(leased until 2020)*	70,000
Montréal, Quebec 4545 Frontenac Street[2]	Operations building — *Journal de Montréal*	69,900
Peterborough, Ontario 730 Kingsway	Operations building, *Peterborough Examiner*	63,000
Winnipeg, Manitoba 1700 Church Avenue	Operations building, including printing plant — *Winnipeg Sun*	63,000
St. Catharines, Ontario 17 Queen Street	Operations building — *St. Catharines Standard*	56,300
Edmonton, Alberta 9300-47 Street	Printing plant — *Edmonton Sun*	50,700

[1] In 2008, printing of the Toronto Sun was fully transferred to Quebecor Media Printing's facility in Islington, Ontario.
[2] In 2008, printing of the *Journal de Montréal* was fully transferred to Quebecor Media Printing's facility in Mirabel, Quebec.

Television Broadcasting

Our television broadcasting operations are mainly carried out in Montréal at 1600 De Maisonneuve Boulevard in a complex of four buildings owned by us which represent a total of approximately 574,000 square feet. We also own buildings in Québec City, Chicoutimi, Trois Rivières, Rimouski and Sherbrooke for local broadcasting and lease space in Montréal for TVA Publications.

Leisure and Entertainment segment and Interactive Technologies and Communications segment

We generally lease space for the business offices and retail outlets 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.

E – Regulation

Foreign Ownership Restrictions Applicable under the Telecommunications Act (Canada) and the Broadcasting Act (Canada)

On July 12, 2007, the Canadian Minister of Industry announced the creation of a Competition Policy Review Panel. This Panel was mandated to review key elements of Canada's competition and investment policies to ensure that they function effectively. The fundamental task of the Panel's review was to provide recommendations to the Government of Canada on how to enhance Canadian productivity and competitiveness. Foreign ownership restrictions on broadcasting and telecommunications undertakings were identified as an important issue. Quebecor Media, like several other interested parties, has filed a submission. In June 2008, the Panel filed its report. This report recommended that the federal government adopt a two-phased approach to foreign participation in the telecommunications and broadcast industry. In the first phase, it was suggested that the Minister of Industry seek an amendment to the Telecommunications Act to allow foreign companies to establish a new telecommunications business in Canada or to acquire an existing telecommunications company with a market share of up to 10% of the telecommunications market in Canada. In the second phase, it was recommended that, following a review of broadcasting and cultural policies (including foreign investment), telecommunications and broadcasting foreign investment restrictions be liberalized in a manner that is competitively neutral for telecommunications and broadcasting companies.

On March 3, 2010, the Throne Speech opening the new session of Parliament reintroduced the Government's objective to relax the foreign ownership restrictions. The most recent round of consultations of this subject was held in June and July 2010. A consultation document issued by the Government at that time listed three options for loosening restrictions: (1) increase the direct limit for foreign ownership of broadcasting and telecommunication companies to 49 percent; (2) permit unrestricted foreign investment in start-up telecommunications companies as well as existing small industry players, defined as those with less than 10 percent of total telecommunications revenues in Canada; and (3) remove the telecommunications restrictions completely. Public statements by the Minister of Industry have since indicated that the Government seeks to enact its chosen option in time for the next wireless spectrum auction, which is expected to be held in late 2012 or early 2013.

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 company that controls the subsidiary, and neither the parent company nor its directors may exercise control or influence over any programming decisions of the subsidiary if Canadians beneficially own and control less than 80% of the issued and outstanding shares and votes of the parent corporation, if the chief executive officer of the parent corporation is a non-Canadian or if less than 80% of the parent corporation's directors are Canadian. There are no specific restrictions on the number of non-voting shares which may be owned by non-Canadians. Finally, an applicant seeking to acquire, amend or renew a broadcasting license must not otherwise be controlled in fact by non-Canadians, a question of fact which may be determined by the CRTC in its discretion. Control is defined broadly in the Direction to mean control in any manner that results in control in fact, whether directly through the ownership of securities or indirectly through a trust, agreement or arrangement, the ownership of a corporation or otherwise. 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"

On January 15, 2008, the CRTC issued its determination in Broadcasting Public Notice CRTC 2008-4, entitled "*Diversity of Voices*". In this public notice, the CRTC introduced new 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**"). The CRTC's existing policies with respect to the common ownership of over-the-air ("**OTA**") television and radio undertakings remain in effect. 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 programming 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 (Decision CRTC 2010-87). 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. Videotron operates 44 of these exempted cable systems.

In Broadcasting Decision CRTC 2008-100, the CRTC announced the regulatory framework for BDUs and discretionary programming services. The CRTC has decided to exempt from its licensing requirements broadcasting distribution companies with fewer than 20,000 subscribers, harmonize as much as possible the rules between satellite and terrestrial distribution companies, eliminate most rules governing how channels are packaged, modify its approach to dispute resolution for complaints that involve allegations of undue preference or undue disadvantage, require broadcasting distribution companies to continue offering a basic service package after the transition to digital, and initiate proceedings to explore how new forms of digital and interactive advertising could benefit the broadcasting system as a whole.

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.

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 2 digital services and video-on-demand services.

Broadcasting Distribution Regulations

The Broadcasting Distribution Regulations enacted in 1998 (the "**1998 Regulations**"), apply to distributors of broadcasting services or broadcasting distribution undertakings in Canada. The 1998 Regulations promote competition between broadcasting distribution undertakings and the development of new technologies for the distribution of such services while ensuring that quality Canadian programs are exhibited. 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, 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. The CRTC, however, has suspended the application of these requirements to DTH satellite operators for a period of time, so long as they undertake certain alternative measures, including monetary compensation to a fund designed to help finance regional television productions.
- *Canadian Programming and Community Expression Financing Rules*. 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. However, the allocation of these contributions between broadcast and community programming can vary depending on the type and size of the distribution system involved. In Broadcasting Regulatory Policy 2009-406 issued on July 6, 2009 with respect to the Local Production Improvement Fund ("**LPIF**"), a fund created to help finance local television stations, the CRTC determined that for the upcoming broadcast year the appropriate contribution level by BDUs to the LPIF should be 1.5% of their respective gross revenues. Broadcasting Regulatory Policy 2010-167 identified further procedural requirements with respect to the LPIF, and maintained the contribution level of 1.5% of the prior broadcast year's gross revenues derived from broadcasting activities.
- *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 2011-59, the CRTC established standard conditions of license to video-on-demand (“**VOD**”) undertakings pursuant to which exclusive programming rights were prohibited.

On January 26, 2011, in Decision CRTC 2011-48, the CRTC set out its findings on complaints filed by TELUS and Bell concerning exclusive TVA content on Videotron’s illico on Demand service. The CRTC found that TVA and/or Videotron had contravened applicable regulations that prohibit them from giving an undue preference or subjecting any person to an undue disadvantage. To remedy the violations, the CRTC set out requirements including that TVA programs distributed on VOD be provided without delay to TELUS and to Bell and that, within thirty days following the date of the decision, the parties negotiate an agreement for the provision of TVA programming by VOD services or agree on a process for determining a reasonable fee and reasonable terms and conditions for the provision of TVA programming by VOD services. On February 25, 2011, TVA and Videotron filed with the CRTC two separate reports on the progress of negotiations with TELUS and Bell. An application for leave to appeal the decision has been filed with the Federal Court of Appeal.

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 for non-basic services. The basic service fees charged by Class 1 (6,000 customers or more) cable providers are regulated by the CRTC until true competition exists in a particular service area. For all but two service areas, accounting for less than 6% of our subscribers, our basic service fees for our customers have been deregulated. The new distribution policy issued on October 30, 2008 announced that all retail rate regulations will be withdrawn on August 31, 2011.

The CRTC further restricts installation fees to an amount that does not exceed the average actual cost incurred to install and connect the outlet to a household situated in a residential area.

Other recent changes to regulations which have been announced

In connection with a corporate reorganization in February 2011 and pursuant to Broadcasting Decision CRTC 2011-51, the CRTC, (i) authorized Videotron General Partnership (“**Videotron GP**”), a partnership formed by Videotron and its wholly-owned subsidiary 9227-2590 Québec inc., to acquire the assets of the broadcasting undertakings of Videotron and (ii) approved the issuance to the partners of Videotron GP of new broadcasting licenses allowing them to continue operating the said broadcasting undertakings under the same terms and conditions as the licenses held by Videotron with respect to such broadcasting undertakings.

In Broadcasting Notice of Consultation CRTC 2010-860-1, the CRTC called for applications to operate a French-language general interest pay television. The Commission seeks comments on its preliminary view that opening up the general interest pay services genre to competition in the French-language market would not offer more diversity to consumers. If the Commission determines that this preliminary view cannot be sustained, it is prepared, in the context of this call, to entertain applications for a second French-language general-interest pay television service that would be directly competitive with Super Écran.

In Broadcasting Notice of Consultation CRTC 2010-783, the CRTC initiated a public proceeding to review its regulatory framework relating to vertical integration. In light of the growing trend of industry consolidation

and the transition to digital technology, the CRTC will hold a public hearing in June 2011 to consider whether it is appropriate that it expand upon existing safeguards, including in particular the reverse onus provisions as they apply to undue preference or disadvantage allegations, so as to better take into account systemic changes in the broadcasting industry. It is the CRTC's preliminary view that the reverse onus provisions should be made generally applicable to all programming undertakings as well as to all broadcasting distribution undertakings. The CRTC also intends to review and, where appropriate, update the issues examined in Broadcasting Public Notice 2005-35. The CRTC notes that the aim of this public hearing is to put in place norms for commercial interaction amongst interested parties within the broadcasting sector that would provide all players with a fair opportunity to negotiate for such key elements as programming rights and details of carriage. With specific regard to programming rights, the CRTC reiterates its view that generally it prefers to see distribution of programs on a non-exclusive basis, as this enhances consumer choice and furthers a competitive workplace.

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 6, 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 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 August 31, 2009, the CRTC announced that it had made amendments to the Broadcasting Distribution Regulations, the Television Broadcasting Regulations (1987), the Pay Television Regulations (1990) and the Specialty Services Regulations (1990). These amendments introduce a requirement that contributions to Canadian programming be remitted on a monthly basis and reconciled on an annual basis. Among other things, the amended regulations:

- establish the evidentiary burden to be applied when assessing complaints of undue preference or disadvantage against BDUs;
- provide that pay television and specialty television undertakings whose programming services BDUs are required to distribute cannot withhold their signals during a dispute resolution process before the CRTC;
- provide that pay television and specialty television services whose programming services are required to be distributed must ensure that their signals are transmitted to distribution undertakings; and
- provide that television broadcasting undertakings cannot give an undue preference to any person or subject any person to an undue disadvantage.

The CRTC renewed on July 6, 2009, the broadcasting licenses for the French-language national television network, TVA Network, and the French-language television programming undertakings CFTM-TV Montréal, CFCM-TV Québec, CHEM-TV Trois-Rivières, CJPM-TV Saguenay, CHLT-TV Sherbrooke and CFER-TV Rimouski, from September 1, 2009 to August 31, 2011. This short-term renewal will allow the CRTC to consider the next renewal for the licenses issued to TVA Group at the same time as it examines the license requirements for its competitors, V (formerly TQS inc.) and the French-language television stations operated by the Canadian Broadcasting Corporation (Broadcasting Decision CRTC 2009-410).

On March 27, 2009, the CRTC approved the application by Quebecor Media on behalf of TVA Group, to suspend conditions of license in order to be subject to the Journalistic Independence Code approved by the CRTC and established by the Canadian Broadcast Standards Council (CBSC). This new journalistic code will allow cooperation between all of Quebecor Media's affiliates, including its newspapers, provided however that TVA Group remains a distinct editorial voice from the other information organizations and that all editorial decisions for the TV programming are made by TVA Group's management (Broadcasting Decision CRTC 2009-162). The prohibition for newspapers and TV newsrooms to communicate is now removed.

Copyright Board Proceedings

Certain copyrights in radio, television, Internet and pay audio content are administered collectively and tariff rates are established 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.

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.

In March 2004, the Copyright Board changed the name of this tariff from Tariff 17A to Tariff 17 and rendered its decision setting Tariff 17 royalty rates for 2001 through 2004. The Copyright Board changed the structure of Tariff 17 to calculate the royalties based on the revenues of the pay and specialty programming services (affiliation payments only in the case of foreign and pay services, and all revenues in the case of Canadian specialty services) and set a basic royalty rate of 1.78% for 2001 and 1.9% for 2002 through 2004. The basic royalty rate is subject to reductions in certain cases, although there is no Francophone market discount. SOCAN has agreed, by filing proposed tariffs, that the 2005 to 2010 tariffs will continue on the same basis as in 2004, the royalty rate remaining at 1.9%.

Royalties for Commercial Television

SOCAN's Tariff 2.A requires the payment of royalties by commercial television stations to SOCAN in compensation for the right to communicate to the public by telecommunication, in Canada, musical or dramatico musical works forming part of its repertoire. The tariff has been set at a percentage of a television station's revenues since 1959. In January 1998, the Copyright Board reduced the then applicable rate from 2.1% to 1.8% and set up a "modified blanket license," allowing television stations to "opt out" of the traditional blanket license for certain programs.

In March 2004, the Copyright Board certified SOCAN's Tariff 2.A. for the years 1998 to 2004. According to the certified tariff, a commercial television station pays, for the standard blanket license in 1998, 1999, 2000 and 2001, 1.8% of the station's gross income for the second month before the month for which the license is issued. For the year 2002 and thereafter, this rate is increased to 1.9%.

SOCAN filed new proposed tariffs with the Copyright Board for the years 2008, 2009, 2010 and 2011. SOCAN is not seeking any increase or modifications to the current tariff. The royalties are maintained at 1.9% for the years 2008 through 2011, and a station still has the option to opt out of the traditional blanket license, but on a monthly basis. This election is allowed only twice in each calendar year.

SOCAN's proposed Tariff 22.D would require television stations, including TVA, to pay for communications of musical works as part of audiovisual works from Internet sites. Pursuant to the proposed Tariff 22.D, the royalty would be the greater of 15% of Internet gross revenues or 15% of Internet gross operating expenses, with a minimum monthly fee of $200. The proposed tariff has been contested by the industry.

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, 2009, 2010 and 2011that proposes to maintain those rates.

For its part, NRCC filed a proposed Pay Audio Tariff for the period 2007-2011 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.

Royalties by Online Music Services

Archambault Group operates an online music downloading service, known as zik.ca, with per-track fees. 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.

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.

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.

Canadian Broadcast Programming (Off the Air and Thematic Television)

Programming of Canadian Content

CRTC regulations require licensees of television stations to maintain a specified percentage of Canadian content in their programming. Television broadcasters are subject to regulations requiring that, over the broadcast year and over any six-month period specified in the license, a minimum of 60% of the aggregate programming shown during the broadcast day (a continuous 18-hour period between 6:00 a.m. and 1:00 a.m. the following day) must be of Canadian origin. Canadian origin is most commonly achieved on the basis of a points system requiring that a number of creative and production staff be Canadian and that specified Canadian production expenditure levels be met. In addition, not less than 50% of the aggregate programming between the hours of 6:00 p.m. and 12:00 midnight over the broadcast year must be of Canadian origin. Specialty or thematic television channels also have to maintain a specified percentage of Canadian content in their programming generally set forth in the conditions of their license. At the time of its license renewal, a licensee shall devote not less than 55% of the broadcast year and of any six-month period specified in a condition of license to the broadcasting of Canadian programs.

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

Broadcasting License Fees

Broadcasting licensees are subject to annual license fees payable to the CRTC. The license fees consist of two separate fees. One fee allocates the CRTC's regulatory costs for the year to licensees based on a licensee's proportion of the gross revenue derived during the year from the licensed activities of all licensees whose gross revenues exceed specific exemption levels. The other fee, also called the Part II license fee, for broadcasting undertakings, is 1.365% of the amount by which its gross revenue derived during the year from its licensed activity exceeds $1,500,000. The total annual Part II license fees to be paid by broadcasters are now capped to the lesser of the current Part II license fees, calculated according to section 11 of the Regulations, and $100 million, adjusted annually after 2010 by changes in the Consumer Price Index. Our broadcasting activities are subject to both fees.

In a call for comments regarding certain aspects of the regulatory framework for over-the-air television, we had asked the regulator to consider leaving off-the-air TV networks like TVA to negotiate a fee with broadcast distributors for the carriage of the signal. We have also asked to remove any obligations to use independent producers so that TV broadcasters can more often own intellectual property of TV programs and become able to exhibit such programs on new platforms as much as possible. On March 22, 2010, in Broadcasting Regulatory Policy CRTC 2010-167, the CRTC referred the question of its jurisdiction on a proposed regime for value for signal to the Federal Court of Appeal. On February 28, 2011, the Federal Court of Appeal rendered its decision determining that the CRTC has the power to establish a system to enable private local television stations to choose to negotiate with broadcasting distribution undertakings a fair value in exchange for the distribution of the programming services broadcast by those stations. Parties or intervenors who disagree with this decision have sixty days to file an application for leave to appeal to the Supreme Court of Canada.

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 Canadian broadcast carrier. Videotron also operates its own 3G+ mobile wireless network and offers services over this network as a Wireless Service Provider ("**WSP**").

The issuance of licenses for the use of radiofrequency 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.

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.

On April 6, 2006, the CRTC issued its framework for the forbearance from regulation of local telephone services offered by the ILECs. On April 4, 2007, in response to a petition filed by Bell Canada and the other ILECs, the Governor in Council issued an order varying this framework. The order eliminated forthwith all restrictions on local telephone winback and promotional activities in all geographic markets, and further established a local forbearance framework whereby: (i) residential local exchange services and business local exchange services are in different relevant markets; (ii) the relevant geographic market for local forbearance analysis is the telephone exchange; and (iii) the incumbent carrier must demonstrate that a competitor presence test has been satisfied, in addition to satisfying certain criteria related to the availability and quality of provision of services to competitors, before forbearance can be sought in any given market. For residential services, the competitor presence test requires the existence of two independent facilities-based service providers, other than the incumbent, each of which is capable of serving 75% of the lines in the exchange, and one of which is a fixed-line provider. In business markets, the competitor presence test requires the existence of one independent facilities-based fixed-line service provider, other than the incumbent, capable of serving 75% of the lines in the exchange.

The CRTC has since approved numerous applications for local forbearance submitted by Bell Aliant, Bell Canada, Télébec and TELUS-Quebec, in both the residential and business local exchange markets. As a result, Videotron's incumbent local service competitors are now free 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 Quebec. These rulings granting the ILECs' forbearance applications enable the ILECs to adjust their local exchange service prices for the approved exchanges without approval from the CRTC. Such price flexibility by our ILEC competitors for local exchange services could have an adverse impact on our ability to compete successfully with them in the local telephony market.

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 structure 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-Quebec, by far the largest of the hydro-electric companies, was recently extended for two years and will expire in December 2012.

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 will consider further rating adjustments that may lead to further rate increases. We do not expect these changes to have a material impact on Videotron's network cost structure.

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, except for the Ultimate Speed Internet 120, for which the tariff item is awaiting approval. 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. In addition, in follow-up proceedings to its decision of August 30, 2010, the CRTC is assessing whether large cable carriers should be required to provide static IP addresses under TPIA.

In a decision dated January 25, 2011, the CRTC ruled that incumbent telephone companies and cable operators may apply usage-based billing (UBB) charges, assessed on a per-end-user basis to Internet usage beyond pre-set monthly limits, to third party ISPs, subject to a mandatory 15% discount from retail UBB rates. On February 8, 2011, in response to requests from service providers and the general public, the CRTC initiated a review of this decision to determine, among other things, whether it affords small ISPs the flexibility to bring pricing discipline, innovation and consumer choice to the residential retail Internet service market.

As a result of these requirements, and depending upon the outcome of the UBB decision review, 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.

Telemarketing

On September 30, 2008, a comprehensive reform of the CRTC's telemarketing rules came into force, including the establishment of a new National Do Not Call List (DNCL). In accordance with new legislative powers granted under Bill C-37, which came into force on June 30, 2006, the CRTC has the authority to fine violators of its telemarketing rules up to $1,500 per violation in the case of an individual and $15,000 per violation in the case of a corporation. Videotron has established internal controls to minimize the risk of breaching these rules and to provide any required investigative assistance in relation to alleged third party violations.

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

Industry Canada's policy framework for the 2008 AWS auction contained several measures intended to promote new facilities-based entry into the wireless industry. Among these measures were proposed rules to mandate inter-carrier roaming and the sharing of wireless antenna sites. On November 29, 2008, Industry Canada published the final rules for mandated roaming and site sharing, as well as the final arbitration procedure for resolving commercial disputes related to roaming and site sharing. These rules and procedures are now in effect.

On November 23, 2010, Industry Canada initiated a detailed review of its policies concerning mandatory antenna site sharing, tower sharing and roaming. This review is expected to be completed in mid-2011 and could affect the scope of carriers' obligations under these policies and the effectiveness of the arbitration and other mechanisms available to resolve inter-carrier disputes.

On November 30, 2010, Industry Canada launched a public consultation with a view to auctioning 70 to 90 MHz of spectrum in the 700 MHz band before the end of 2012. A second public consultation was launched on February 12, 2011, with a view to auctioning 60 to 120 MHz of spectrum in the 2.5 GHz band. Both frequency bands are considered attractive candidates for the deployment of 4G Long Term Evolution (LTE) mobile wireless technology. Among the issues being considered in the consultations are: the quantity of spectrum to be auctioned; technical issues related to band plans and international coordination; the extent to which existing holders use their spectrum resources; the possible adoption of measures to promote competition, such as spectrum caps or set-asides; and the possible adoption of measures to promote open access to carrier networks. Industry Canada has also proposed three options related to auction timing: (i) the 700 MHz auction first, followed by the 2.5 GHz auction one year later; (ii) the 2.5 GHz auction first, followed by the 700 MHz auction one year later; or (iii) a combined auction to be held six months later than the first auction in the case of separate auctions. The first auction is expected to be held in late 2012 or early 2013. Decisions on all of these issues could affect Videotron's ability to acquire additional spectrum resources under favourable terms, if needed.

The government's decision on foreign ownership restrictions could affect Videotron's ability to acquire spectrum resources under favourable terms, if needed, and could also affect the overall competitive conditions in Canadian broadcasting and telecommunications.

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.

Canadian Publishing

General

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 discussion and analysis provides information concerning our operating results and financial condition. This discussion should be read in conjunction with our consolidated financial statements and accompanying notes. Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"), which differs from accounting principles generally accepted in the United States ("U.S. GAAP") in certain respects. For a discussion of the principal differences between Canadian GAAP and U.S. GAAP, as they relate to our financial statements and the extent to which these differences affect our consolidated financial statements, see Note 26 to our audited consolidated financial statements for the years ended December 31, 2010 and 2009 and see note 27 to our audited consolidated financial statements for the year ended December 31, 2008. All financial figures are reported in Canadian 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 and distribution, and new media services. Through its operating subsidiaries, 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 revenues include: subscriptions for cable television, Internet access and cable and mobile telephony services; newspaper advertising, circulation and internet/portal services; television broadcasting advertising, distribution and subscription; book and magazine publishing and distribution; retailing, distribution (traditional distribution and digital download) and production of music products (compact discs, or CDs, digital video discs, or DVDs, musical instruments, music recording and live event promotion and production); and rental and sale of videos and games.

Quebecor Media's principal direct costs consist of television programming costs, including royalties, Internet bandwidth and transportation costs, newsprint and publishing costs, and set-top box, handsets and modem costs. Major components of its operating expenses include wages and benefits, subcontracting costs, advertising, and regulatory expenses.

TREND INFORMATION

Some of Quebecor Media's businesses are cyclical in nature. They are dependent on advertising and, in the News Media segment in particular, 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 multi-market 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, our News Media operations continue to expand their Internet presence through branded websites, including French and English language portals and specialized sites.

Changes in the price of newsprint can have a significant effect on the News Media segment's operating results as newsprint is its principal expense besides wages and benefits and represented approximately 9.8% ($81.4 M) of our News Media segment's operating expenses for the year ended December 31, 2010. Newsprint prices have historically experienced significant volatility. We currently anticipate that the market price of newsprint will increase in 2011, based on recent announcements from our supplier citing higher manufacturing costs.

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

The broadcasting industry is undergoing a period of significant change. Television audiences are fragmenting as viewing habits shift not only towards specialty channels but also towards 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 and on the media they want.

In addition, Quebecor Media's business has experienced, and is expected to continue to experience significant fluctuations in operating results due to, among other things, seasonal advertising patterns and seasonal influences on reading and viewing habits.

OUR SEGMENTS

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

QUEBECOR MEDIA'S INTEREST IN SUBSIDIARIES

Table 1 shows Quebecor Media's equity interest in its main subsidiaries as of December 31, 2010.

Table 1
Quebecor Media's interest (direct and indirect) in its main subsidiaries
December 31, 2010

	Percentage of equity	Percentage of vote
Videotron Ltd.	100.0%	100.0%
Sun Media Corporation	100.0%	100.0%
Osprey Media Publishing Inc.	100.0%	100.0%
Canoe Inc.	100.0%	100.0%
TVA Group Inc.	51.4%	99.9%
Archambault Group Inc.	100.0%	100.0%
Sogides Group Inc.	100.0%	100.0%
CEC Publishing 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, with the exception of the acquisition of the outstanding Common Shares of Nurun Inc. ("Nurun") that were not already held for a total cash consideration of $75.2 million in 2008 and the repurchase by TVA Group Inc. ("TVA Group") of 3,000,642 Class B shares for a cash consideration of $51.4 million in 2008. Over the past three years, Quebecor Media's equity interest in TVA Group has increased from 45.2% at January 1, 2008 to 51.4% as of December 31, 2010. During the same period, Quebecor Media's interest in Canoe Inc. ("Canoe") increased from 92.5% to 100.0%.

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

HIGHLIGHTS SINCE END OF 2009

- Quebecor Media's sales topped $4.00 billion for the first time in 2010, propelled by sustained growth in the Telecommunications segment.
- Quebecor Media's operating income increased by $63.1 million (4.9%) compared with 2009 to reach a total of $1.35 billion in 2010. Operating income continued to grow, despite the negative impact ($32.8 million) on the 2010/2009 comparison of the reversal in 2009 of the provision for Canadian Radio-television and Telecommunications Commission ("CRTC") Part II licence fees, and of costs related to several product launches.

Telecommunications

- The most noteworthy event of 2010 was unquestionably the launch of a new mobile services network ("3G+ network") by Videotron Ltd. ("Videotron") on September 9, 2010. As of December 31, 2010, there were 92,600 subscriber connections to the new network, including 36,800 migrations from the mobile virtual network operator ("MVNO") service. After Montréal, Québec City and municipalities along the Montréal-Québec corridor, Videotron announced the official launch of its 3G+ mobile communications service in the Mauricie, Sherbrooke, Salaberry-de-Valleyfield, Laurentians, Bois-Francs and Côte-de-Beaupré regions in the fourth quarter of 2010.
- Startup costs of Videotron's new 3G+ mobile services network affected the Telecommunications segment's fourth quarter 2010 results. In the first months following a product launch, it is common for the new revenues generated to be insufficient to cover the higher expenses, which in the case of the 3G+ network include customer acquisition costs per new connection and the amortization charge.

- On September 9, 2010, Videotron launched illico mobile, a service delivered over the 3G+ network that provides customers with mobile telephone access to television programs and series from 30 channels, to music from 45 Galaxie channels, and to the illico mobile store, which carries a varied catalogue of nearly 35,000 digital titles.
- On June 16, 2010, Videotron launched its illico web service (illicoweb.tv), an Internet television service that delivers a vast selection of content via the Web at no additional cost to subscribers to Videotron's Digital TV and Internet access services. illicoweb provides Videotron customers with computer access to hundreds of French- and English-language titles from 33 television channels.
- In 2010, Videotron recorded combined customer growth for all its services for the seventh year in a row.

News Media

- The restructuring and cost-reduction initiatives introduced at the end of 2008 in the News Media segment generated additional savings of approximately $33.0 million in 2010, for total annualized savings of $99.0 million since the program began.
- During 2010, the Company continued developing its investment plan in the News Media segment in order to increase its revenue streams. Among other things, the QMI Agency pursued its development by setting up 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 news content to our media properties, following the termination of Quebecor Media's relationship with The Canadian Press. Meanwhile, Sun Media Corporation launched eight new community newspapers in 2010. The QMI National Sales Office in Toronto also reached national multiplatform advertising agreements with new clients and the Quebecor Media Network continued development of its own distribution network, expanding its territory to four new regions in Québec.
- On February 26, 2011, the members of the Syndicat des travailleurs de l'information du Journal de Montréal (STIJM) voted 64.1% to accept the mediator's recommendation for a settlement to the labour dispute at *Le Journal de Montréal*. On January 24, 2009, in view of the union's refusal to recognize the urgency of the situation and the need for far-reaching changes to the *Journal de Montréal*'s business model, the employer had declared a lockout. Quebecor Media expressed satisfaction with the results of the vote by the STIJM membership and accepted the mediator's recommendation. The parties must now negotiate a back-to-work agreement to end the dispute.
- On February 3, 2011, Quebecor Media expanded its distribution network and its stable of community newspapers with the acquisition of *Les Hebdos Montérégiens'* 15 newspapers. Sun Media Corporation now has 71 community newspapers across Québec and Quebecor Media's distribution network has the capacity to reach more than 3.1 million Québec households (87% of the total).
- On December 16, 2010, the Société de transport de Montréal ("STM") announced an agreement with Quebecor Media for the publication and exclusive distribution of the free daily *24 heures* in Montréal's Métro system. The renewable agreement, with a minimum term of 5 years, brought *24 heures* into Métro stations as of January 3, 2011.

Other highlights

- In March 2011, Quebecor Media completed another step in its development plan by reaching an agreement with Québec City granting Quebecor Media management and naming rights for a 25-year period related to the arena to be built in Québec City. These rights are a major asset to Quebecor Media in its efforts to obtain a National Hockey League franchise for Québec City.
- On November 26, 2010, the CRTC granted the partnership formed by TVA Group Inc. ("TVA Group") and Sun Media Corporation a licence to operate a Category 2 specialty channel to be known as The Sun TV News Channel ("Sun News"). The new English-language news and opinion channel should launch during the spring of 2011. Sun News will offer comprehensive coverage of the events that impact Canadian society and the country's political and economic life.

- On November 10, 2010, Quebecor Media announced the creation of a new national sales office in Québec. Like the QMI National Sales Office in Toronto for the English-language market, this office will offer the French-language market the new integrated approach to marketing solutions. Quebecor Media is pooling the expertise of its various teams to provide a one-stop shop in Québec, where sales representatives will offer solutions that meet each customer's specific needs.
- On September 7, 2010, TVA Group signed a new collective agreement with its employees in Montréal, which was approved by the membership on July 7, 2010. The new collective agreement expires on December 31, 2012.

Financing

- On January 5, 2011, Quebecor Media completed an issuance of Senior Notes in the aggregate principal amount of $325.0 million, for net proceeds of $319.2 million (net of financing fees). The Notes bear interest at a rate of 7 3/8% and mature in January 2021. This transaction marks Quebecor Media's inaugural offering on the Canadian high-yield market, adding to its established presence in the U.S. high-yield market. Quebecor Media used the net proceeds from the placement to make a $288.0 million injection into Sun Media Corporation and for general corporate purposes. Sun Media Corporation used the Quebecor Media injection to finance the early repayment and withdrawal, on February 15, 2011, of all its outstanding 7 5/8% Senior Notes maturing on February 15, 2013, in the aggregate principal amount of US$205.0 million, and to finance the settlement and cancellation of related hedges.
- In May 2010, Osprey Media Publishing Inc. ("Osprey Media") paid down the $114.8 million balance on its term credit facility. On June 30, 2010, all Osprey Media's credit facilities were cancelled.
- On January 14, 2010, Quebecor Media made a US$170.0 million early payment on drawings on its term loan "B" and settled a corresponding portion of its hedge agreements for $30.9 million, for a total cash disbursement of $206.7 million. On January 14, 2010, Quebecor Media also extended the maturity date of its $100.0 million revolving credit facility from January 2011 to January 2013, and obtained certain other advantageous amendments to the covenants attached to its credit facilities.
- On January 13, 2010, Videotron closed a placement of $300 million aggregate principal amount of its 7 1/8% Senior Notes maturing in 2020, for net proceeds of $293.9 million (net of financing fees). This transaction was Videotron's inaugural offering on the Canadian high-yield market.

NON-GAAP FINANCIAL MEASURES

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

Operating Income

We define operating income, as reconciled to net income under Canadian GAAP, as net income before amortization, financial expenses, gain (loss) on valuation and translation of financial instruments, restructuring of operations, impairment of assets and other special items, loss on debt refinancing, impairment of goodwill and intangible assets, income taxes, non-controlling interest and income from discontinued operations. Operating income as defined above is not a measure of results that is recognized under Canadian GAAP or U.S. GAAP. It is not intended to be regarded as an alternative 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 Canadian GAAP or U.S. GAAP. Our parent company, Quebecor, considers the media segment as a whole and uses 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 the results of our operating segments. As such, this measure eliminates the effect of significant levels of non-cash charges related to 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 its segments. 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. 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 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 operating income may not be the same as similarly titled measures reported by other companies.

Table 2 below presents a reconciliation of operating income to net income (loss) as presented in our consolidated financial statements. The consolidated income statement data for the three-month periods ended December 31, 2010 and 2009 presented in Table 2 below is derived from our unaudited consolidated financial statements for such periods not included in this annual report.

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

	Year Ended December 31					Three months ended December 31	
	2010	**2009**	**2008**	**2007**	**2006**	**2010**	**2009**
Operating income:							
Telecommunications	**$1,035.9**	$ 972.9	$ 797.9	$ 642.3	$ 509.8	**$ 259.6**	$280.9
News Media	**200.3**	199.5	227.1	232.8	217.7	**60.1**	69.3
Broadcasting	**76.2**	80.0	66.0	59.4	41.8	**29.9**	32.2
Leisure and Entertainment	**27.5**	25.9	20.2	26.9	19.3	**11.2**	8.4
Interactive Technologies and Communications	**6.0**	4.1	5.1	2.8	7.5	**2.5**	1.4
Head Office	**1.9**	2.3	3.3	(0.8)	0.5	**1.8**	(0.9)
	1,347.8	1,284.7	1,119.6	963.4	796.6	**365.1**	391.3
Amortization	**(399.7)**	(341.5)	(316.7)	(287.7)	(258.0)	**(121.6)**	(86.9)
Financial expenses	**(265.4)**	(238.2)	(276.0)	(230.1)	(212.9)	**(72.2)**	(64.9)
Gain (loss) on valuation and translation of financial instruments	**46.1**	61.5	(3.7)	(9.9)	(11.7)	**(23.6)**	2.5
Restructuring of operations, impairment of assets and other special items	**(50.3)**	(29.6)	(54.6)	(11.2)	(16.7)	**(24.3)**	(21.5)
Loss on debt refinancing	**(12.3)**	—	—	(1.0)	(342.6)	**—**	—
Impairment of goodwill and intangible assets	**—**	(13.6)	(671.2)	(5.4)	(180.0)	**—**	—
Income taxes	**(166.7)**	(177.3)	(155.2)	(75.7)	53.8	**(26.4)**	(61.3)
Non-controlling interest	**(18.8)**	(23.8)	(23.2)	(19.3)	(0.7)	**(9.8)**	(10.7)
Income from discontinued operations	**—**	2.9	2.3	5.2	2.0	**—**	—
Net income (loss)	**$ 480.7**	$ 525.1	$ (378.7)	$ 328.3	$(170.2)	**$ 87.2**	$148.5

Cash Flows from Segment Operations

We use cash flows from segment operations as a measure of the liquidity generated by our segment operations. Cash flows from segment operations represents funds available for interest and income tax payments, disbursements related to restructuring programs, business acquisitions, 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 Canadian GAAP or U.S. GAAP. 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 considered to be an important indicator of liquidity and is used by our management and Board of Directors to evaluate cash flows generated by our segment operations. This measure is unaffected by the capital structure of Quebecor Media and its segments. Cash flows from segment operations represents operating income as defined above, less additions to property, plant and equipment and additions to intangible assets (excluding initial amount disbursed for the acquisition or renewal of licenses), plus proceeds from the disposal of assets. When cash flows from segment operations is reported, a reconciliation to operating income is provided in the same section.

Free Cash Flows from Continuing Operating Activities

We use 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, 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 Canadian GAAP or U.S. GAAP. 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. Free cash flows from continuing operating activities is considered to be an important indicator of our liquidity and is used by our management and Board of Directors to evaluate cash flows generated by our consolidated operations.

Table 3 provides a reconciliation of free cash flows from continuing operating activities to cash flows provided by operating activities measure reported in the consolidated financial statements.

Table 3
Reconciliation of free cash flows from continuing operating activities to cash flows provided by operating activities measure reported in the consolidated financial statements
(in millions of Canadian dollars)

	2010	2009	2008
Free cash flows from continuing operating activities (see Table 4)	**$103.6**	$350.5	$243.2
Additions to property, plant and equipment	**705.6**	491.1	465.6
Additions to intangible assets[1]	**113.9**	111.5	83.0
Proceeds from disposal of assets[2]	**(53.0)**	(3.6)	(5.7)
Cash flows provided by operating activities	**$870.1**	$949.5	$786.1

[1] Excluding initial disbursement in 2008 for acquisition of 3G+ network licenses.
[2] 2010 figures include sale of certain tangible assets in the News Media segment

Average Monthly Revenue per User

ARPU is an industry metric that the Company uses to measure its monthly cable television, Internet access, cable telephone and mobile telephone revenues per average basic cable customer. ARPU is not a measurement that is consistent with Canadian GAAP or U.S. GAAP and the Company's definition and calculation of ARPU may not be the same as identically titled measurements reported by other companies. The Company calculates

ARPU by dividing its combined cable television, Internet access, cable telephone and mobile telephone 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.

2010/2009 FINANCIAL YEAR COMPARISON

Analysis of Consolidated Results of Quebecor Media

Revenue: $4.00 billion, an increase of $193.7 million (5.1%).

- Revenues increased in Telecommunications ($207.8 million or 10.4% of segment revenues) mainly because of customer growth for all services, in Broadcasting ($9.2 million or 2.1%), and in Interactive Technologies and Communications ($7.0 million or 7.7%).
- Revenues decreased in News Media (by $20.1 million or -1.9%), mainly because of lower advertising revenues at the community newspapers and directories, as well as lower circulation revenues, and also in Leisure and Entertainment ($5.3 million or -1.7%).

Operating income: $1.35 billion, an increase of $63.1 million (4.9%).

- Operating income increased in Telecommunications ($63.0 million or 6.5% of segment operating income), in Interactive Technologies and Communications ($1.9 million or 46.3%), and in Leisure and Entertainment ($1.6 million or 6.2%).
- The News Media segment's operating income was flat.
- Operating income decreased in Broadcasting (by $3.8 million or -4.8%).
- The variance in operating income includes a $32.8 million unfavourable variance (including $25.6 million in the Telecommunications segment and $7.2 million in the Broadcasting segment) related to the adjustment to CRTC Part II licence fees in 2009 (for more details, see "Part II licence fees" under "2010/2009 Financial Year Comparison" in the discussion of the results of the Telecommunications and Broadcasting segments).
- A change in the fair value of Quebecor Media resulted in a $1.4 million unfavourable variance in the stock-based compensation charge in 2010 compared with 2009. The increase in Quebecor's stock price resulted in a $6.6 million unfavourable variance in the Company's stock-based compensation charge in 2010.
- Excluding the impact of the stock-based compensation charge, and if the figures for prior periods were restated to retroactively reflect the reversal of the accumulated CRTC Part II licence fee provision in the fourth quarter of 2009, the increase in operating income in 2010 would have been 8.2%, compared with 10.3% in 2009.

Net income: $480.7 million in 2010, compared with $525.1 million in 2009, a decrease of $44.4 million (-8.5%).

- The decrease was mainly due to:
- $58.2 million increase in amortization charge;
- $27.2 million increase in financial expenses;
- $20.7 million increase in charge for restructuring of operations, impairment of assets and other special items;
- $15.4 million unfavourable variance in gains on valuation and translation of financial instruments;
- recognition in 2010 of losses on debt refinancing, totalling $12.3 million.

Partially offset by:

- $63.1 million increase in operating income;

- favourable variance in 2010 related to recognition in 2009 of a $13.6 million non-cash charge for impairment of goodwill and intangible assets.

Amortization charge: $399.7 million, a $58.2 million increase due mainly to significant capital expenditures in 2009 and 2010 in the Telecommunications segment, including commencement of amortization of 3G+ network equipment and licences following the network launch on September 9, 2010.

Financial expenses: $265.4 million, an increase of $27.2 million.

- The increase was due mainly to:
- $7.9 million unfavourable variance in exchange rates on operating items;
- higher base interest rates;
- $4.8 million decrease in interest capitalized to property, plant and equipment and intangible assets. This amount is the portion of interest no longer capitalized to investment in the development of the 3G+ network since the network launch on September 9, 2010.

Gain on valuation and translation of financial instruments: $46.1 million in 2010 compared with $61.5 million in 2009, an unfavourable variance of $15.4 million.

- The increase was mainly due to the unfavourable variance in gains and losses on the ineffective portion of fair value hedges resulting from interest rate fluctuations.

Charge for restructuring of operations, impairment of assets and other special items: $50.3 million compared with $29.6 million in 2009, an unfavourable variance of $20.7 million.

- In connection with the startup of its 3G+ network, Videotron recorded a $10.0 million charge for cancellation of its MVNO contract and a $13.9 million charge for migration costs.
- A $0.6 million charge for restructuring of operations ($0.3 million in 2009), a $0.2 million charge for impairment of assets ($0.2 million in 2009), and a $3.3 million gain on sale of assets ($0.8 million loss in 2009) were recorded in the Telecommunications segment in 2010.
- In 2010, a $17.8 million charge for restructuring of operations was recorded in the News Media segment in connection with new staff-reduction programs, compared with a $26.3 million charge in 2009. Some segment assets were also sold following these initiatives, resulting in a net gain of $2.5 million in 2010. In addition, a $3.5 million non-cash impairment charge on certain assets was recorded in 2010, compared with $0.4 million in 2009.
- In connection with the repositioning of the over-the-air television station Sun TV and with the creation of the new Sun News specialty channel, the Broadcasting segment recognized an $8.2 million asset impairment charge on equipment and broadcast rights in 2010.
- A $1.9 million charge for restructuring and other items was recorded in other segments in 2010, compared with $1.6 million in 2009.

Loss on debt refinancing: $12.3 million in 2010 compared with nil in 2009.

- On January 14, 2010, Quebecor Media made a US$170.0 million early payment on drawings on its term loan “B” and settled a corresponding portion of its hedge agreements in the amount of $30.9 million, for a total cash disbursement of $206.7 million. This transaction generated a $10.4 million loss on debt refinancing (excluding income tax), including the $6.5 million loss already reported in other comprehensive income and reclassified in the statement of income.
- In May 2010, Osprey Media paid down the balance of its term credit facility and settled related hedge agreements for a total cash consideration of $116.3 million. This transaction led to the reclassification to income of a $1.9 million loss (excluding income tax) previously recorded under other comprehensive income. Osprey Media’s credit facilities were cancelled on June 30, 2010.

Non-cash charge for impairment of goodwill and intangible assets: Nil in 2010 compared with $13.6 million in 2009.

- An additional non-cash goodwill impairment charge of $5.6 million, without any tax consequences, was recorded in 2009 as an adjustment to the non-cash goodwill impairment charge recorded in the fourth quarter of 2008.
- The Company recorded an $8.0 million charge in 2009 for impairment of mastheads of publications in the News Media segment, following its annual impairment test.

Income tax expense: $166.7 million (effective tax rate of 25.0%) in 2010, compared with $177.3 million (effective tax rate of 24.5%) in 2009.

- The $10.6 million favourable variance, the effective tax rates and the fluctuation in these rates in 2010, compared with 2009, were primarily due to:
- decrease in income before income taxes and non-controlling interest;
- reduction in future tax liabilities in 2010 in light of developments in tax audits, jurisprudence and tax legislation;
- recognition in 2010 of tax benefits in the amount of $2.7 million related to tax consolidation transactions with the parent company.

Partially offset by:

- recognition in 2009 of tax benefits in the amount of $14.2 million related to tax consolidation transactions with the parent company;
- less favourable impact in 2010 of tax rate mix on the various components of the gains and losses on financial instruments and derivative financial instruments, and on translation of financial instruments.

Free cash flows from continuing operating activities: $103.6 million in 2010, compared with $350.5 million in 2009 (Table 4).

- The $246.9 million decrease was essentially due to:
- $214.5 million increase in additions to property, plant and equipment, mainly because of spending on the 3G+ network in the Telecommunications segment;
- $72.3 million increase in use of funds for non-cash balances related to operations, mainly because of an increase in investments in the Telecommunications segment following the launch of the 3G+ network;
- $26.8 million increase in current income taxes;
- $24.9 million increase in cash interest expense;
- $9.2 million increase in the cash portion of charge for restructuring of operations, impairment of assets and other special items.

Partially offset by:

- $63.1 million increase in operating income;
- $49.4 million favourable variance in proceeds from disposal of assets, essentially due to the sale of certain tangible assets in the News Media segment.

Table 4: Quebecor Media
Free cash flows from continuing operating activities
(in millions of Canadian dollars)

	2010	2009	2008
Cash flows from segment operations:			
Telecommunications	**$ 285.1**	$ 451.0	$ 384.6
News Media	**221.3**	156.9	140.3
Broadcasting	**52.6**	56.9	44.2
Leisure and Entertainment	**17.9**	18.3	5.6
Interactive Technologies and Communications	**3.4**	0.7	1.5
Head Office and other	**1.0**	1.9	0.5
	581.3	685.7	576.7
Cash interest expense[1]	**(252.9)**	(228.0)	(266.7)
Cash portion of charge for restructuring of operations and other special items	**(38.4)**	(29.2)	(35.5)
Current income taxes	**(56.5)**	(29.7)	(12.7)
Other	**(4.7)**	4.6	(0.3)
Net change in non-cash balances related to operations	**(125.2)**	(52.9)	(18.3)
Free cash flows from continuing operating activities	**$ 103.6**	$ 350.5	$ 243.2

[1] Interest on long-term debt, foreign currency translation of short-term monetary items and other interest expenses, less interest capitalized to cost of property, plant and equipment, and intangible assets (see note 2 to the consolidated financial statements).

Table 5
Reconciliation of cash flows from segment operations to operating income
(in millions of Canadian dollars)

	2010	2009	2008
Operating income	**$1,347.8**	$1,284.7	$1,119.6
Additions to property, plant and equipment	**(705.6)**	(491.1)	(465.6)
Acquisitions of intangible assets[1]	**(113.9)**	(111.5)	(83.0)
Proceeds from disposal of assets[2]	**53.0**	3.6	5.7
Cash flows from segment operations	**$ 581.3**	$ 685.7	$ 576.7

[1] Excluding initial disbursement in 2008 for acquisition of 3G+ network licenses.
[2] 2010 figures include the sale of certain tangible assets in the News Media segment.

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 2,612,400 homes and serves approximately 2,024,800 customers. At December 31, 2010, Videotron had 1,811,600 cable television customers, including 1,219,600 subscribers to its illico Digital TV service. Videotron is also an Internet Service Provider ("ISP") and telephone service provider, with 1,252,100 subscribers to its cable Internet access services and 1,114,300 subscribers to its cable telephone service. On September 9, 2010, Videotron launched a 3G+ network to deliver advanced mobile telephone services, including high-speed Internet access, mobile television and many

other functionalities supported by smartphones. As of December 31, 2010, there were 136,100 subscriber connections to Videotron's mobile service, including 92,600 connections to its new 3G+ network. Videotron also includes Videotron Business Solutions, a full-service business telecommunications provider that offers telephone, high-speed data transmission, Internet access, hosting, and cable television services, and Le SuperClub Vidéotron ltée ("Le SuperClub Vidéotron") and its network of franchises, which sell and rent DVDs, Blu-ray discs and console games.

2010 operating results

Revenues: $2.21 billion in 2010, an increase of $207.8 million (10.4%).

- Combined revenues from all cable television services increased $75.0 million (8.6%) to $950.6 million, due primarily to customer base growth, increases in some rates (reflecting, in part, the passing on to customers of CRTC fees for the Local Programming Improvement Fund), the migration from analog to digital service, increased video on demand and pay TV orders, and the success of high definition ("HD") packages.
- Revenues from Internet access services increased $70.1 million (12.2%) to $644.3 million. The improvement was mainly due to customer growth, customer migration to more advanced services, increases in some rates, and overage fees.
- Revenues from cable telephone service increased $56.1 million (15.9%) to $409.9 million, almost entirely due to customer growth.
- Revenues from mobile telephone service increased $11.7 million (28.3%) to $53.2 million, essentially because of customer growth resulting largely from the launch of the 3G+ network on September 9, 2010.
- Revenues of Videotron Business Solutions increased $1.5 million (2.5%) to $59.8 million.
- Revenues of Le SuperClub Vidéotron decreased $8.3 million (-26.2%) to $23.3 million, mainly as a result of the franchising of stores since January 2009 and the closure of some corporate stores.
- Other revenues increased $1.7 million (2.6%) to $68.1 million due mainly to increased equipment sales to customers.

Monthly ARPU: $95.73 in 2010, compared with $88.21 in 2009, an increase of $7.52 (8.5%).

Customer statistics

Cable television – The combined customer base for all of Videotron's cable television services increased by 34,600 (1.9%) in 2010, compared with increases of 61,400 and 77,500 in 2009 and 2008 respectively (Table 6). As of December 31, 2010, Videotron had 1,811,600 customers for its cable television services, a household penetration rate of 69.3% (number of subscribers as a proportion of total homes passed by Videotron's network, i.e., 2,612,400 homes, as of the end of December 2010), compared with 69.0% a year earlier.

- The customer base for the Digital TV service stood at 1,219,600 at December 31, 2010, an increase of 135,500 (12.5%) during the year, compared with increases of 156,800 and 159,100 in 2009 and 2008 respectively. As of December 31, 2010, illico Digital TV had a household penetration rate of 46.7% versus 42.1% a year earlier.
- Migration from analog to digital service was the main reason for the 100,900 (-14.6%) decrease in the customer base for analog cable television services in 2010. By comparison, the number of subscribers to analog cable services decreased by 95,400 and 81,600 in 2009 and 2008 respectively.

Internet access – The number of subscribers to cable Internet access services stood at 1,252,100 at December 31, 2010, an increase of 81,500 (7.0%) from year-end 2009, compared with increases of 106,800 and 130,800 in 2009 and 2008 respectively (Table 6). At December 31, 2010, Videotron's cable Internet access services had a household penetration rate of 47.9%, compared with 45.5% a year earlier.

Cable telephone service – The number of subscribers to cable telephone service stood at 1,114,300 at the end of December 2010, an increase of 100,300 (9.9%) from year-end 2009, compared with increases of 162,000 in 2009 and 215,600 in 2008 (Table 6). At December 31, 2010, the IP telephone service had a household penetration rate of 42.7%, compared with 39.4% a year earlier.

Mobile telephone service – As of December 31, 2010, the number of subscriber connections to the mobile telephone service stood at 136,100, an increase of 53,300 (64.4%) from year-end 2009. (Since September 9, 2010, there have been 92,600 subscriber additions to the new network, including 36,800 migrations from the MVNO network.) Leading up to the launch of the 3G+ network on September 9, 2010, activations on the MVNO network were ended as of July 1, 2010 (Table 6). There were 19,400 subscriber additions to the MVNO service in 2009 and 18,300 in 2008.

Table 6
Telecommunications segment year-end customer numbers (2006-2010)
(in thousands of customers)

	2010	2009	2008	2007	2006
Cable television:					
Analog	**592.0**	692.9	788.3	869.9	948.8
Digital	**1,219.6**	1,084.1	927.3	768.2	623.6
Total cable television	**1,811.6**	1,777.0	1,715.6	1,638.1	1,572.4
Cable Internet	**1,252.1**	1,170.6	1,063.8	933.0	792.0
Cable telephone	**1,114.3**	1,014.0	852.0	636.4	397.8
Mobile telephone (thousands of connections)	**136.1**	82.8	63.4	45.1	11.8

Operating income: $1.04 billion, an increase of $63.0 million (6.5%).

- The increase was due primarily to:
- customer growth for all services;
- increases in some cable television and Internet access rates;
- increases in Internet overage fees and in contribution to income from HD packages, video on demand and pay TV;
- more favourable operating margins on digital set-top boxes.

Partially offset by:

- $25.6 million unfavourable variance resulting from the adjustment in 2009 to the provision for CRTC Part II licence fees (for details, see “Part II licence fees”);
- increases in some operating expenses, among them costs related to the roll-out of the 3G+ network, including acquisition costs of $471 per subscriber addition (direct costs, including selling, advertising and marketing expenses and equipment subsidies);
- $7.4 million non-recurring reduction in operating expenses in 2009;
- $2.8 million unfavourable variance in the stock-based compensation charge.
- Excluding the variance in the stock-based compensation charge, and if the figures for all prior periods were restated to reflect the CRTC Part II licence fee adjustment, segment operating income would have increased by 9.6% in 2010, compared with 16.6% in 2009.

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 53.1% in 2010, compared with 51.4% in 2009.

- The increase was due primarily to:
- higher operating costs related to the roll-out of the 3G+ network;
- impact of the adjustment to the provision for CRTC Part II licence fees, which was favourable in 2009.

Partially offset by:

- marginal impact on costs of increases in some rates.

Cash flows from operations

Cash flows from segment operations: $285.1 million in 2010, compared with $451.0 million in 2009 (Table 7).

- The $165.9 million decrease was mainly due to a $233.9 million increase in additions to property, plant and equipment, essentially as a result of spending on the 3G+ network, partially offset by the $63.0 million increase in operating income.

Table 7: Telecommunications
Cash flows from operations
(in millions of Canadian dollars)

	2010	2009	2008
Operating Income	**$1,035.9**	$ 972.9	$ 797.9
Additions to property, plant and equipment	**(668.0)**	(434.1)	(356.7)
Acquisitions of intangible assets[1]	**(90.6)**	(89.9)	(60.1)
Proceeds from disposal of assets	**7.8**	2.1	3.5
Cash flows from segment operations	**$ 285.1**	$ 451.0	$ 384.6

[1] Excluding the initial disbursement in 2008 for acquisition of 3G+ network licences.

Part II licence fees

In 2003 and 2004, a number of companies, including Videotron, brought suit against the Crown before the Federal Court alleging that the Part II licence fees paid annually to the CRTC by broadcasters and broadcasting distribution undertakings constituted, in fact and in law, unlawful taxes under the *Broadcasting Act* (Canada). Following a Federal Court of Appeal judgement in 2008 overturning a Federal Court ruling in favour of the plaintiffs, leave to appeal to the Supreme Court of Canada was granted in 2008. In view of the unfavourable Court of Appeal judgement, the Company recognized a provision totalling $25.6 million for Part II licence fees in 2008, including a retroactive provision for Part II licence fees accumulated since September 1, 2006.

On October 7, 2009, the parties to the proceeding, including Videotron, agreed to an out-of-court settlement whereby the plaintiff companies withdrew their legal challenge and monetary claims, and the government agreed not to claim the unpaid Part II licence fees for the period from September 1, 2006 through August 31, 2009. In view of this settlement, in the fourth quarter of 2009, the Company reversed a $33.8 million provision for unpaid Part II licence fees in the Telecommunications segment as of August 31, 2009. The CRTC amended its regulations to limit the amount of the Part II licence fees for periods subsequent to August 31, 2009. The Telecommunications segment's results for the period from September 1, 2009 to December 31, 2009 and for the year 2010 include provisions of $3.3 million and $10.0 million respectively.

News Media

Quebecor Media's News Media segment, which includes Sun Media Corporation and Osprey Media, is Canada's largest newspaper chain, counting both paid and free circulation, according to corporate figures. On January 1, 2011, Osprey Media's operations were integrated into those of Sun Media Corporation. As of December 31, 2010, the News Media segment was publishing 36 paid-circulation dailies and 6 free dailies, including newspapers in nine of the ten largest urban markets in the country. It also publishes 198 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 15.1 million copies per week as of December 31, 2010.

The News Media segment also includes Canoe, an integrated company offering e-commerce, information and communication services. Canoe operates the Internet portal network of the same name, which logs over 8.7 million unique visitors per month in Canada, including 4.1 million in Québec (according to comScore Media Metrix figures for December 2010). The network owns or operates a family of sites that includes *canoe.ca*, *canoe.qc.ca* and La Toile du Québec (*toile.com*). Canoe also operates a number of e-commerce sites: *jobboom.com* (employment), *micasa.ca* (real estate), *autonet.ca* (automobiles), *reseaucontact.com* (dating), *space.canoe.ca* and *espace.canoe.ca* (social networking), *classifieds.canoe.ca* and *classees.canoe.ca* (classified ads), and *canoeklix*.com (cost-per-click advertising solutions).

As well, the News Media segment is engaged in the distribution of newspapers, magazines, inserts and flyers through, among others, the Quebecor Media Network. The segment also includes the QMI Agency, a news agency that provides content to all Quebecor Media properties and outside customers. In addition, the News Media segment offers commercial printing and related services to other publishers through its national printing and production platform. Through Quebecor MediaPages™, it conducts a combination of print and online directory publishing operations.

2010 operating results

Revenues: $1.03 billion, a decrease of $20.1 million (-1.9%).

- Circulation revenues decreased 5.7% and advertising revenues 1.6%, mainly because of declines at the community newspapers and directories, while combined revenues from commercial printing and other sources increased 5.6%.
- Revenues increased 1.0% at the urban dailies and decreased 4.8% at the community newspapers.
- Revenues decreased 10.7% at the portals, essentially because of a 22.7% decline at the general-interest portals due to the distribution of some assets as part of a reorganization in June 2009 and the loss of a contract, partially offset by a 2.5% increase in revenues at the special-interest portals.

Operating income: Stable at $200.3 million.

- The following favourable factors:
- impact of restructuring initiatives, which generated an additional $33.0 million in cost savings;
- $5.0 million favourable variance in multimedia employment tax credits;
- $1.2 million impact of decrease in newsprint prices;
- synergies from operational integration of Canoe;

were offset by:

- impact of revenue decrease;

- unfavourable variance related to reversal of provisions for bonuses in 2009;
- increases in some operating expenses, including community newspaper startup costs in Québec and investments made to improve the quality of the free Toronto newspaper *24 Hours*™;
- unfavourable variance related to Quebecor Media Network startup costs.
- Excluding the impact of the stock-based compensation charge and Quebecor Media Network startup costs, operating income would have increased by 4.1% in 2010, compared with a 7.3% decrease in 2009.

The restructuring measures introduced in late 2008 in the News Media segment included staff cuts, consolidation of prepress, shipping and press room operations, centralization of administrative processes, consolidation of distribution networks, and other resource centralization and optimization efforts across the segment's operations in all regions. While the restructuring proceeds, development continues on new revenue streams, such as revenues from the marketing of content produced by the QMI Agency and the development of integrated, convergent solutions for customers. These include marketing initiatives by the new QMI National Sales Office and Quebecor Media Network's integrated offerings of products and services.

Cost/revenue ratio: Operating costs for all News Media segment operations (expressed as a percentage of revenues) were 80.6% in 2010, compared with 81.1% in 2009. The decrease was mainly due to the restructuring initiatives and synergies, which yielded significant cost reductions, and higher employment tax credits, partially offset by the unfavourable impact of the fixed component of operating costs, which does not fluctuate in proportion to revenue decreases, the unfavourable variance related to the reversal of provisions for bonuses in 2009, and Quebecor Media Network startup costs.

Cash flows from segment operations: $221.3 million in 2010, compared with $156.9 million in 2009 (Table 8).

- The $64.4 million increase was due essentially to a $43.3 million favourable variance in proceeds from disposal of assets, resulting primarily from the sale of certain tangible assets in the second quarter of 2010, and the $22.0 million decrease in additions to property, plant and equipment.

Table 8: News Media
Cash flows from operations
(in millions of Canadian dollars)

	2010	2009	2008
Operating Income	**$200.3**	$199.5	$227.1
Additions to property, plant and equipment	**(11.4)**	(33.4)	(77.1)
Acquisitions of intangible assets	**(12.0)**	(10.3)	(11.4)
Proceeds from disposal of assets	**44.4**	1.1	1.7
Cash flows from segment operations	**$221.3**	$156.9	$140.3

Other developments in 2010

On December 9, 2010, AbitibiBowater Canada Inc. ("AbitibiBowater") successfully completed a reorganization and emerged from creditor protection under the *Companies' Creditors Arrangement Act* in Canada and Chapter 11 of the *United States Bankruptcy Code*. AbitibiBowater is the main supplier of newsprint to the News Media segment.

Broadcasting

TVA Group is the largest private producer and broadcaster of French-language entertainment, information and public affairs programming in North America. It is the sole owner of 6 of the 10 television stations in the

TVA Network, the English-language over-the-air station Sun TV, and the specialty channels LCN, AddikTV (formerly "Mystère"), Argent, Prise 2, YOOPA and CASA (formerly "Les idées de ma maison"). TVA Group also holds interests in two other TVA Network affiliates, the Canal Évasion specialty channel, and the English-language digital specialty channels The Cave and Mystery. As well, TVA Group holds a 51% interest in Sun News, the new English-language information and opinion specialty channel due to launch during the spring of 2011. TVA Group's TVA Boutiques inc. subsidiary is engaged in teleshopping and online shopping. Its TVA Films division distributes films and television programs. The TVA Publishing Inc. ("TVA Publishing") subsidiary operates more than 20 brands in the general-interest and entertainment categories. It is the largest publisher of French-language magazines in Québec, with over 70 magazines and 4 websites. Its TVA Studio division specializes in commercial production for the magazines.

2010 operating results

Revenues: $448.2 million, an increase of $9.2 million (2.1%).

- Revenues from television operations increased $9.0 million, mainly due to:
- higher advertising and subscription revenues at the specialty channels;
- an increase in the TVA Network's revenues from the Local Programming Improvement Fund;
- higher revenues from commercial production and from TVA Films.

Partially offset by:

- unfavourable variance in revenues from Canal Indigo due to the sale of the entity to Videotron on December 1, 2009;
- lower advertising revenues at the TVA Network, in part because of migration of advertising dollars to other networks during the 2010 hockey playoffs and the Vancouver Olympics.
- Total revenues from publishing operations increased by $1.0 million because of higher grant and advertising revenues, partially offset by lower revenues from newsstand sales.

Operating income: $76.2 million, a decrease of $3.8 million (-4.8%).

Operating income from television operations decreased $4.5 million, mainly due to:

- $7.2 million unfavourable variance resulting from the adjustment to the provision for CRTC Part II licence fees in 2009 (for details, see "Part II licence fees");
- higher content costs at the TVA Network and specialty channels as a result of programming strategy.

Partially offset by:

- impact of increased revenues at the specialty channels and TVA Films;
- favourable variance in 2010 related to recognition in 2009 of a $1.2 million allowance for bad debts in TVA Films due to one customer's precarious financial position.
- Operating income from publishing operations increased by $0.6 million, mainly as a result of the impact of the revenue increase.

Cost/revenue ratio: Operating costs for all Broadcasting segment operations (expressed as a percentage of revenues) were 83.0% in 2010, compared with 81.8% in 2009. The increase in costs as a proportion of revenues mainly reflects higher content costs at the TVA Network and specialty channels, as well as the impact of adjustments to CRTC Part II license fees, which was favourable in 2009.

Cash flows from segment operations: $52.6 million in 2010, compared with $56.9 million in 2009, a decrease of $4.3 million (Table 9).

- The negative variance was mainly due to the $3.8 million decrease in operating income.

Table 9: Broadcasting
Cash flows from operations
(in millions of Canadian dollars)

	2010	2009	2008
Operating Income	**$ 76.2**	$ 80.0	$ 66.0
Additions to property, plant and equipment	**(18.5)**	(16.5)	(17.8)
Acquisitions of intangible assets	**(5.9)**	(7.0)	(4.1)
Proceeds from disposal of assets	**0.8**	0.4	0.1
Cash flows from segment operations	**$ 52.6**	$ 56.9	$ 44.2

Other developments in 2010

On March 17, 2010, the Board of Directors of TVA Group authorized a normal course issuer bid for up to 972,545 Class B shares, or approximately 5% of the issued and outstanding Class B shares. The purchases will be made at prevailing market prices, on the open market through the facilities of the Toronto Stock Exchange (“TSX”), and in accordance with the requirements of the Exchange. No Class B shares were repurchased in 2010.

On October 13, 2010, the CRTC approved TVA Group’s licence applications for two French-language Category 2 specialty channels. The first will carry programs about fashion, beauty and lifestyle, and is scheduled to launch in spring 2011. The second will carry programs about celebrity news, the entertainment industry and humour.

On February 26, 2010, the CRTC approved TVA Group’s licence application for a Category 2 specialty channel devoted to all facets of sports, focusing on Canadian pro sports with mass appeal.

Part II licence fees

The facts noted in the discussion of the results of the Telecommunications segment above, under “Part II licence fees,” also apply to the Broadcasting segment. In 2008, the Broadcasting segment recorded provisions for Part II licence fees totalling $7.2 million, including a retroactive provision for Part II licence fees accumulated since September 1, 2006. Further to the out-of-court settlement reached on October 7, 2009, in the fourth quarter of 2009, the Broadcasting segment reversed a $9.0 million provision for Part II licence fees accrued since September 1, 2006 and unpaid as of August 31, 2009. In view of the new method for assessing CRTC Part II licence fees, the Broadcasting segment’s results for the period from September 1, 2009 to December 31, 2009 and for the year 2010 include provisions of $0.8 million and $2.2 million respectively.

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; online sales of downloadable music and ebooks through the *ZIK.ca* service and *jelis.ca*; distribution of CDs and DVDs and Blu ray discs (Distribution Select); 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), and concert production (Musicor Spectacles).

With the production capabilities of Musicor Spectacles and Les Productions Select TV, Archambault Group is a fully integrated Canadian music company, 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 the book industry (Book Division) through academic publisher CEC Publishing Inc. ("CEC Publishing"), 13 general literature publishers under the Sogides Group Inc. ("Sogides Group") umbrella, and Messageries ADP inc. ("Messageries ADP"), the exclusive distributor for approximately 165 Québec and European French-language publishers.

2010 operating results

Revenues: $302.5 million, a decrease of $5.3 million (-1.7%).

- Archambault Group's revenues decreased 3.9%, mainly because of:
- 4.6% drop in retail sales, due primarily to lower sales of CDs, videos and books at Archambault stores, partially offset by higher revenues from the *archambault.ca* site;
- 1.6% decrease in the distribution division's revenues due to fewer hit CDs than in 2009;
- 17.0% decrease in production sales as a result of an unfavourable variance in concert videos for pay TV.
- The Book Division's revenues increased by 1.9%, mainly because of increased sales of textbooks for Québec primary schools, high schools and community colleges in the academic segment, partially offset by fewer general literature titles distributed and published.

Operating income: $27.5 million in 2010, compared with $25.9 million in 2009. The $1.6 million (6.2%) increase was due primarily to the impact of increased operating income in the Book Division generated by higher revenues and profitability at CEC Publishing, which was partially offset by the impact of lower revenues at Archambault Group, combined with slimmer operating margins at Archambault stores.

Cash flows from segment operations: $17.9 million in 2010, compared with $18.3 million in 2009 (Table 10).

- The $0.4 million decrease was due to the $2.0 million increase in additions to property, plant and equipment and intangible assets, partially offset by the $1.6 million increase in operating income.

Table 10: Leisure and Entertainment
Cash flows from operations
(in millions of Canadian dollars)

	2010	2009	2008
Operating Income	**$27.5**	$25.9	$20.2
Additions to property, plant and equipment	**(4.2)**	(3.6)	(8.9)
Acquisitions of intangible assets	**(5.4)**	(4.0)	(7.4)
Proceeds from disposal of assets	**—**	—	1.7
Cash flows from segment operations	**$17.9**	$18.3	$ 5.6

Interactive Technologies and Communications

The Interactive Technologies and Communications segment consists of Nurun, which is engaged in Web, intranet and extranet development, technological platforms for content management, e-commerce, interactive television, automated publishing solutions, and e-marketing and customer relationship management ("CRM") strategies.

2010 operating results

Revenues: $98.0 million, an increase of $7.0 million (7.7%).

- The increase was due primarily to increased volumes from customers in Europe, North America and Asia, partially offset by unfavourable variances in currency translation, mainly in Europe.

Operating income: $6.0 million, an increase of $1.9 million (46.3%).

- The increase was due mainly to:
- impact of increased revenues;
- impact of restructuring and profitability improvement initiatives introduced in North America in 2009.

Partially offset by:

- higher labour costs;
- impact of decreased volumes and downward price pressure on business with government customers.

Cash flows from segment operations: $3.4 million in 2010, compared with $0.7 million in 2009 (Table 11).

- The $2.7 million increase was mainly due to the $1.9 million increase in operating income and the $0.8 million decrease in additions to property, plant and equipment and intangible assets.

Table 11: Interactive Technologies and Communications
Cash flows from operations
(in millions of Canadian dollars)

	2010	2009	2008
Operating Income	**$ 6.0**	$ 4.1	$ 5.1
Additions to property, plant and equipment	**(2.6)**	(3.1)	(3.6)
Acquisitions of intangible assets	**—**	(0.3)	—
Cash flows from segment operations	**$ 3.4**	$ 0.7	$ 1.5

2010/2009 FOURTH QUARTER COMPARISON

Analysis of consolidated results of Quebecor Media

Revenues: $1.09 billion, an increase of $55.9 million (5.4%).

- Revenues increased in Telecommunications ($53.0 million or 9.9% of segment revenues), mainly due to customer growth for all services, in Broadcasting ($4.9 million or 3.8%), Interactive Technologies and Communications ($4.4 million or 18.7%) and in Leisure and Entertainment ($2.1 million or 2.2%).
- Revenues decreased in News Media (by $6.7 million or -2.4%), mainly because of lower advertising revenues at the community newspapers and directories, and lower circulation revenues.

Operating income: $365.1 million, a decrease of $26.2 million (-6.7%).

- Operating income decreased in Telecommunications (by $21.3 million or -7.6% of segment operating income) and in Broadcasting ($2.3 million or -7.1%). The decrease in operating income includes unfavourable variances of $33.8 million in the Telecommunications segment and $9.0 million in the Broadcasting segment related to the adjustment to the provision for CRTC Part II licence fees in 2009 (for more details, see "Part II licence fees" under "2010/2009 Financial Year Comparison" in the discussion of the results of the Telecommunications and Broadcasting segments). The

Telecommunications segment's results were also affected by increases in some operating expenses, among them costs related to the roll-out of the 3G+ network, including acquisition costs of $471 per subscriber addition.

- Operating income decreased in News Media ($9.2 million or -13.3%).
- Operating income increased in Leisure and Entertainment (by $2.8 million or 33.3%) and in Interactive Technologies and Communications ($1.1 million or 78.6%).
- The change in the fair value of Quebecor Media resulted in a $5.7 million favourable variance in the stock-based compensation charge in the fourth quarter of 2010 compared with the same period of 2009. The fair value of Quebecor Media decreased during the fourth quarter of 2010, contrary to the increase in the same period of 2009. The increase in Quebecor's stock price resulted in a $2.3 million unfavourable variance in the Company stock-based compensation charge in the fourth quarter of 2010.
- Excluding the impact of the stock-based compensation charge, and if the figures for prior periods were restated to retroactively reflect the reversal in the fourth quarter of 2009 of the accumulated CRTC Part II licence fee provision, the increase in operating income in the fourth quarter of 2010 would have been 3.7%, compared with 15.1% in the same period of 2009.

Net income: $87.2 million, compared with $148.5 million in the fourth quarter of 2009.

- The $61.3 million (-41.3%) decrease was mainly due to:
- $34.7 million increase in amortization charge;
- $26.2 million decrease in operating income;
- $26.1 million unfavourable variance in gain on valuation and translation of financial instruments;
- $7.3 million increase in financial expenses.

Amortization charge: $121.6 million, an increase of $34.7 million.

- The increase was mainly due to significant capital expenditures in 2009 and 2010 in the Telecommunications segment, including commencement of amortization of 3G+ network equipment and licenses following the network launch on September 9, 2010.

Financial expenses: $72.2 million, an increase of $7.3 million.

- The increase was mainly due to:
- a $7.7 million decrease in interest capitalized to property, plant and equipment and intangible assets. This amount is the portion of interest no longer capitalized to investment in the development of the 3G+ network since the network launch on September 9, 2010;
- higher base interest rates.

Partially offset by:

- $5.8 million favourable variance in exchange rates on operating items.

Loss on valuation and translation of financial instruments: $23.6 million in fourth quarter 2010, compared with a $2.5 million gain in the same quarter of 2009, a $26.1 million unfavourable variance.

- The variance was mainly due to an unfavourable change in the fair value of early settlement options because of interest rate fluctuations.

Charge for restructuring of operations, impairment of assets and other special items: $24.3 million in the fourth quarter of 2010, compared with $21.5 million in the same period of 2009.

- In connection with the startup of its 3G+ network, Videotron recorded a $9.0 million charge for migration costs.

- In the fourth quarter of 2010, a $13.2 million charge for restructuring of operations was recorded in the News Media segment in connection with new staff-reduction programs, compared with a $20.5 million charge in the same period of 2009.
- In connection with the repositioning of the over-the-air television station Sun TV and with the creation of the new Sun News specialty channel, the Broadcasting segment recognized a $0.6 million asset impairment charge on equipment and broadcast rights in the fourth quarter of 2010.
- In the fourth quarter of 2010, a $1.5 million charge for restructuring of operations and other items was recorded in other segments, compared with $1.0 million in the same period of 2009.

Income tax expense: $26.4 million (effective tax rate of 21.4%) in the fourth quarter of 2010, compared with $61.3 million (effective tax rate of 27.8%) in the same period of 2009.

- The $34.9 million favourable variance, the effective tax rates and the fluctuation in those rates in the fourth quarter of 2010 compared with the same period of 2009 were primarily due to:
- decrease in income before income taxes and non-controlling interest;
- favourable impact of tax rate mix on the various components of the gains and losses on financial instruments and derivative financial instruments, and on translation of financial instruments.;
- reduction in future tax liabilities in the fourth quarter of 2010 in light of developments in tax audits, jurisprudence and tax legislation.

Segmented analysis

Telecommunications

Revenues: $585.9 million, an increase of $53.0 million (9.9%) compared with the fourth quarter of 2009, mainly due to the same factors as those noted in the 2010/2009 financial year comparison.

- Combined revenues from all cable television services increased $17.2 million (7.5%) to $245.9 million.
- Revenues from Internet access services increased $14.0 million (9.2%) to $166.3 million.
- Revenues from cable telephone service increased $12.6 million (13.4%) to $106.9 million.
- Revenues from mobile telephone service increased $5.6 million (49.6%) to $16.9 million.
- Revenues of Videotron Business Solutions increased $1.5 million (10.3%) to $16.1 million.
- Revenues of Le SuperClub Vidéotron decreased $0.6 million (-8.5%) to $6.5 million.
- Other revenues increased $2.7 million (10.9%) to $27.4 million.

Monthly ARPU: $98.85 in fourth quarter 2010, compared with $91.68 in the same period of 2009, an increase of $7.17 (7.8%).

Customer statistics

Cable television – The combined customer base for all of Videotron's cable television services increased by 9,600 (0.5%) in the fourth quarter of 2010 (compared with an increase of 17,300 in the same quarter of 2009).

- The number of subscribers to illico Digital TV increased by 37,300 (3.2%) in the fourth quarter of 2010, compared with 41,700 in the same period of 2009.
- The customer base for analog cable television services decreased by 27,700 (-4.5%), compared with a decrease of 24,400 in the same period of 2009.

Internet access – 18,300 (1.5%) customer base increase in the fourth quarter of 2010, compared with 25,200 in the fourth quarter of 2009.

Cable telephone – 16,200 (1.5%) customer base increase in the fourth quarter of 2010, compared with 34,900 in the same period of 2009.

Mobile telephone – 40,700 (42.7%) subscriber additions in the fourth quarter of 2010, compared with 3,000 in the same quarter of 2009. The increase was essentially due to the launch of the 3G+ network on September 9, 2010.

Operating income: $259.6 million in the fourth quarter of 2010, a decrease of $21.3 million (-7.6%).

- The decrease was due primarily to:
- $33.8 million unfavourable variance resulting from the adjustment to the provision for CRTC Part II licence fees in 2009 (for details, see "Part II licence fees" under "2010/2009 Financial Year Comparison" in the discussion of the results of the Telecommunications segment);
- increases in some operating expenses, among them costs related to the roll-out of the 3G+ network, including acquisition costs of $471 per subscriber addition.

Partially offset by:

- customer growth for all services;
- increases in some cable television and Internet access rates;
- increases in operating income from pay TV and HD packages;
- reversal of certain provisions for regulatory fees;
- $1.7 million favourable variance in the stock-based compensation charge.
- Excluding the variance in the stock-based compensation charge, and if the figures for prior periods were restated to retroactively reflect the reversal in the fourth quarter of 2009 of the accumulated CRTC Part II licence fee provision, the increase in operating income in the fourth quarter of 2010 would have been 4.3%, compared with 16.4% in the same period of 2009.

Cost/revenue ratio: operating costs for all Telecommunications segment operations (expressed as a percentage of revenues) were 55.7% in the fourth quarter of 2010, compared with 47.3% in the same quarter of 2009.

- Operating costs as a proportion of revenues increased for the following reasons:
- higher operating costs due to the roll-out of the 3G+ network;
- impact of the adjustment to the provision for CRTC Part II licence fees, which was favourable in the fourth quarter of 2009.

Partially offset by:

- Marginal impact of increases in some rates on costs.

News Media

Revenues: $272.3 million, a decrease of $6.7 million (-2.4%).

- Advertising revenues decreased 0.8%, circulation revenues decreased 5.9%, and combined revenues from commercial printing and other sources decreased 9.3%.
- Revenues increased 0.7% overall at the urban dailies and decreased 4.7% at the community newspapers in the fourth quarter of 2010.

- Portal revenues decreased by 12.3%. A 25.9% decline in revenues at the general-interest portals, due mainly to the distribution of some assets as part of a reorganization in June 2009 and the loss of a contract, was partially offset by a 5.8% increase in the revenues at the special-interest portals.

Operating income: $60.1 million, a decrease of $9.2 million (-13.3%).

- The decrease was due primarily to:
- impact of revenue decrease;
- $4.0 million impact of increase in newsprint prices;
- increases in some operating expenses, including community newspaper startup costs in Québec and investments made to improve the quality of the free Toronto newspaper *24 Hours*™;
- unfavourable variance related to Quebecor Media Network startup costs;

Partially offset by:

- impact of restructuring initiatives, which generated an additional $4.0 million in cost savings;
- $1.5 million favourable variance related to the stock-based compensation charge.
- Excluding the impact of the stock-based compensation charge and Quebecor Media Network startup costs, operating income would have decreased by 12.6% in the fourth quarter of 2010, compared with a 37.2% increase in the same period of 2009.

Cost/revenue ratio: Operating costs for all News Media segment operations (expressed as a percentage of revenues) were 77.9% in the fourth quarter of 2010, compared with 75.2% in the same period of 2009. The increase was mainly due to the unfavourable impact of the fixed component of costs, which does not fluctuate in proportion to revenue decreases, higher newsprint prices and Quebecor Media Network startup costs, partially offset by additional cost reductions from restructuring initiatives.

Broadcasting

Revenues: $133.4 million, an increase of $4.9 million (3.8%).

- Revenues from television operations increased $4.2 million, mainly due to:
- higher advertising and subscription revenues at the specialty channels;
- increased revenues from commercial production;
- higher sponsorship and video on demand revenues at TVA Productions.

Partially offset by:

- lower advertising revenues at the over-the-air station Sun TV;
- unfavourable variance in revenues from Canal Indigo due to the sale of the entity to Videotron on December 1, 2009.
- Publishing revenues increased by $1.1 million, mainly due to the same factors as those noted under “2010/2009 Financial Year Comparison.”

Operating income: $29.9 million, a decrease of $2.3 million (-7.1%).

- Operating income from television operations decreased $3.0 million, mainly due to:
- $9.0 million unfavourable variance resulting from the adjustment to the provision for CRTC Part II licence fees in 2009 (for details, see “Part II licence fees” under “2010/2009 Financial Year Comparison” in the discussion of the results of the Broadcasting segment);

- higher content costs at the specialty channels as a result of the programming strategy.

Partially offset by:

- impact of increased revenues;
- increased profitability of TVA Films;
- decrease in content costs and in selling and administrative expenses at the TVA Network.
- Operating income from publishing operations increased by $0.6 million, mainly as a result of the impact of the revenue increase.

Cost/revenue ratio: operating costs for all Broadcasting segment operations (expressed as a percentage of revenues) were 77.6% in the fourth quarter of 2010, compared with 74.9% in the same period of 2009. The increase in costs as a proportion of revenues mainly reflects the impact of adjustments related to CRTC Part II licence fees in 2009 and higher content costs at the specialty channels, partially offset by the reduced proportion of fixed costs, given the growth of television revenues, as well as the decrease in the TVA Network's selling and administrative expenses.

Leisure and Entertainment

Revenues: $97.6 million, an increase of $2.1 million (2.2%).

- The Book Division's revenues increased by 13.8%, mainly because of an increase in the number of titles placed in big box stores and bookstores, and higher revenues from book publishing in the general literature segment, partially offset by decreased sales of textbooks for Québec primary schools in the academic segment.
- The revenues of Archambault Group decreased 2.1%, mainly due to:
- 2.5% drop in retail sales because of lower CD sales compared with the fourth quarter of 2009, when a large number of successful albums were released, and lower sales of DVDs and Blu-ray discs;
- 6.0% decrease in distribution sales, primarily as a result of lower volume than in the fourth quarter of 2009.

Partially offset by:

- 74.3% increase in production sales, mainly because Musicor released more CDs than in the same period of 2009, including albums by Mario Pelchat, Florence K and Nicole Martin.

Operating income: $11.2 million in the fourth quarter of 2010, an increase of $2.8 million (33.3%) due primarily to increased operating income in the Book Division generated by higher revenues in the general literature segment and improved profitability at CEC Publishing, partially offset by the impact of lower revenues at Archambault Group.

Interactive Technologies and Communications

Revenues: $27.9 million, an increase of $4.4 million (18.7%).

- The increase was mainly due to:
- increased volumes from customers in North America, Europe and Asia.

Partially offset by:

- unfavourable variances in currency translation, mainly in Europe;
- lower volumes from government customers.

Operating income: $2.5 million, an increase of $1.1 million (78.6%).

- The increase was essentially due to the same factors as those noted above under "2010/2009 Financial Year Comparison."

2009/2008 FINANCIAL YEAR COMPARISON

Analysis of Consolidated Results of Quebecor Media

Revenues: $3.81 billion, an increase of $47.0 million (1.3%).

- Revenues increased in Telecommunications (by $197.0 million or 10.9% of segment revenues) mainly due to customer growth for all services, in Leisure and Entertainment ($5.9 million or 2.0%), Broadcasting ($2.3 million or 0.5%), and in Interactive Technologies and Communications ($1.4 million or 1.6%).
- Revenues decreased in News Media ($155.8 million or -12.9%) as a result of lower advertising revenues.

Operating income: $1.28 billion, an increase of $165.1 million (14.7%).

- Operating income increased in Telecommunications ($175.0 million or 21.9% of segment operating income), Broadcasting ($14.0 million or 21.2%) and in Leisure and Entertainment ($5.7 million or 28.2%).
- Operating income decreased in News Media ($27.6 million or -12.2%) and in Interactive Technologies and Communications ($1.0 million or -19.6%).
- The increase in operating income includes a $61.5 million favourable variance (including $47.9 million in the Telecommunications segment and $13.6 million in the Broadcasting segment) related to adjustments to the provision for CRTC Part II licence fees (for more details, see "Part II licence fees" under "2010/2009 Financial Year Comparison" in the discussion of the results of the Telecommunications and Broadcasting segments).
- The changes in the fair value of Quebecor Media resulted in an $18.4 million unfavourable variance in the consolidated stock-based compensation charge in 2009 compared with the same period of 2008. The fair value of Quebecor Media, based on market comparables, increased during 2009, compared with a decrease in 2008.
- Excluding the impact of the consolidated stock-based compensation charge and the operating income of Osprey Media, acquired in 2007, and if the figures for all prior periods were restated to retroactively reflect the CRTC Part II licence fee adjustments, the increase in operating income in 2009 would have been 11.2%, compared with 11.5% in 2008.

Net income: $525.1 million in 2009, compared with a net loss of $378.7 million in 2008, an increase of $903.8 million.

- Net income was increased by the following factors:
- $165.1 million increase in operating income;
- $65.2 million favourable variance in gain on valuation and translation of financial instruments;
- $37.8 million decrease in financial expenses;
- $25.0 million decrease in charge for restructuring of operations, impairment of assets and other special items.

Partially offset by:

- $24.8 million increase in amortization charge.
- A non-cash charge totalling $671.2 million, including $631.0 million without any tax consequences, was recorded in 2008 for impairment of goodwill and intangible assets, primarily in the News Media segment, compared with a $13.6 million charge in 2009.

Amortization charge: $341.5 million, a $24.8 million increase, due mainly to significant capital expenditures in 2008 and 2009 in the Telecommunications segment.

Financial expenses: $238.2 million, a decrease of $37.8 million.

- The decrease was mainly due to:
- $27.3 million increase in interest capitalized to additions to property, plant and equipment;
- lower base interest rates;
- $9.6 million favourable variance in exchange rates on operating items.

Offset by:

- impact of higher indebtedness.

Gain on valuation and translation of financial instruments: $61.5 million in 2009, compared with a $3.7 million loss in 2008. The $65.2 million improvement resulted primarily from the fluctuation in the fair value of early settlement options due to interest rate fluctuations.

Charge for restructuring of operations, impairment of assets and other special items: $29.6 million in 2009, compared with $54.6 million in 2008, a favourable variance of $25.0 million

- In 2009, a $26.3 million charge for restructuring of operations was recorded in the News Media segment. Faced with dramatic newspaper-industry-wide changes in the past several years and the troubled economic environment, which were affecting its advertising revenues, the News Media segment implemented new restructuring and cost-reduction initiatives across Canada in 2009. A $2.0 million charge for restructuring of operations was also recorded in 2009 in other segments.
- In 2008, the News Media segment recognized a $33.3 million charge for restructuring of operations. In December 2008, the segment introduced a staff-reduction program as part of a major restructuring of its operations across Canada. Quebecor Media also recognized charges for restructuring totalling $2.3 million in other segments in 2008.
- Quebecor Media concluded that the restructuring initiatives and the loss of a major printing contract in 2008 were a triggering event for impairment tests and that write-downs of some long-lived assets would be necessary. As a result, a non-cash impairment charge totalling $19.1 million was recorded against buildings, machinery and equipment in 2008, compared with $0.4 million in 2009.
- In 2009, Quebecor Media recorded a $0.9 million charge for loss on sales of businesses and other special items ($0.1 million gain in 2008).

Non-cash charge for impairment of goodwill and intangible assets: Total of $13.6 million in 2009, compared with $671.2 million in 2008.

- In the fourth quarter of 2008, Quebecor Media determined that the adverse financial and economic environment was a triggering event for goodwill impairment tests in the News Media, Leisure and Entertainment and Interactive Technologies and Communications segments. As a result, Quebecor Media concluded that the goodwill of these segments was impaired. Based on preliminary results of this test, a $631.0 million non-cash charge for goodwill impairment, without any tax consequences, was recorded, including $595.0 million in the News Media segment, $10.0 million in the Leisure and Entertainment segment, and $26.0 million in the Interactive Technologies and Communications segment. In 2008, Quebecor Media also recorded a masthead impairment charge of $40.2 million.

In the second quarter of 2009, Quebecor Media completed the goodwill impairment tests and an additional non-cash goodwill impairment charge of $5.6 million, without any tax consequences, was recorded as an

adjustment to the non-cash goodwill impairment charge recorded in the fourth quarter of 2008, which included $1.7 million in the News Media segment, $1.2 million in the Leisure and Entertainment segment, and $2.7 million in the Interactive Technologies and Communications segment.

- In the second quarter of 2009, the Company also recorded an $8.0 million charge for impairment of mastheads of publications in the News Media segment following its annual impairment test.

Income tax expense: $177.3 million (effective rate of 24.5%) in 2009, compared with $155.2 million (effective rate of 36.2%, excluding the impact of the charge, without any tax consequences, for goodwill impairment) in 2008.

- The change in the effective tax rate in 2009 compared with 2008 was mainly due to:
- impact of tax rate mix on the various components of gains and losses on financial instruments and derivative financial instruments, and on translation of financial instruments;
- increase in 2009 in tax benefits related to tax consolidation transactions with the parent company.

Free cash flows from continuing operating activities: $350.5 million in 2009, compared with $243.2 million in 2008 (Table 4).

- The $107.3 million increase was mainly due to:
- $165.1 million increase in operating income;
- $38.7 million decrease in cash interest expense (see discussion of financial expenses under "2009/2008 Financial Year Comparison");
- decrease in capital expenditures in the News Media segment due to implementation in 2008 of phase two of the project to acquire new presses.

Partially offset by:

- $34.6 million increase in the use of funds for non-cash balances related to operations, mainly because of current variances in activity, including a $31.2 million increase in accounts receivable in 2009 due to, among other things, higher revenues in the Telecommunications segment;
- higher capital expenditures in the Telecommunications segment due primarily to the roll-out of the 3G+ network;
- $17.0 million increase in current income taxes.

Segmented Analysis

Telecommunications

Revenues: $2.00 billion in 2009, an increase of $197.0 million (10.9%).

- Combined revenues from all cable television services increased $65.7 million (8.1%) to $875.6 million, due primarily to customer base growth, increases in some rates, migration from analog to digital service, increased video on demand and pay TV orders, and the success of HD packages.
- Revenues from Internet access services increased $74.6 million (14.9%) to $574.2 million. The improvement was mainly due to customer growth, increases in some rates, excess usage fees and customer migration to higher-speed services.
- Revenues from cable telephone service increased $67.7 million (23.7%) to $353.8 million, mainly due to customer growth. The increase would have been greater had there not been a decrease in average per-customer revenues due to fewer long-distance calls.

- Revenues from mobile telephone service increased $9.8 million (31.0%) to $41.4 million, essentially due to customer growth.
- Revenues of Videotron Business Solutions decreased $5.3 million (-8.3%) to $58.3 million, mainly because of the loss of a major contract and lower revenues from network solutions.
- Revenues of Le SuperClub Vidéotron decreased $25.5 million (-44.7%) to $31.5 million, primarily as a result of the franchising of 33 corporate-owned stores.

Monthly ARPU: $88.21 in 2009, compared with $81.17 in 2008, an increase of $7.04 (8.7%).

Customer statistics

Cable television – The combined customer base for all of Videotron's cable television services increased by 61,400 (3.6%) in 2009, compared with an increase of 77,500 in 2008.

- Increase of 156,800 customers (16.9%) for the illico Digital TV service in 2009, compared with 159,100 in the same period of 2008.
- The customer base for analog cable television services decreased by 95,400 (-12.1%) in 2009, compared with 81,600 in the same period of 2008, as a result of customer migration to the digital service.

Internet access – Increase of 106,800 customers (10.0%) for cable Internet access services in 2009, compared with 130,800 in 2008.

Cable telephone – Increase of 162,000 customers (19.0%) in 2009, compared with 215,600 in 2008.

Mobile telephone – 19,400 (30.6%) subscriber additions in 2009, compared with 18,300 in 2008.

Operating income: $972.9 million, an increase of $175.0 million (21.9%).

- The increase was mainly due to:
- customer growth for all services;
- increases in some rates, primarily for the cable television and Internet access services, and excess usage fees;
- $47.9 million favourable variance related to adjustments to the provision for CRTC Part II licence fees (for details, see "Part II licence fees" under "2010/2009 Financial Year Comparison" in the discussion of the results of the Telecommunications segment).

Offset by:

- $12.3 million unfavourable variance related to the stock-based compensation charge;
- increases in some regulatory fees.
- Excluding the variance in the stock-based compensation charge, and if the figures for all prior periods were restated to retroactively reflect CRTC Part II licence fee adjustments, operating income would have increased by 16.6% in 2009, compared with 21.3% in 2008.

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 51.4% in 2009, compared with 55.8% in 2008. The decrease was due primarily to:

- significant fixed component of costs, which does not fluctuate in proportion to revenue growth;
- marginal impact on costs of increases in some rates and in consumption;
- impact of adjustments to the provision for CRTC Part II licence fees, which was favourable in 2009 and unfavourable in 2008.

Cash flows from segment operations: $451.0 million in 2009, compared with $384.6 million in 2008.

- The $66.4 million increase was mainly due to:
- $175.0 million increase in operating income.

Offset by:

- $77.4 million increase in additions to property, plant and equipment;
- $29.8 million increase in acquisitions of intangible assets, due primarily to the roll-out of the 3G+ network.

News Media

Revenues: $1.05 billion, a decrease of $155.8 million (-12.9%).

- Advertising revenues decreased 16.8%, circulation revenues decreased 3.8%, and combined revenues from commercial printing and other sources increased 12.3%.
- Revenues of the urban dailies and community newspapers decreased by 11.8% and 18.0% respectively in 2009.
- Portal revenues were flat. The decrease in revenues at the special-interest portals was offset by revenue growth at the general-interest portals.

Operating income: $199.5 million, a decrease of $27.6 million (-12.2%).

- The decrease was due primarily to:
- impact of the $155.8 million decrease in revenues;
- $7.3 million unfavourable variance related to the stock-based compensation charge;
- Quebecor Media Network start-up costs.

Partially offset by:

- $77.5 million decrease in operating costs due primarily to restructuring and other cost-reduction initiatives, as well as the impact of a $5.7 million reversal in 2009 of a reserve for bonuses recorded in 2008, and lower labour costs related to the labour dispute at *Le Journal de Montréal*;
- $5.7 million impact of decrease in newsprint prices.
- Excluding the impact of the stock-based compensation charge, the operating income of Osprey Media, acquired in 2007, and Quebecor Media Network start-up costs, operating income decreased by 6.3% in 2009, compared with 19.6% in 2008.

Cost/revenue ratio: Operating costs for all News Media segment operations, expressed as a percentage of revenues, were 81.1% in 2009, compared with 81.2% in 2008. The segment's restructuring initiatives yielded significant cost reductions, offsetting the unfavourable impact of the fixed costs component, which does not decline in proportion with decreasing revenues.

Cash flows from segment operations: $156.9 million in 2009, compared with $140.3 million in 2008.

- The $43.7 million decrease in additions to property, plant and equipment, due essentially to the implementation in 2008 of phase two of the project to acquire new presses, outweighed the $27.6 million decrease in operating income.

Broadcasting

Revenues: $439.0 million, an increase of $2.3 million (0.5%).

- Revenues from television operations increased $14.2 million, mainly because of:
- higher advertising and subscription revenues at the specialty channels;
- higher advertising revenues at the TVA Network, partly as a result of the popular *Star Académie* program, combined with increases in other revenues;
- increased revenues from Canal Indigo.

Partially offset by:

- decreased advertising revenues at Sun TV.
- Revenues from distribution operations decreased by $6.8 million, primarily as a result of lower volume sales of DVDs and Blu-ray discs, as well as decreased sales of television products.
- Publishing revenues decreased by $4.6 million, mainly as a result of decreases in advertising, newsstand and subscription revenues.

Operating income: $80.0 million, an increase of $14.0 million (21.2%).

- Operating income from television operations increased $19.6 million, mainly due to:
- $13.6 million favourable variance related to adjustments to the provision for CRTC Part II licence fees (for more details, see “Part II licence fees” under “2010/2009 Financial Year Comparison” in the discussion of the results of the Broadcasting segment);
- impact of revenue growth at the specialty channels and TVA Network, and the contribution of Canal Indigo;
- decrease in the TVA Network’s content costs.

Partially offset by:

- higher content costs at the specialty channels;
- impact of lower revenues and higher content costs at Sun TV.
- Operating income from distribution operations showed an unfavourable variance of $6.6 million, mainly as a result of:
- impact of revenue decrease;
- recognition of a $1.2 million allowance for bad debts due to one customer’s uncertain financial position.
- Operating income from publishing operations increased $2.5 million. The positive impact of lower printing, writing and computer graphics expenses more than offset the decrease in revenues.

Cost/revenue ratio: Operating costs for all Broadcasting segment operations (expressed as a percentage of revenues) were 81.8% in 2009, compared with 84.9% in 2008. The decrease in costs as a proportion of revenues was mainly due to:

- impact of adjustments to the provision for CRTC Part II licence fees, which was favourable in 2009 and unfavourable in 2008;
- reduced proportion of fixed costs, given the growth in broadcasting revenues;
- lower costs for publishing operations.

Cash flows from segment operations: $56.9 million in 2009, compared with $44.2 million in 2008, an increase of $12.7 million.

- The favourable variance was mainly due to the $14.0 million increase in operating income.

Leisure and Entertainment

Revenues: $307.8 million, an increase of $5.9 million (2.0%).

- The Book Division's revenues increased 6.8%, mainly because of significantly increased sales by CEC Publishing in the academic segment, resulting primarily from the billing of textbooks for Québec elementary schools. The increase was also due to a larger number of bestsellers distributed by Messageries ADP in 2009 than in 2008.
- Revenues of Archambault Group (excluding the impact of the transfer of video on demand operations to the Telecommunications segment on May 1, 2008) increased 2.2% due to:
- 0.4% increase in retail sales, mainly because of higher sales of general merchandise and books;
- 2.7% increase in distribution sales because of the popularity of new releases in 2009, including the *Star Académie* CD and albums from singers Ginette Reno, Marie-Mai, Maxime Landry and Ima;
- 35.9% increase in production sales in 2009, mainly as a result of new releases by Musicor, including the *Star Académie* CD and an album from singer Marie-Mai, as well as increased activity at the Musicor Spectacles division, created in 2008.

Operating income: $25.9 million in 2009, compared with $20.2 million in 2008. The $5.7 million (28.2%) increase was mainly due to higher sales in the Book Division, increased margins in the academic segment, as well as higher revenues, on a comparable basis, and higher operating margins at Archambault Group.

Cash flows from segment operations: $18.3 million in 2009, compared with $5.6 million in 2008.

- The $12.7 million increase was mainly due to:
- $5.7 million increase in operating income;
- $5.3 million decrease in additions to property, plant and equipment, mainly because of higher capital expenditures in 2008 for the expansion and renovation of some Archambault stores.

Interactive Technologies and Communications

Revenues: $91.0 million, an increase of $1.4 million (1.6%).

- The increase was mainly due to:
- impact of increased revenues from government customers;
- increased volume in China.

Partially offset by:

- lower volume from customers in North America and Europe.

Operating income: $4.1 million, a decrease of $1.0 million (-19.6%).

- The decrease was mainly due to:
- impact of lower revenues in Canada and Europe;
- unfavourable variance in currency translation.

Partially offset by:

- favourable impact of new tax credits for e-commerce business development;
- favourable variance due to one-time costs in the first quarter of 2008 related to taking Nurun private, including impact related to stock-based compensation charge.

Cash flows from segment operations: $0.7 million in 2009, compared with $1.5 million in 2008.

- The $0.8 million decrease was mainly due to the $1.0 million decline in operating income.

CASH FLOWS AND FINANCIAL POSITION

Operating activities

2010 financial year

Cash flows provided by operating activities: $870.1 million in 2010, compared with $949.5 million in 2009.

- The $79.4 million decrease was mainly due to:
- $72.3 million increase in the use of funds for non-cash balances related to operations due primarily to an increase in investments in the Telecommunications segment following the launch of the 3G+ network;
- $26.8 million increase in current income taxes;
- $24.9 million increase in cash interest expense;
- $9.2 million increase in the cash portion of charge for restructuring of operations, impairment of assets and other special items.

Partially offset by:

- $63.1 million increase in operating income.

2009 financial year

Cash flows provided by operating activities: $949.5 million in 2009, compared with $786.1 million in 2008.

- The $163.4 million increase was mainly due to:
- $165.1 million increase in operating income;
- $38.7 million decrease in cash interest expense (see discussion of financial expenses under "2009/2008 Financial Year Comparison");
- decrease in the cash portion of charge for restructuring of operations.

Partially offset by:

- $34.6 million increase in use of funds for non-cash balances related to operations, mainly because of current variances in activity, including a $34.9 million increase in 2009 in accounts receivable due, among other things, to higher revenues in the Telecommunications segment;
- $17.0 million increase in current income taxes.

Working capital of Quebecor Media: $33.4 million at December 31, 2010 compared with $1.2 million at December 31, 2009, a $32.2 million increase mainly reflecting variances in non-cash balances related to operations due primarily to the launch of the 3G+ network in the Telecommunications segment, partially offset by an increase in liabilities related to stock-based compensation (Table 13).

Financing activities

2010 financial year

Consolidated debt of Quebecor Media (long-term debt plus bank borrowings): $243.9 million decrease in 2010; $77.8 million unfavourable net variance in assets and liabilities related to derivative financial instruments.

- Debt reductions during 2010:
- payments on debt totalling $290.6 million, including a $175.8 million early payment by Quebecor Media on drawings on its term loan "B" on January 14, 2010, and the pay down by Osprey Media of its credit facility in the amount of $114.8 million in May 2010;
- estimated $156.8 million favourable impact of exchange rate fluctuations. The decrease in this item is offset by an increase in the liability (or a decrease in the asset) related to cross-currency swap agreements entered under "Derivative financial instruments";
- current payments totalling $67.7 million on Quebecor Media's credit facility and other debt;
- $50.3 million decrease in debt due to favourable variance in fair value of embedded derivatives, resulting mainly from interest rate fluctuations.

Summary of debt increases since the end of 2009:

- issuance by Videotron on January 13, 2010 of $300 million aggregate principal amount of 7 1/8% Senior Notes maturing in 2020, for net proceeds of $293.9 million (net of financing fees);
- $4.0 million net increase in drawings on TVA Group's revolving bank credit facilities and bank borrowings;
- $10.0 million increase in debt due to changes in fair value related to hedged interest rate risk.
- Assets and liabilities related to derivative financial instruments totalled a net liability of $451.2 million at December 31, 2010, compared with $373.4 million at December 31, 2009. The $77.8 million unfavourable net variance mainly reflects:
- unfavourable impact of exchange rate fluctuations on the value of derivative financial instruments.

Partially offset by:

- impact of interest rate trends in Canada, compared with the United States, on the fair value of derivative financial instruments;
- settlement in January and May 2010 of portions of hedge agreements totalling $29.9 million.
- On January 14, 2010, Quebecor Media extended the maturity date of its $100.0 million revolving credit facility from January 2011 to January 2013 and obtained certain other advantageous amendments to the covenants attached to its credit facilities.
- On January 5, 2011, Quebecor Media completed the issuance of Senior Notes in the aggregate principal amount of $325.0 million, for net proceeds of $319.2 million (net of financing fees). These notes bear interest at a rate of 7 3/8% and mature in January 2021. Quebecor Media used the net proceeds from the issuance of the Notes to make a $288.0 million injection into Sun Media Corporation and for general corporate purposes. Sun Media Corporation used the proceeds from the Quebecor Media injection to finance the early repayment and withdrawal on February 15, 2011 of all its outstanding 7 5/8% Senior Notes maturing on February 15, 2013, in the aggregate principal amount of US$205.0 million, and to finance the settlement and cancellation of related hedges.

2009 financial year

Consolidated debt of Quebecor Media: Reduced by $585.1 million in 2009; unfavourable $574.0 million net variance in assets and liabilities related to derivative financial instruments.

- The decrease in the consolidated debt was mainly due to:
- estimated $551.6 million favourable impact of exchange rate fluctuations on long-term debt. The decrease in this item is offset by an increase in the liability (or a decrease in the asset) related to cross-currency swap agreements entered under "Derivative financial instruments";
- net decrease in drawings on the revolving bank credit facilities and bank borrowings of Videotron, TVA Group, Sun Media Corporation, and Head Office in the amounts of $212.7 million, $78.1 million, $12.0 million and $6.5 million respectively;
- $77.0 million decrease in debt related to hedged interest rate exposure and to embedded derivatives, due mainly to interest rate fluctuations;
- debt repayments totalling $54.6 million, mainly by Quebecor Media and Osprey Media.

Partially offset by:

- issuance by Videotron on March 5, 2009 of US$260.0 million aggregate principal amount of Senior Notes for net proceeds of $332.4 million (including accrued interest and net of financing fees). The Senior Notes were sold at a price equivalent to 98.63% of face value, bear 9 1/8% interest (effective rate of 9.35%) and mature on April 15, 2018;
- closing on December 14, 2009 of the refinancing of TVA Group's bank debt with net proceeds of $75.0 million drawn on a new term loan bearing interest at 5.54% and coming due in 2014. As part of this refinancing, TVA Group also renewed its revolving credit facility for a maximum of $100 million, expiring in 2012.
- Assets and liabilities related to derivative financial instruments totalled a net liability of $373.4 million at December 31, 2009 (net of a $49.0 million asset at that date), compared with a net asset of $200.6 million at December 31, 2008 (net of a $117.3 million liability at that date). The $574.0 million net reduction was mainly due to the impact of exchange rate fluctuations on the value of derivative financial instruments.
- On November 13, 2009, Videotron amended its Senior Secured Credit Facility in order to create within it a $75.0 million secured term credit facility maturing in June 2018 ("Export Financing Facility"). Also on November 13, 2009, Videotron closed another credit agreement with a group of creditors and HSBC Bank plc, acting as agent for the creditors, for an unsecured term credit facility ("Facility B") of a maximum amount equal to the difference between US$100.0 million and the aggregate amount, in US dollars, of drawings on the Export Financing Facility. Facility B matures in April 2016. The Export Financing Facility and Facility B may be used, among other things, to pay and/or reimburse payments for exports of equipment and local services related to the contract for mobile infrastructure equipment between Videotron and a subsidiary of Nokia Corporation.

<u>**Investing activities**</u>

2010 financial year

Additions to property, plant and equipment: $705.6 million, compared with $491.1 million in 2009. The increase was mainly due to spending on the 3G+ network in the Telecommunications segment, partially offset by a decrease in capital expenditures in the News Media segment.

Acquisitions of intangible assets: $113.9 million in 2010 compared with $111.5 million in 2009. The variance was due in part to expenditures related to the roll-out of the 3G+ network in the Telecommunications segment.

Business acquisitions (including buyouts of minority interests): $3.1 million in 2010 compared with $4.6 million in 2009.

- Minority shareholders in a subsidiary in the News Media segment were bought out in 2010 for a total cash consideration of $2.1 million.
- Contingent considerations of $1.0 million were paid in 2010 and 2009 in connection with the acquisition of ASL Ltd. ("ASL") in the News Media segment.
- A contingent consideration totalling $1.0 million was paid in 2009 in connection with the acquisition of China Interactive Limited ("China Interactive") in the Interactive Technologies and Communications segment.
- 253,300 TVA Group Class B Shares were repurchased in 2009 for a total cash consideration of $2.6 million.

Proceeds from disposal of assets: $53.0 million in 2010 compared with $3.6 million in 2009. The increase mainly reflects the disposal of certain tangible assets in the News Media segment in the second quarter of 2010.

2009 financial year

Additions to property, plant and equipment: $491.1 million in 2009 compared with $465.6 million in 2008.

- The increase due to Videotron's expenditures on its 3G+ network was partially offset by a decrease in the News Media segment related to investments made in 2008 on phase two of the project to acquire new presses.

Business acquisitions (including buyouts of minority interests): $4.6 million in 2009 compared with $146.7 million in 2008.

- Business acquisitions in 2009 were as follows:
- 253,300 TVA Group Class B Shares were repurchased for a total cash consideration of $2.6 million;
- contingent considerations totalling $2.0 million were paid in connection with the acquisition of ASL in the News Media segment, and of China Interactive in the Interactive Technologies and Communications segment.
- Business acquisitions in 2008 were as follows:
- all outstanding Common Shares of Nurun not already held acquired for a total cash consideration of $75.2 million;
- 3,000,642 TVA Group Class B Shares repurchased in the second quarter of 2008 for a total cash consideration of $51.4 million;
- certain businesses acquired, primarily in the News Media segment, for a total cash consideration of $15.1 million;
- $5.0 million contingent payment made in connection with the acquisition of Sogides in 2005.

Acquisitions of intangible assets: $111.5 million in 2009 compared with $637.6 million in 2008. The variance was mainly due to the acquisition in the third quarter of 2008 of 17 3G+ network operating licenses for a consideration of $554.6 million.

Financial position at December 31, 2010

Net available liquidity: $1.05 billion for the Company and its wholly owned subsidiaries, consisting of $235.8 million in cash and $809.2 million in available unused lines of credit.

Consolidated debt: Totalled $3.52 billion at December 31, 2010, a decrease of $243.9 million; $77.8 million unfavourable net variance in assets and liabilities related to derivative financial instruments (see "Financing activities" above).

- Consolidated debt essentially consisted of Videotron's $1.79 billion debt ($1.59 billion at December 31, 2009), Sun Media Corporation's $240.0 million debt ($248.9 million at December 31, 2009), TVA Group's $93.9 million debt ($89.6 million at December 31, 2009) and Quebecor Media's $1.40 billion debt ($1.72 billion at December 31, 2009). At December 31, 2009, consolidated debt also included Osprey Media's $114.2 million debt.

As of December 31, 2010, 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, is as follows:

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

2011	$ 30.1
2012	67.9
2013	373.3
2014	736.4
2015	184.3
2016 and thereafter	2,204.3
Total	**$3,596.3**

The weighted average term of Quebecor Media's consolidated debt was approximately 5.0 years as of December 31, 2010 compared to 5.3 years as of December 31, 2009. As of December 31 2010, the debt comprised approximately 75.2% fixed-rate debt compared to 69.3% as of December 31, 2009 and 24.8% floating-rate debt compared to 30.7% as of December 31, 2009.

Management believes that cash flows from continuing operating activities and available sources of financing should be sufficient to cover planned cash requirements for capital investments, working capital, interest payments, debt repayments, pension plan contributions and dividends (or distributions). The Company has access to cash flows generated by its subsidiaries through dividends (or distributions) and cash advances paid by its wholly owned subsidiaries and through the dividends paid by the publicly listed subsidiary TVA Group. The Company believes it will be able to meet future debt payments, which are staggered fairly over the coming years.

Pursuant to their financing agreements, the Company 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 operating income). At December 31, 2010, the Company and its subsidiaries were in compliance with all required financial ratios.

Dividends declared and paid

Dividends declared and paid by Board of Directors of Quebecor Media: $87.5 million in 2010. In 2009, the Board of Directors of Quebecor Media declared and paid dividends totalling $75.0 million.

Table 13
Consolidated balance sheet of Quebecor Media
Analysis of main variances between December 31, 2009 and December 31, 2010
(in millions of Canadian dollars)

	Dec. 31, 2010	Dec. 31, 2009	Difference	Main reason for difference
Assets				
Cash and cash equivalents, and temporary investments	**$ 242.7**	$ 330.0	$ (87.3)	Cash flows used for financing activities
Accounts receivable	**587.3**	518.6	68.7	Impact of launch of 3G+ network in Telecommunications segment and of current variances in activity
Inventory	**245.2**	176.1	69.1	Increase in cable television and mobile telephone equipment, the latter related to launch of 3G+ network in Telecommunications segment
Property, plant and equipment	**2,793.1**	2,439.8	353.3	Additions to property, plant and equipment (*see* "Investing activities" above), less amortization for the period
Liabilities				
Deferred revenues	**275.1**	234.7	40.4	Impact of launch of 3G+ network in Telecommunications segment
Long-term debt, including short-term portion and bank indebtedness	**3,518.3**	3,762.2	(243.9)	See "Financing activities"
Net derivative financial instruments[1]	**451.2**	373.4	77.8	See "Financing activities"
Net future tax liabilities[2]	**463.9**	353.0	110.9	Use of tax benefits and capital cost allowance in excess of book amortization

[1] Long-term liabilities, less long-term assets.
[2] Long-term liabilities, less current and long-term assets.

ADDITIONAL INFORMATION

Contractual Obligations

At December 31, 2010, material contractual obligations of operating activities included: capital repayment and interest 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 14 below shows a summary of these contractual obligations.

Table 14
Contractual obligations of Quebecor Media as of December 31, 2010
(in millions of Canadian dollars)

	Total	Under 1 year	1-3 years	3-5 years	5 years or more
Long-term debt[1]	**$3,596.3**	$ 30.1	$ 441.2	$ 920.7	$2,204.3
Interest payments[2]	**1,538.8**	256.4	554.9	438.5	289.0
Operating leases	**406.9**	72.3	100.1	67.3	167.2
Additions to property, plant and equipment and other commitments	**129.5**	79.8	43.3	5.2	1.2
Derivative financial instruments[3]	**509.8**	0.5	130.3	213.9	165.1
Total contractual obligations	**$6,181.3**	**$439.1**	**$1,269.8**	**$1,645.6**	**$2,826.8**

[1] Carrying value of long-term debt excludes adjustments to record changes in the fair value of long-term debt related to hedged interest risk, 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, 2010.
[3] Estimated future disbursements, net of receipts, related to foreign exchange hedging of derivative financial instruments.

Videotron leases sites for its 3G+ 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 $113.2 million. During the year ended December 31, 2010, Videotron renewed or extended several leases and signed new operating lease arrangements.

In the normal course of business, TVA Group contracts commitments regarding broadcast rights for television programs and films, and regarding distribution rights for audiovisual content. The outstanding balance of such commitments was $62.6 million at December 31, 2010.

Large quantities of newsprint, paper and ink are among the most important raw materials used by Quebecor Media. During 2010, the total newsprint consumption of its News Media segment's operations was approximately 144,000 metric tonnes. Newsprint represented approximately 9.8% ($81.4 million) of the News Media segment's operating costs for the year ended December 31, 2010. 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.

On March 1, 2011, Quebecor Media announced that it had entered into an agreement with Québec City under which it obtained the management and naming rights for a 25-year period related to the arena to be constructed in Québec City. The agreement includes, among other terms, a commitment from Quebecor Media to pay $33.0 million in 2015 for the naming rights to the site of the future facility, a lease for an initial period of 25 years with annual rental payments of approximately $3.0 million, as well as other conditions. The financial commitment from Quebecor Media could potentially increase in the event that an agreement to operate a National Hockey League franchise occurs in the future.

Financial Instruments

Quebecor Media uses a number of financial instruments, mainly cash and cash equivalents, trade receivables, temporary investments, long-term investments, bank indebtedness, trade payables, accrued liabilities, long-term debt and derivative financial instruments.

As at December 31, 2010, Quebecor Media was using derivative financial instruments to manage its exchange rate and interest rate exposure. The Company has entered into foreign exchange forward contracts and cross-currency interest rate swap agreements to hedge the foreign currency risk exposure on the entirety of its U.S.-dollar-denominated long-term debt. Quebecor Media also uses interest rate swaps in order to manage the impact of interest rate fluctuations on its long-term debt.

Quebecor Media has also entered into currency forward contracts in order to hedge, among other things, the planned purchase, in U.S. dollars, of digital set-top boxes, modems and other equipment in the Telecommunications segment, including equipment for the 3G+ network. As well, Quebecor Media has entered into currency forward contracts to hedge future contractual instalments payable in euros and Swiss francs.

Quebecor Media does not hold or use any derivative financial instruments for trading purposes.

Certain cross-currency interest rate swaps entered into by Quebecor Media include an option that allows each party to unwind the transaction on a specific date at the then settlement value.

The gain on valuation and translation of financial instruments for 2010, 2009 and 2008 are summarized in Table 15.

Table 15
Gain on valuation and translation of financial instruments
(in millions of Canadian dollars)

	2010	2009	2008
Gain on embedded derivatives and derivative financial instruments for which hedge accounting is not used	**$(41.3)**	$(13.9)	$(47.2)
(Gain) loss on foreign currency translation of financial instruments for which hedge accounting is not used	**(6.9)**	(24.6)	34.3
Loss (gain) on the ineffective portion of fair value hedges	**2.1**	(23.0)	16.6
	$(46.1)	$(61.5)	$ 3.7

A $43.0 million gain was recorded under other comprehensive income in 2010 in relation to cash flow hedging relationships (losses of $8.2 million and $16.7 million in 2009 and 2008 respectively).

The fair value of long-term debt and derivative financial instruments is shown in Table 19.

Related Party Transactions

The following describes transactions in which the Company and its directors, executive officers and affiliates are involved. The Company 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, 2010, the Company and its subsidiaries made purchases and incurred rent charges from the parent company and affiliated companies in the amount of $14.8 million ($16.9 million in 2009 and $11.8 million in 2008), which are included in operating expenses. The Company and its subsidiaries made sales to an affiliated company in the amount of $3.6 million ($2.8 million in 2009 and $2.7 million in 2008). These transactions were concluded and accounted for at the exchange amount.

The Company received interest of $0.1 million in 2009 and $1.0 million in 2008 from the parent company.

Corporate reorganization

In June 2009, as part of a corporate reorganization, the subsidiary Canoe, in which the Company held an 86.2% interest and TVA Group a 13.8% interest, was wound up and its assets distributed to the shareholders. The transactions arising from this reorganization were recorded at the carrying value of the assets transferred and an adjustment of $8.6 million was recorded in contributed surplus.

In the second quarter of 2010, the Company announced the creation of The Sun TV News Channel, a new partnership in which TVA Group holds a 51% interest and Sun Media Corporation a 49% interest. This new partnership will launch an English-language news and opinion specialty channel during the spring of 2011. The Company also decided to terminate the operations of its general-interest television station, Sun TV, as soon as the new specialty channel is on the air.

Following the creation of Sun News and the decision to terminate the operations of the television station Sun TV, a corporate reorganization occurred in December 2010. The related transactions were recorded at carrying amounts and a resulting adjustment of $0.9 million was recorded in contributed surplus.

Management arrangements

The parent company has entered into management arrangements with the Company. Under these management arrangements, the parent company and the Company provide management services to each other on a cost-reimbursement basis. The expenses subject to reimbursement include the salaries of the Company's executive officers, who also serve as executive officers of the parent company. In 2010, the Company received an amount of $2.1 million, which is included as a reduction in operating expenses ($2.1 million in 2009 and $3.0 million in 2008), and incurred management fees of $1.1 million ($1.1 million in 2009 and 2008) with the Company's shareholders.

Tax transactions

In 2010, 2009 and 2008, the parent company transferred $26.4 million, $30.1 million and $104.9 million, respectively, of non-capital losses to certain Company subsidiaries in exchange for cash considerations of $6.0 million, $6.3 million and $18.4 million. These transactions were recorded at the exchange amounts. As a result, the Company recorded reductions of $2.7 million, $14.2 million and $6.4 million, respectively, to its income tax expense in 2010, 2009 and 2008, and expects to reduce its income tax expense by $1.5 million in the future.

World Color Press, Inc. (a former subsidiary of Quebecor Inc.)

On January 21, 2008, World Color Press, Inc. ("WCP" formerly "Quebecor World Inc.") and its U.S. subsidiaries were granted creditor protection under the Companies' Creditors Arrangement Act in Canada. On the same date, its U.S. subsidiaries also filed a petition under Chapter 11 of the United States Bankruptcy Code. Since January 21, 2008, WCP is no longer a related company. Prior to this date, the following transactions were made with WCP:

- From January 1, 2008 to January 21, 2008, the Company made purchases from WCP of $3.0 million and made sales to WCP of $1.3 million.
- On January 10, 2008, the Company settled a balance of $4.3 million payable to WCP by set-off. As the balance was due in 2013 and recorded at present value, the difference of $2.7 million between the settled amount of $7.0 million and the carrying value of $4.3 million was recorded as a reduction in contributed surplus.

Off-Balance Sheet Arrangements

Guarantees

In the normal course of business, the Company enters into numerous agreements containing guarantees, including the following:

Operating leases:

The Company has guaranteed a portion of the residual value of certain assets under operating leases for the benefit of the lessor. Should the Company terminate these leases prior to term (or at the end of these lease term) and should the fair value of the assets be less than the guaranteed residual value, then the Company must, under certain conditions, compensate the lessor for a portion of the shortfall. In addition, the Company has provided guarantees to the lessor of certain premises leases, with expiry dates through 2015. Should the lessee default under the agreement, the Company must, under certain conditions, compensate the lessor. As of December 31, 2010, the maximum exposure with respect to these guarantees was $18.9 million and no liability has been recorded in the consolidated balance sheet. The Company has not made any payments relating to these guarantees in prior years.

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 Company 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 Company from estimating the maximum potential liability it could be required to pay to guaranteed parties. The Company has not accrued any amount in respect of these items in the consolidated balance sheet. The Company has not made any payments relating to these guarantees in prior years.

Outsourcing companies and suppliers:

In the normal course of its operations, the Company enters into contractual agreements with outsourcing companies and suppliers. In some cases, the Company agrees to provide indemnifications in the event of legal procedures initiated against them. In other cases, the Company provides indemnification to counterparties for damages resulting from the outsourcing companies and suppliers. The nature of the indemnification agreements prevents the Company 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. The Company has not made any payments relating to these guarantees in prior years.

Risks and Uncertainties

Quebecor Media operates in the telecommunications and media industries, which entail a variety of risk factors and uncertainties. Quebecor Media's operating environment and financial results may be materially affected by the risks and uncertainties discussed herein and in further detail elsewhere in this Annual Report including under "Item 3. Risk Factors".

Financial risk management

The Company's financial risk management policies have been established in order to identify and analyze the risks faced by the Company, 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 Company's activities.

As a result of their use of financial instruments, the Company and its subsidiaries are exposed to credit risk, liquidity risk and market risks relating to foreign exchange fluctuations, interest rate fluctuations and equity prices. In order to manage its foreign exchange and interest rate risks, the Company and its subsidiaries use derivative financial instruments (i) to set in CAD dollars all 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 and (ii) to achieve a targeted balance of fixed and variable rate debts. The Company 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. The Company and its subsidiaries designate their derivative financial instruments either as fair value hedges or cash flow hedges when they qualify for hedge accounting.

Description of derivative financial instruments

Table 16
Foreign Exchange Forward Contracts
At December 31, 2010
(in millions of dollars)

Currencies (sold/bought)	Maturing	Average exchange rate	Notional amount
Sun Media Corporation			
$/US$	February 15, 2013	1.5227	312.2
Videotron			
$/US$	Less than 1 year	1.0168	139.5

Table 17
Cross-currency interest rate swaps
as at December 31, 2010
(in millions of dollars)

	Period covered	Notional amount	Annual effective interest rate using hedged rate	Annual nominal interest rate of debt	CAD dollar exchange rate on interest and capital payments per one U.S. dollar
Quebecor Media					
Senior Notes	2007 to 2016	US$ 700.0	7.69%	7.75%	0.9990
Senior Notes	2006 to 2016	US$ 525.0	7.39%	7.75%	1.1600
Term loan "B" credit facilities	2009 to 2013	US$ 113.8	Bankers' acceptances 3 months +2.22%	LIBOR +2.00%	1.1625
Term loan "B" credit facilities	2006 to 2013	US$ 49.6	6.44%	LIBOR +2.00%	1.1625
Videotron					
Senior Notes	2004 to 2014	US$ 190.0	Bankers' acceptances 3 months +2.80%	6.875%	1.2000
Senior Notes	2004 to 2014	US$ 125.0	7.45%	6.875%	1.1950
Senior Notes	2003 to 2014	US$ 200.0	Bankers' acceptances 3 months +2.73%	6.875%	1.3425
Senior Notes	2003 to 2014	US$ 135.0	7.66%	6.875%	1.3425
Senior Notes	2005 to 2015	US$ 175.0	5.98%	6.375%	1.1781
Senior Notes	2008 to 2018	US$ 455.0	9.65%	9.125%	1.0210
Senior Notes	2009 to 2018	US$ 260.0	9.12%	9.125%	1.2965
Sun Media Corporation					
Senior Notes	2008 to 2013	US$ 155.0	Bankers' acceptances 3 months +3.70%	7.625%	1.5227
Senior Notes	2003 to 2013	US$ 50.0	Bankers' acceptances 3 months +3.70%	7.625%	1.5227

Certain cross-currency interest rate swaps entered into by the Company and its subsidiaries include an option that allows each party to unwind the transaction on a specific date at the then settlement amount.

Table 18
Interest Rate Swaps
At December 31, 2010
(in millions of dollars)

Maturity	Notional amount	Pay / receive	Fixed rate	Floating rate
Sun Media Corporation				
October 2012	$ 38.1	Pay fixed/ Receive floating	3.75%	Bankers' acceptances 3 months

Fair value of financial instruments

The carrying amount of accounts receivable from external or related parties (classified as loans and receivables), accounts payable and accrued charges to external or related parties (classified as other liabilities), approximates their fair value since these items will be realized or paid within one year or are due on demand. Other financial instruments classified as loans and receivables or as available-for-sale are not significant and their carrying value approximates their fair value.

The fair value of long-term debt is estimated based on quoted market prices when available or on valuation models. When the Company 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, temporary investments and bank indebtedness, classified as held-for-trading and accounted for at their fair value on the consolidated balance sheet, is determined using inputs other than quoted prices in active markets for identical assets or liabilities 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 Company'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 Company.

The fair value of early settlement options recognized as embedded derivatives is determined by option pricing models, including volatility and discount factors.

The carrying value and fair value of long-term debt and derivative financial instruments as of December 31, 2010 and 2009 are as follows:

Table 19
Fair value of long-term debt and derivative financial instruments
(in millions of Canadian dollars)

	December 31, 2010		December 31, 2009	
	Carrying value	Fair value	Carrying value	Fair value
Long-term debt[1]	**$(3,596.3)**	**$(3,773.1)**	$(3,805.5)	$(3,869.8)
Derivative financial instruments				
Early settlement options	**88.8**	**88.8**	41.1	41.1
Interest rate swaps	**(1.3)**	**(1.3)**	(4.3)	(4.3)
Foreign exchange forward contracts	**(2.4)**	**(2.4)**	(5.8)	(5.8)
Cross-currency interest rate swaps	**(447.5)**	**(447.5)**	(363.3)	(363.3)

[1] The carrying value of long-term debt excludes adjustments to record changes in the fair value of long-term debt related to hedged interest risk, embedded derivatives and financing fees.

The estimated sensitivity on income and other comprehensive income, before income tax and non-controlling interest, of a 100 basis-point variance in the credit default premium used to calculate the fair value of derivative financial instruments as of December 31, 2010, as per the Company's valuation models, is as follows:

Increase (decrease)	Income	Other comprehensive income
Increase of 100 basis points	**$ 6.2**	**$ 10.7**
Decrease of 100 basis points	**(6.2)**	**(10.7)**

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 the immediate settlement of the instrument.

Credit risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial asset fails to meet its contractual obligations.

In the normal course of business, the Company continuously monitors the financial condition of its customers and reviews the credit history of each new customer. As of December 31, 2010, no customer balance represented a significant portion of the Company's consolidated trade receivables. The Company 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 $39.1 million as of December 31, 2010 ($40.3 million as of December 31, 2009). As of December 31, 2010, 10.5% of trade receivables were 90 days past their billing date (9.8% as of December 31, 2009).

The following table shows changes to the allowance for doubtful accounts for the years ended December 31, 2010 and 2009:

	2010	2009
Balance as of beginning of year	**$ 40.3**	$ 47.6
Charged to net income	**27.8**	23.5
Utilization	**(29.0)**	(30.8)
Balance as of end of year	**$ 39.1**	$ 40.3

The Company believes that its product lines and the diversity of its customer base are instrumental in reducing its credit risk, as well as the impact of fluctuations in product-line demand. The Company 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 Company and its subsidiaries are exposed to the risk of non-performance by a third party. When the Company and its subsidiaries enter into derivative contracts, the counterparties (either foreign or Canadian) must have credit ratings at least in accordance with the Company's risk management policy and are subject to concentration limits.

Liquidity risk management

Liquidity risk is the risk that the Company and its subsidiaries will not be able to meet their financial obligations as they fall due or the risk that those financial obligations have to be met at excessive cost. The Company and its subsidiaries manage this exposure through staggered debt maturities. The weighted average term of Quebecor Media's consolidated debt was approximately 5.0 years as of December 31, 2010 (5.3 years as of December 31, 2009).

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 Company'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 Company'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 CAD dollars. A large portion of the interest, principal and premium, if any, payable on its debt is payable in U.S. dollars. The Company and its subsidiaries have entered into transactions to hedge the foreign currency risk exposure on 100% of their U.S. dollar-denominated debt obligations outstanding as of December 31, 2010 and to hedge their exposure on certain purchases of set-top boxes, handsets, cable modems and capital expenditures. Accordingly, the Company'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 and non-controlling interest, of a variance of $0.10 in the year-end exchange rate of one CAD dollar per one U.S. dollar at December 31, 2010:

Increase (decrease)	Income	Other comprehensive income
Increase of $0.10		
U.S. dollar-denominated accounts payable	**$ (1.0)**	**$ —**
(Gain) loss on valuation and translation of financial instruments and derivative financial instruments	**(0.4)**	**66.1**
Decrease of $0.10		
U.S. dollar-denominated accounts payable	**1.0**	**—**
Loss (gain) on valuation and translation of financial instruments and derivative financial instruments	**0.4**	**(66.1)**

Interest rate risk

Some of the Company's and its subsidiaries' revolving and bank credit facilities bear interest at floating rates based on the following reference rates: (i) Bankers' acceptance rate (BA), (ii) LIBOR and (iii) Canadian prime rate. The Senior Notes issued by the Company and its subsidiaries bear interest at fixed rates. The Company and its subsidiaries have entered into various interest rate and cross-currency interest rate swap agreements in order to manage cash flow and fair value risk exposure due to changes in interest rates. As of December 31, 2010, after taking into account the hedging instruments, long-term debt was comprised of 75.2% fixed rate debt (69.3% as of December 31, 2009) and 24.8% floating rate debt (30.7% as of December 31, 2009).

The estimated sensitivity on financial expense for floating rate debt, before income tax and non-controlling interest, of a 100 basis-point variance in the year-end Canadian Bankers' acceptance rate as of December 31, 2010 is $10.3 million.

The estimated sensitivity on income and other comprehensive income, before income tax and non-controlling interest, of a 100 basis point variance in the discount rate used to calculate the fair value of financial instruments as of December 31, 2010, as per the Company's valuation model, is as follows:

Increase (decrease)	Income	Other comprehensive income
Increase of 100 basis points	**$ (1.7)**	**$ 10.1**
Decrease of 100 basis points	**1.7**	**(10.1)**

Capital management

The Company'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 Company 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 generated by operations, and the level of distributions to shareholders. The Company has not significantly changed its strategy regarding the management of its capital structure since the last financial year.

The Company's capital structure is composed of shareholders' equity, bank indebtedness, long-term debt, net assets and liabilities related to derivative financial instruments, and non-controlling interest, less cash and cash equivalents and temporary investments. The capital structure is as follows:

Table 20
Capital structure of Quebecor Media
At December 31, 2010
(in millions of dollars)

	2010	2009
Bank indebtedness	**$ 4.9**	$ 1.0
Long-term debt	**3,513.4**	3,761.2
Net liabilities related to derivative financial instruments	**451.2**	373.4
Non-controlling interest	**131.6**	116.2
Cash and cash equivalents	**(242.7)**	(300.0)
Temporary investments	**—**	(30.0)
Net liabilities	**3,858.4**	3,921.8
Shareholders' equity	**$2,868.2**	$2,430.8

The Company is not subject to any externally imposed capital requirements other than certain restrictions under the terms of its borrowing agreements that relate to permitted investments, inter-company transactions, the declaration and payment of dividends or other distributions.

Contingencies

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

A number of other legal proceedings against the Company and its subsidiaries are pending. In the opinion of the management of the Company and its subsidiaries, the outcome of these proceedings is not expected to have a material adverse effect on the Company's consolidated results or on its consolidated financial position.

Critical Accounting Policies and Estimates

Revenue recognition

The Company recognizes its operating revenues when the following criteria are met:

- persuasive evidence of an arrangement exists;
- delivery has occurred or services have been rendered;
- the seller's price to the buyer is fixed or determinable; and
- the collection of the sale is reasonably assured.

The portion of revenue that is unearned is recorded under "Deferred revenue" when customers are invoiced.

Revenue recognition policies for each of the Company'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 connecting costs) and 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.

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 these 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. Revenues from equipment sales to subscribers and their costs are recognized in income when the equipment is delivered and, in the case of mobile devices, revenues from equipment sales are recognized in income when the mobile device is delivered and activated. Revenues from DVD and Blu-ray rentals are recorded as revenue when services are provided. Promotional offers related to subscriber services are accounted for as a reduction in the related service revenue over the period of performance of the service contract. Promotional offers related to equipment, including mobile devices, are accounted for as a reduction in the related equipment sales when the equipment is delivered. 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 of the News Media segment 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 recognized also when the publication is delivered. Website advertising is recognized when the advertisements are placed on the websites. Revenues from the distribution of publications and products are recognized upon delivery, net of provisions for estimated returns.

Broadcasting

Revenues of the Broadcasting segment 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. Revenues derived from circulation 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 period of broadcasting or the period that movies are presented in theatre, when exploitation, exhibition or sale can begin and the licence period of the arrangement has begun.

Theatrical revenues are recognized over the period of presentation and are based on a percentage of revenues generated by movie theatres. Revenues generated from the distribution of DVD and Blu-ray units 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 retail stores, 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.

Goodwill

Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps.

In the first step, the fair value of a reporting unit is compared with its carrying amount. To determine the fair value of the reporting unit, Quebecor Media uses the discounted future cash flows valuation method and validates the results by comparing with values calculated using other methods, such as operating income multiples or market price.

The discounted cash flows method involves the use of estimates such as the amount and timing of the cash flows, expected variations in the amount or timing of those cash flows, the time value of money as represented by a risk-free interest rate, and the risk premium associated with the asset or liability.

Determining the fair value of a reporting unit, therefore, is based on management's judgment and is reliant on estimates and assumptions.

When the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is carried out. The fair value of the reporting unit's goodwill is compared with its carrying amount in order to measure the amount of the impairment loss, if any.

The fair value of goodwill is determined in the same manner as for a business combination. Quebecor Media allocates the fair value of a reporting unit to all of the identifiable assets and liabilities of the unit, whether or not recognized separately and the excess of the fair value over the amounts assigned to the reporting unit's identifiable assets and liabilities is the fair value of goodwill.

The judgment used in determining the fair value of the reporting unit and in allocating this fair value to the assets and liabilities of the reporting unit may affect the value of the goodwill impairment to be recorded.

In the fourth quarter of 2008, the adverse financial and economic environment currently affecting industries of certain of the Company's segments triggered a goodwill impairment test related to reporting units of the Newspapers, Leisure and Entertainment, and Interactive Technologies and Communications segments. As a result, the Company concluded that these segments' goodwill were impaired. A total preliminary estimated non cash goodwill impairment loss of $631.0 million, without any tax consequences, was recorded: $595.0 million in the Newspapers segment, $10.0 million in the Leisure and Entertainment segment, and $26.0 million in the Interactive Technologies and Communications segment. In the second quarter of 2009, the Company completed the goodwill impairment test and an additional impairment loss of $5.6 million was recorded as an adjustment of the fourth quarter of 2008 preliminary goodwill impairment loss. The additional charge was allocated as follows: $1.7 million to the News Media segment, $1.2 million to the Leisure and Entertainment segment, and $2.7 million to the Interactive Technologies and Communications segment.

Based on the data and assumptions used in its last goodwill impairment test, the Company believes that at this time there are no material amounts for goodwill on its books that present a significant risk of impairment in the near future.

The net book value of goodwill as at December 31, 2010 was $3.51 billion.

Intangible Assets with Indefinite Useful Life

Intangible assets such as mastheads and broadcasting licences, that have an indefinite useful life, are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test compares the carrying amount of the intangible asset to its fair value, and an impairment loss is recognized in the consolidated statements of income for the excess, if any.

To determine the market value of its mastheads, the Company uses a method based on discounted future cash flows, in which future cash flows related to the masthead are valued on the basis of potential royalties.

To determine the fair value of its broadcasting licences, Quebecor Media uses the "Greenfield" approach that is based on a discounted future cash flows valuation method.

These methods involve the use of estimates such as the amount and timing of the cash flows, expected variations in the amount or timing of those cash flows, the time value of money as represented by a risk-free interest rate, and the risk premium associated with the asset or liability.

The judgment used in determining the fair value of the intangible assets with indefinite useful life may affect the value of the impairment to be recorded.

In the second quarter of 2009, the Company recorded an impairment loss of $8.0 million on mastheads in the News Media segment as a result of the completion of its 2009 annual impairment test. In the fourth quarter of 2008, the adverse financial and economic environment affecting industries of certain of the Company's segments triggered a mastheads impairment test related to the News Media reporting unit. As a result, the Company concluded that this segment's mastheads were impaired and a non cash impairment loss of $40.2 million was recorded.

Based on the data and assumptions used in its last broadcasting licence impairment test, the Company believes that at this time there are no material amounts for broadcasting licences on its books that present a significant risk of impairment in the near future.

Any decrease in the fair value of mastheads, calculated according to the applicable valuation model, has a direct impact on the statement of income. However, based on the data and assumptions used in its last masthead impairment test, the Company believes that at this time there are no material amounts for mastheads on its books that present a significant risk of impairment in the near future.

The net book value of intangible assets with indefinite useful life as at December 31, 2010, was $142.7 million.

Impairment of Long-Lived Assets

Quebecor Media reviews the carrying amounts of its long-lived assets with definite useful life by comparing the carrying amount of the asset or group of assets with the projected undiscounted future cash flows associated with the asset or group of assets when events indicate that the carrying amount may not be recoverable. Such assets include property plant and equipment, customer relationship and non-competition agreement. Examples of such events and changes include a significant decrease in the market price of an asset, the decommissioning of an asset, assets rendered idle after a plant shutdown, costs that significantly exceed the amount initially estimated for the acquisition or construction of an asset, and operating or cash flow losses associated with the use of an asset. In accordance with Section 3063 of the *CICA Handbook*, *Impairment of Long-Lived Assets*, an impairment test is carried when the carrying amount of an asset or group of assets held for use exceeds the sum of the undiscounted future cash flows expected from its use or disposal. The amount by which the asset's or group of asset's carrying amount exceeds its fair value is recognized as an impairment loss. Quebecor Media estimates future cash flows based on historical performance as well as on assumptions as to the future economic environment, pricing and volume. Quoted market prices are used as the basis for fair value measurement.

In 2010, an impairment charge of $3.5 million related to certain assets was recorded in the News Media segment. Also, an impairment charge of $8.2 million related to certain equipment and broadcasting rights was recorded in the Broadcasting segment.

In 2009, an impairment charge of $0.4 million related to certain buildings, equipment and machinery was recorded in the News Media segment. In the fourth quarter of 2008, the Company concluded that impairment tests were triggered by the restructuring initiatives of December 2008 and the loss of an important printing contract and that certain long-lived assets were impaired. As a result, an impairment charge of $19.1 million related to certain buildings, equipment and machinery was recorded.

Derivative Financial Instruments and Hedge Accounting

The Company uses various derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates and interest rates. The Company does not hold or use any derivative financial instruments for speculative purposes. Under hedge accounting, the Company 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. The Company assesses the effectiveness of derivative financial instruments when the hedge is put in place and on an ongoing basis.

The Company enters into the following types of derivative financial instruments:

- The Company uses foreign exchange forward contracts to hedge the foreign currency rate exposure on (i) anticipated equipment or inventory purchases in a foreign currency and (ii) principal payments on long-term debt in a foreign currency. These foreign exchange forward contracts are designated as cash flow hedges.
- The Company uses cross-currency interest rate swaps to hedge (i) the foreign currency rate exposure on interest and principal payments on foreign currency denominated debt and/or (ii) the 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.-denominated debt in fixed CAD dollars are designated as cash flow hedges. The Company's cross-currency interest rate swaps that set all future interest and principal payments on U.S.-denominated debt in fixed CAD dollars, in addition to converting the interest rate from a fixed rate to a floating rate, or converting a floating rate index to another floating rate index, are designated as fair value hedges.

- The Company uses interest rate swaps to manage the 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 Company 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 are ineffective or that are not designated as hedges, including derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts, are reported on a mark-to-market basis in the consolidated balance sheets. Any change in the fair value of these derivative financial instruments is recorded in income as gain or loss on valuation and translation of financial instruments.

The judgment used in determining the fair value of derivative financial instruments and the non-performance risk, using valuation models, may affect the value of the gain or loss on valuation and translation of financial instruments reported in the statements of income, and the value of the gain or loss on derivative financial instruments reported in the statements of comprehensive income.

Pension plans and post-retirement benefits

Quebecor Media offers defined benefit pension plans and defined contribution pension plans to some of its employees. Quebecor Media's policy is to maintain its contribution at a level sufficient to cover benefits. Actuarial valuations of Quebecor Media's numerous pension plans have been performed at different dates in the last three years and the next required valuations will be performed at various dates over the next three years. Pension plan assets are measured at fair value and consist of equities and corporate and government fixed-income securities.

Quebecor Media's obligations with respect to pension plans and postretirement benefits are 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 expected return on the plan's assets, the rate of increase in compensation, and health care costs.

Quebecor Media considers the assumptions used to be reasonable in view of the information available at this time. However, variances from these assumptions could have a material impact on the costs and obligations of pension plans and postretirement benefits in future periods.

Allowance for doubtful accounts

Quebecor Media 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

Business acquisitions are accounted for by the purchase method. Under this accounting method, the purchase price is allocated to the acquired assets and assumed liabilities based on their estimated fair value at the date of acquisition. The excess of the purchase price over the sum of the values ascribed to the acquired assets and assumed liabilities is recorded as goodwill. 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, because, among other things, of the impact of the useful lives of the acquired assets, which may vary from projections. Also, future income taxes on temporary differences between the book and tax value of most of the assets are recorded in the purchase price equation, while no future income taxes are recorded on the difference between the book value and the tax value of goodwill. Consequently, to the extent that greater value is ascribed to long-lived than to shorter-lived assets under the purchase method, less amortization may be recorded in a given period.

Determining the fair value of certain acquired assets and assumed liabilities requires judgment and involves complete reliance on estimates and assumptions. Quebecor Media 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 goodwill and intangible assets impairment to be recognized, if any, after the date of acquisition, as discussed above under "— Goodwill" and "— Intangible Assets with Indefinite Useful Life ."

Future income taxes

Quebecor Media is required to assess the ultimate realization of future income tax assets generated from temporary differences between the book basis and tax basis of assets and liabilities and losses carried forward into the future. This assessment 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 future income tax assets realized could be slightly different from that recorded, since it is influenced by Quebecor Media's future operating results.

Quebecor Media 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.

Recent Accounting Developments in Canada

Beginning on January 1, 2011, Canadian GAAP, as used by publicly accountable enterprises, will be fully converged to International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). For its 2011 interim and annual financial statements, the Company will be required to report under IFRS and to provide IFRS comparative information for the 2010 financial year.

IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. As part of the IFRS conversion project, the Company has designated

an implementation team that includes a project manager, senior levels of management from all relevant departments and subsidiaries, and a steering committee to oversee the project. An external expert advisor has also been hired to assist.

Regular progress reporting to senior management and to the Audit Committee on the status of the IFRS conversion project has been established.

The conversion project consists of four phases.

"Diagnostic" Phase – This phase involved a detailed review and initial scoping of accounting differences between Canadian GAAP and IFRS, a preliminary evaluation of IFRS 1 exemptions for first-time IFRS adopters, and a high-level assessment of potential consequences on financial reporting, business processes, internal controls, and information systems.

"Design and Solutions Development" Phase – This phase involved prioritizing accounting treatment issues and preparing a conversion plan, quantifying the impact of converting to IFRS, reviewing and approving accounting policy choices, performing a detailed impact assessment and designing changes to systems and business processes, developing IFRS training material, and drafting IFRS financial statement content.

"Implementation" Phase – This phase involved embedding changes to systems, business processes and internal controls, determining the opening IFRS transition balance sheet and tax impacts, parallel accounting in 2010 under Canadian GAAP and IFRS, and preparing detailed reconciliations of Canadian GAAP to IFRS of the 2010 comparatives figures in the 2011 financial statements.

"Post-Implementation" Phase – This phase involves conversion assessment, evaluating improvements for a sustainable operational IFRS model, and testing the internal controls environment.

The Company has completed the implementation phase. Comprehensive training has been given to key employees throughout the organization who will be affected by the changeover to IFRS, and the progress of the Company's changeover plan continues to be communicated to internal and external stakeholders.

Management has assessed the exemptions from full retrospective application available under IFRS 1, *First-Time Adoption of International Financial Reporting Standards*, and their potential impacts on the Company's financial position.

The significant transitional exemptions that the Company will elect and their related impacts in the opening balance sheet are as follows:

Exemption	Application of exemption
Business combinations	The Company has elected not to restate any business combinations that occurred prior to January 1, 2010. No impact is expected in the transitional balance sheet.
Employee benefits	On transition, the Company has elected to recognize immediately cumulative actuarial gains and losses, arising from all of its defined benefit plans as at the transition date in opening retained earnings, with a corresponding increase in pension liabilities.
Borrowing costs	On transition, the Company has elected to capitalize borrowing costs as calculated under IFRS on qualifying assets prospectively, beginning on the transition date. As a result, certain long-term asset balances and opening retained earnings will decrease in the transitional balance sheet.

In addition to the elective exemptions described above, IFRS does not permit the retrospective application of IFRS in the determination of prior period estimates and the designation of hedging arrangements. As such,

assumptions used to calculate estimates under Canadian GAAP will be used for the purpose of preparing the IFRS transitional balance sheet. In addition, hedge accounting will only be applied on transition to previously designated hedging relationships.

Management has completed the preliminary measurement of material differences expected between IFRS and current accounting under Canadian GAAP. The preliminary accounting impacts of these material differences on equity of the Company as at January 1, 2010 and as at December 31, 2010 are presented in the following Table 21, along with the related preliminary impacts to net income and comprehensive income for the year ended December 31, 2010 in Tables 22-23.

Table 21
Reconciliation of equity
(in millions of Canadian dollars)

	Differences	December 31, 2010	January 1, 2010
Shareholders' equity under Canadian GAAP		**$ 2,868.2**	$ 2,430.8
IFRS adjustments:			
Defined benefit plans	(i)	**(173.9)**	(111.2)
Share-based compensation	(ii)	**(15.8)**	(18.8)
Borrowing costs	(iii)	**(98.3)**	(65.5)
Capitalized pre-operating losses	(iv)	**(9.1)**	(9.6)
Provisions	(v)	**(1.0)**	(11.0)
Intangible assets with indefinite useful lives	(vi)	**15.5**	15.5
Income taxes	(vii)	**96.3**	74.2
Other		**1.7**	2.7
Sub-total		**(184.6)**	(123.7)
Non-controlling interest	(viii)	**131.6**	116.2
Equity under IFRS		**$ 2,815.2**	$ 2,423.3
Equity attributable to:			
Equity shareholders		**$ 2,683.4**	$ 2,303.9
Non-controlling interest	(viii)	**131.8**	119.4

Table 22
Reconciliation of the statement of income
(in millions of Canadian dollars)

	Differences	For the year ended December 31, 2010		
		Canadian GAAP	IFRS adjustments	IFRS
Revenues		$4,000.1	$ —	**$4,000.1**
Cost of sales, selling and administrative expenses	(i), (ii)	2,652.3	(4.1)	**2,648.2**
Amortization	(iii), (iv)	399.7	(3.0)	**396.7**
Financial expenses	(iii)	265.4	35.3	**300.7**
Gain on valuation and translation of financial instruments	(xi)	(46.1)	—	**(46.1)**
Restructuring of operations, impairment of assets and other special items	(v)	50.3	(13.2)	**37.1**
Loss on debt refinancing		12.3	—	**12.3**
Income before income taxes and non-controlling interest		666.2	(15.0)	**651.2**
Income taxes	(vii)	166.7	(4.1)	**162.6**
Non-controlling interest	(viii)	(18.8)	18.8	**—**
Net income		$ 480.7	$ 7.9	**$ 488.6**
Net income attributable to:				
Equity shareholders		$ 480.7	$ (10.4)	**470.3**
Non-controlling interest	(viii)		18.3	**18.3**

Table 23
Reconciliation of the statement of comprehensive income
(in millions of Canadian dollars)

	Differences	For the year ended December 31, 2010		
		Canadian GAAP	IFRS adjustments	IFRS
Net income		$ 480.7	$ 7.9	**$ 488.6**
Other comprehensive income (loss):				
Translation on net investments in foreign operations		(2.9)	—	**(2.9)**
Derivative financial instruments	(xi)	51.4	—	**51.4**
Defined benefits plans	(i)	—	(64.0)	**(64.0)**
Income taxes	(vii)	(5.2)	16.8	**11.6**
Comprehensive income		$ 524.0	$ (39.3)	**$ 484.7**
Comprehensive income attributable to:				
Equity shareholders		$ 524.0	$ (55.1)	**$ 468.9**
Non-controlling interest	(viii)		15.8	**15.8**

Differences in accounting policies adopted on and after transition to IFRS with respect to the recognition, measurement, presentation and disclosure of financial information, along with the related financial statement impacts, are in the following key accounting areas:

Key accounting area	Differences with preliminary impacts on the Company's financial statements
(i) Employee benefits (IAS 19)	• As at the date of transition to IFRS, all unamortized actuarial gains and losses as mentioned above, and vested past service costs related to defined benefit pension and post-retirement benefit plans, are recognized immediately in opening retained earnings, giving rise to a corresponding increase in pension liabilities. • Subsequent to the transition date, vested past service costs will be recognized in income. In accordance with Canadian GAAP, vested or unvested past service costs were recognized linearly over the estimated average remaining service lifetime of participating employees, or recognized immediately in income as they were incurred in some cases. • Subsequent to the transition date, the Company has elected to recognize actuarial gains and losses in other comprehensive income as they occur, without impact on income. Previously under Canadian GAAP, actuarial gains and losses were amortized to income using the corridor method. • This change in accounting policy results in the recognition of pension and post-retirement benefit costs that will be different than those otherwise recognized under Canadian GAAP. • The limit to which a net benefit asset can be recognized under certain circumstances ("asset ceiling") under IFRS is calculated differently, which results in the recognition of additional liabilities and a decrease in opening retained earnings on transition as well as in other comprehensive income in future reporting periods.
(ii) Share-based payment (IFRS 2)	• Liabilities related to share-based payments made to employees that call for settlement in cash or other assets are recognized at fair value at the initial grant date and re-measured at fair value at the end of each subsequent reporting period, as opposed to at intrinsic value under Canadian GAAP. Under graded vesting conditions, each instalment is accounted for as a separate arrangement. • This difference increases other liabilities and compensation costs related to share-based payments on transition and in subsequent reporting periods.
(iii) Borrowing costs (IAS 23)	• As mentioned above, the Company has elected to capitalize borrowing costs to eligible assets for which construction or development commenced after January 1, 2010. Consequently, the carrying amounts of certain property, plant and equipment and intangible assets decreased on transition, and interest capitalized in 2010 in accordance with Canadian GAAP are expensed under IFRS.
(iv) Property, plant and equipment (PPE) (IAS 16)	• Pre-operating losses incurred on certain built-to-suit assets prior to substantial completion are not capitalized under IFRS. • As a result, PPE balances and opening retained earnings are reduced by pre-operating losses previously capitalized under Canadian GAAP. Depreciation expense is also different under IFRS.
(v) Provisions and Contingencies (IAS 37)	• A different threshold is used for the recognition of contingent liabilities, which could affect the timing of when a provision may be recorded. On transition, liabilities for contract termination penalties are adjusted, with a corresponding effect on opening retained earnings.

Key accounting area	Differences with preliminary impacts on the Company's financial statements
(vi) Intangible Assets (IAS 38)	• Accumulated amortization recorded on intangible assets with indefinite useful lives prior to 2002 under Canadian GAAP is reversed on the retrospective application of IAS 38, which does not permit such amortization. • On transition, the Company reversed accumulated amortization on its broadcasting licences to opening retained earnings.
(vii) Income taxes (IAS 12)	• The manner of recovery related to the value of assets with indefinite useful lives used in the determination of deferred taxes is different under IFRS. As a result, deferred tax liabilities are reduced on transition. • The opening balance sheet is also adjusted for deferred tax consequences on IFRS differences arising from the conversion of other accounting standards. • Subsequent changes to deferred income taxes in the balance sheet related to transactions previously recorded in equity or Other Comprehensive Income ("OCI") are also recorded directly in equity or OCI under IFRS as compared to through earnings under Canadian GAAP.
(viii) Business Combinations and minority interests (IFRS 3R)	• Non-controlling interests are recorded at fair value at the date of acquisition and are presented as a separate component of shareholders' equity. • Acquisition-related and restructuring costs are expensed as incurred and contingent consideration is recorded at fair value on acquisition date. Subsequent changes in the fair value of contingent consideration recognized as a liability are recognized in income. • Changes in ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions. • These differences may result in prospective impacts on financial statements after transition on the occurrence of a future business acquisition.
(ix) Related party transactions	• Recognition and measurement criteria for related party transactions are different under IFRS. • These differences result in reclassifications within equity accounts in the opening balance sheet.
(x) Impairment of assets (IAS 36)	• Under IFRS, assets are grouped in cash generating units (CGUs) on the basis of independent cash inflows for impairment testing purposes, using a discounted cash flow valuation method in a single-step approach. • Goodwill is allocated to, and tested in conjunction with its related CGU or group of CGUs that benefit from collective synergies. • Under certain circumstances, impairment previously taken (other than related to goodwill) is required to be reversed. • No additional impairment is recorded at the transition date or in 2010. • The change in methodology may, however, result in additional asset impairment being recognized in the future under IFRS than that otherwise recognized under Canadian GAAP.
(xi) Hedge accounting (IAS 39)	• The criteria used under IFRS in the assessment of hedge effectiveness are generally consistent with those under Canadian GAAP, except for certain differences in specific cases, including the consideration of non-performance risk in hedge effectiveness testing. • On transition, the Company continues to apply hedge accounting to all of its hedging arrangements.
(xii) Presentation of financial statements (IAS 1)	• Format variations and additional disclosures in the notes to financial statements are required under IFRS.

Management has implemented a system to accommodate parallel recording of financial information in accordance with IFRS as at the transition date and for each of the 2010 financial periods to be presented as comparative figures in its 2011 IFRS financial statements. Accounting and budget processes have been adapted accordingly to embed conversion solutions in the financial reporting system in anticipation of the changeover date.

The effects on information technology, data systems, and internal controls have also been assessed, and the Company has determined that no significant modifications will be necessary on conversion. The Company has also analyzed the contractual and business implications of new policy choices on financing arrangements and similar obligations, and under current circumstances, has not identified any contentious issues arising from the adoption of IFRS.

Additionally, the Company has finalized its IFRS financial statement format in accordance with IAS 1, *Presentation of Financial Statements*.

The Company could alter its intentions or modify preliminary impacts determined in consequence to potential changes to international standards currently in development, or in light of other external factors that could arise between now and the date on which the first IFRS financial statements will be issued.

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 15, 2011:

Name and Municipality of Residence	Age	Position
SERGE GOUIN[1 3] Outremont, Quebec	67	Director, Chairman of the Board of Directors and Chairman of the Compensation Committee
PIERRE KARL PÉLADEAU[1] Outremont, Quebec	49	Director, President and Chief Executive Officer
JEAN LA COUTURE, FCA[2] Montréal, Quebec	64	Director and Chairman of the Audit Committee
ANDRÉ DELISLE[1 2] Montréal, Quebec	64	Director
A. MICHEL LAVIGNE, FCA[1 2 3] Laval, Quebec	60	Director
SAMUEL MINZBERG[3] Westmount, Quebec	61	Director
THE RIGHT HONOURABLE BRIAN MULRONEY, P.C., C.C., LL.D. Westmount, Quebec	71	Director
NORMAND PROVOST Brossard, Quebec	56	Director
JEAN-FRANÇOIS PRUNEAU Repentigny, Quebec	40	Chief Financial Officer
SYLVAIN BERGERON Longueuil, Quebec	50	Vice President, Taxation
MANON BROUILLETTE Outremont, Quebec	42	Vice President and Chief Digital Officer
PHILIPPE GUAY Oakville, Ontario	40	Vice President, National Sales Toronto
ROGER MARTEL Montréal, Quebec	62	Vice President, Internal Audit
DENIS SABOURIN Kirkland, Quebec	50	Vice President and Corporate Controller
J. SERGE SASSEVILLE Montréal, Quebec	52	Vice President, Corporate and Institutional Affairs
CLAUDINE TREMBLAY Montréal, Quebec	57	Vice President and Secretary
JULIE TREMBLAY Westmount, Quebec	51	Vice President, Human Resources

Name and Municipality of Residence	Age	Position
MARC TREMBLAY Westmount, Quebec	50	Vice President, Legal Affairs
CHLOÉ POIRIER Nuns' Island, Quebec	41	Treasurer
CHRISTIAN MARCOUX Laval, Quebec	36	Assistant Secretary

[1] Member of the Executive Committee
[2] Member of the Audit Committee
[3] Member of the Compensation Committee

***Serge Gouin**, Director, Chairman of the Board of Directors and Chairman of the Compensation Committee*. Mr. Gouin has been a Director of Quebecor Media since May 2001, and he re-assumed the position of Chairman of the Board of Directors in May 2005, having also held that position from January 2003 to March 2004. Mr. Gouin also re-assumed the position of Chairman of our Compensation Committee in February 2006, having also held that position from May 2003 to May 2004. Mr. Gouin served as President and Chief Executive Officer of Quebecor Media from March 2004 until May 2005. Mr. Gouin has served as a Director and Chairman of the Board of Directors of Videotron and Sun Media since July 2001 and May 2004, respectively. Mr. Gouin was an Advisory Director of Citigroup Global Markets Canada Inc. from 1998 to 2003. From 1991 to 1996, Mr. Gouin served as President and Chief Operating Officer of Le Groupe Videotron ltée. From 1987 to 1991, Mr. Gouin was President and Chief Executive Officer of Télé-Métropole inc. (now TVA Group). Mr. Gouin is also a member of the Board of Directors of Onex Corporation and TVA Group.

***Pierre Karl Péladeau**, Director and President and Chief Executive Officer*. Mr. Péladeau has been a Director of Quebecor Media since August 2000. Mr. Péladeau has served as President and Chief Executive Officer of Quebecor Media since August 2008, a position he also previously held from August 2000 to March 2004. Mr. Péladeau is also President and Chief Executive Officer of Quebecor and Sun Media. He was Vice Chairman of the Board of Directors and Chief Executive Officer of the Company from May 2006 to August 2008 and President and Chief Executive Officer of Quebecor World Inc., from March 2004 to May 2006. Mr. Péladeau joined Quebecor's communications division in 1985 as Assistant to the President. Since then, he has occupied various positions in the Quebecor group of companies. In 1998, Mr. Péladeau spearheaded the acquisition of Sun Media and in 2000, he was responsible for the acquisition of Le Groupe Videotron ltée. Mr. Péladeau was also the President and Chief Executive Officer of Videotron from July 2001 until June 2003. Mr. Péladeau sits on the board of directors of numerous Quebecor group companies and is active in many charitable and cultural organizations.

***Jean La Couture**, 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 he has also served as a Director and Chairman of the Audit Committee of each of Quebecor, Sun Media and Videotron. Mr. La Couture was Director of Quebecor World Inc. from December 2007 to December 2008. Mr. La Couture, a Fellow Chartered 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 and President of the Institute of Corporate Directors, Quebec Chapter, since August 2009. From 1972 to 1994, he was President and Chief Executive Officer of three organizations, including The Guarantee Company of North America, a Canadian specialty line insurance company from 1990 to 1994. He is Chairman of the boards of directors of Innergex Renewable Energy Inc., Groupe Pomerleau (a Quebec-based construction company) and Maestro (a real estate capital fund), and serves as a Director of Immunotec Inc. and Jevco Insurance Company.

***André Delisle**, Director and member of the Audit Committee*. Mr. Delisle has served as a Director of Quebecor Media and a member of its Audit Committee since October 31, 2005. Since that date, he has also served as a Director and member of the Audit Committee of each of Videotron and Sun Media. From August

2000 until July 2003, Mr. Delisle acted as Assistant General Manager and Treasurer of the City of Montréal. He previously acted as internal consultant for the Caisse de dépôt et placement du Québec from February 1998 until August 2000. From 1982 through 1997, he worked for Hydro-Québec and the Quebec Department of Finance, mainly in the capacity of Chief Financial Officer at Hydro-Québec or Assistant Deputy Minister at the Department of Finance. Mr. Delisle is a member of the Institute of Corporate Directors, a member of the Association of Quebec Economists and a member of the Quebec Bar Association.

A. Michel Lavigne*, 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 member of the Audit Committee of each of Videotron, Sun Media and TVA Group. Mr. Lavigne is also a Director of the Caisse de dépôt et placement du Québec and of Canada Post, as well as the Chairman of the Board of Directors 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 Accountant of the Ordre des comptables agréés du Québec and a member of the CICA since 1973.

Samuel Minzberg*, Director and member of Compensation Committee*. Mr. Minzberg has been a Director of Quebecor Media since June 2002 and is a member of the Compensation Committee. Mr. Minzberg is a partner with Davies Ward Phillips & Vineberg LLP. From January 1998 to December 2002, he was President and Chief Executive Officer of Claridge Inc., a management and holding company, on behalf of the Charles R. Bronfman Family. Until December 1997, he was a partner at the Montréal predecessor law firm to Davies Ward Phillips & Vineberg LLP (Montréal). He also serves as a Director of HSBC Bank Canada, HSBC North America Holdings Inc., HSBC Finance Corporation, Reitmans (Canada) Limited and Richmont Mines, Inc. Mr. Minzberg received a B.A., B.C.L. and LL.B from McGill University.

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. 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 from January 2000 to June 2001. Since 1993, Mr. Mulroney has been a Senior Partner with the law firm Ogilvy Renault LLP in Montréal, Quebec. 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 Quebecor, Barrick Gold Corporation, Wyndham Worldwide Corporation, The Blackstone Group LP, Independent News and Media, PLC, Saïd Holdings Limited and Lion Capital (London).

Normand Provost*, Director*. Mr. Provost has been a Director of Quebecor Media since July 2004. Mr. Provost has served as Executive Vice President, Private Equity, of the Caisse de dépôt et placement du Québec since November 2003 and was promoted to Executive Vice President, Private Equity and Chief Operations Officer in April 2009. 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 2004. Mr. Provost is a member of the Leaders' Networking Group of Quebec and the Montréal Chamber of Commerce.

Jean-François Pruneau*, Chief Financial Officer*. Mr. Pruneau has served as Vice President, Finance of the Company from May 2009 to November 2010 and was then promoted Chief Financial Officer. He also serves as 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 Company, 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.

Sylvain Bergeron*, Vice President, Taxation*. Mr. Bergeron was promoted to his current position in February 2011. Mr. Bergeron is also Vice President, Taxation, of Quebecor. Mr. Bergeron joined Videotron in 1990 as Tax Adviser and later became Assistant Director, Taxation of Le Groupe Videotron ltée. Following the acquisition of Le Groupe Vidéotron ltée by the Company, Mr. Bergeron was promoted Director, Taxation of the Company in 2001. Prior to that, Mr. Bergeron was successively Auditor and Tax Specialist for Samson, Belair/Deloitte & Touche, Chartered Accountants. Mr. Bergeron has been a member of the Canadian Institute of the Charterd Accountants and of the *Corporation professionnelle des comptables agréés du Québec* since 1987.

Manon Brouillette*, Vice President and Chief Digital Officer*. Ms. Brouillette was promoted to her current position in January 2011. Since March 2009, she also serves as Executive Vice President, Strategy and Market Development of Videotron Ltd. From June 2008 to March 2009, she acted as Senior Vice President, Strategic Development and Market Development. She joined Videotron Ltd. 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 Laval University.

Philippe Guay*, Vice President, National Sales Toronto*. Mr. Guay was appointed Vice President, National Sales Toronto in October 2009. Prior to that, he was Chief Marketing Officer with Laura Secord and worked for other food industry leaders, namely H.J. Heinz and Hostess Frito Lay. Mr. Guay holds a Bachelor of Administration from Université de Sherbrooke and a MBA from the University of Western Ontario.

Roger Martel*, Vice President, Internal Audit*. Mr. Martel has served as Vice President, Internal Audit of Quebecor Media since February 2004. He acts in the same capacity for Quebecor, Videotron and Sun Media. From February 2001 until February 2004, he was Principal Director, Internal Audit of Quebecor Media. Prior to that, he was an Internal Auditor of Le Groupe Videotron ltée.

Denis Sabourin*, Vice President and Corporate Controller*. Mr. Sabourin was appointed Vice President and Corporate Controller of Quebecor Media in March 2004. Before 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 CICA since 1984.

J. Serge Sasseville, *Vice President, Corporate and Institutional Affairs*. Mr. Sasseville was appointed Vice President, Corporate and Institutional Affairs of Quebecor Media in November 2008. Mr. Sasseville has 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, the Quebecor Fund and Musicaction. 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 Quebec Bar Association since 1981 and has practiced law at the law firm Stein, Monast in Québec City from 1981 to 1987.

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 with 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 the National Bank of Canada from 1979 to 1987. She has also been a member of the Chambre des notaires du Québec since 1977.

Julie Tremblay*, Vice President, Human Resources.* Ms. Tremblay rejoined Quebecor Media in May 2007, after having served in this position from August 1998 to April 2003, which is when she was transferred to Quebecor World Inc. as Vice President, Human Resources. Ms. Tremblay remained responsible for the Human Resources of Quebecor World Inc. until October 2007. She has also held the position of Vice President, Human Resources of Quebecor, a position she has held over a period of 8 years. Ms. Tremblay has worked for the Quebecor group of companies in different positions since 1989. Prior to joining the Quebecor group of companies, she practiced in a private law firm. She has been a member of the Quebec Bar Association since 1984.

Marc Tremblay*, Vice President, Legal Affairs.* Mr. Tremblay has been appointed Vice President, Legal Affairs at Quebecor Media on March 30, 2007. Prior to that date, Mr. Tremblay practiced law at Ogilvy Renault LLP for 22 years. He has been a member of the Quebec Bar Association since 1983.

Chloé Poirier*, Treasurer.* Ms. Poirier was appointed Treasurer of Quebecor Media in July 2009. She also serves as Treasurer of Quebecor, Sun Media and Videotron. Ms. Poirier joined the Company 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.

Christian Marcoux*, Assistant Secretary.* Mr. Marcoux was appointed Assistant Secretary of Quebecor Media in January 2008. Mr. Marcoux joined Quebecor Media in 2006 as Senior Legal Counsel, Compliance and has been promoted to Director, Compliance, Corporate Secretariat in February 2010. He is currently acting as Assistant Secretary of Quebecor, TVA Group, Sun Media and Videotron. From January 2004 to December 2006, Mr. Marcoux was Manager, Listed Issuer Services at the Toronto Stock Exchange. Prior to January 2004, Mr. Marcoux practiced law at the law firm BCF LLP for three years. He has been a member of the Quebec Bar Association since 2000.

Passing of Mr. Jean Neveu

On March 12, 2011, Quebecor announced the passing away of Mr. Jean Neveu. At the time of his passing, Mr. Neveu was serving as, among other things, Chairman of the Board of Quebecor Inc., Chairman of the Board of TVA Group Inc., and a Director of Quebecor Media. Quebecor paid tribute to Mr. Neveu's passion, loyalty and dedication to the success of the Quebecor group and expressed gratitude for his contribution to the company.

Jean Neveu had been a director of Quebecor since 1988, a director of Quebecor Media since January 2001 and a director of TVA Group since November 2001. He joined Quebecor in 1969 as Controller and occupied several management positions before leaving the Company in 1979 to become part of a major publishing house and magazine distributor. In 1988, he returned to Quebecor to serve as Vice-President, Dailies, and then Senior Vice-President. When Quebecor Printing Inc. was created in January 1989, Jean Neveu was appointed President and Chief Executive Officer, a position he held until December 1997 when he was appointed Chairman of the Board, a position in which he continued to serve until 2002. In December 1997, he became President and Chief Executive Officer of Quebecor Inc., a position he held until April 1999, when he was appointed Chairman of the Board of Quebecor Inc. From March 2003 until March 2004, Mr. Neveu also served as interim President and Chief Executive Officer of Quebecor World Inc. He was an active member of a number of social organizations.

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. Since January 1, 2009, each Director is entitled to receive an annual director's fee of $42,500 from Quebecor Media. Directors are also entitled to receive an attendance fee of $1,500 for each meeting of the Board of Directors or committee meeting attended (other than the Audit Committee) and an attendance fee of $2,500 for each Audit Committee meeting attended, each payable quarterly. The President of our Audit Committee receives additional fees of $12,000 per year and the President of our Compensation Committee receives additional fees of $5,000 per year. Each Compensation Committee member, other than the president, also receive additional fees of $2,000 per year. Each Audit Committee member, other than the president, also receives additional fees of $4,000 per year. 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 serves as Chairman of the Board of Directors of Quebecor Media, receives compensation from us for acting in such capacity. Mr. Jean Neveu, who served as Chairman of the Board of Directors of our parent company, Quebecor, received compensation therefor and did not receive any annual fees or attendance fees for his position as Director of Quebecor Media in 2010.

During the financial year ended December 31, 2010, the amount of compensation (including benefits in kind) paid to seven of our Directors (other than Pierre Karl Péladeau and Jean Neveu) for services in all capacities to Quebecor Media and its subsidiaries (other than TVA Group) was $814,000. 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, 2010, our senior executive officers, as a group, received aggregate compensation of $7.7 million for services they rendered in all capacities during 2010, which amount includes base salary, bonuses, benefits in kind and deferred compensation paid to such senior executive officers.

Quebecor Media's Stock Option Plan

On January 29, 2002, we established a stock option plan to attract, retain and motivate our Directors, executive officers and key contributors, as well as those of our subsidiaries, including Videotron and Sun Media. 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 Quebecor Media common shares (representing 5% of all of the outstanding 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, 2010, an aggregate total of 1,096,500 options were granted under this plan to officers and employees of Quebecor Media and its subsidiaries, with a weighted average exercise price of $46.50 per share, as determined by Quebecor Media's Compensation Committee. During the year ended December 31, 2010, a total of 503,830 options were exercised by officers and employees of Quebecor Media and its subsidiaries, for aggregate gross value realized of $5.6 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, 2010, an aggregate total of 3,515,668 options were outstanding (of which 793,098 were vested as at that date), with a weighted average exercise price of $42.69 per share, as determined by Quebecor Media's Compensation Committee. For more information on this stock option plan, see Note 19 to our audited consolidated financial statements included under "Item 17. Financial Statements" of this annual report.

Quebecor Inc.'s Stock Option Plan

Under a stock option plan established by Quebecor, 6,500,000 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, 2010, 39,221 options to purchase Quebecor Class B Shares, with a weighted average exercise price of $34.72 per share, were granted to one senior executive officer of Quebecor Media. As of December 31, 2010, a total of 502,381 options to purchase Quebecor Class B Shares, with a weighted average exercise price of $23.38 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, 2010 was $37.62 per share.

Pension Benefits

Quebecor Media maintains a pension plan for its non-unionized employees and those of its subsidiaries. The pension plan provides greater pension benefits to eligible executive officers than it does to other employees. The greater benefits under this 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 $127,611. An executive officer contributes to the plan an amount equal to 5% of his or her salary up to a maximum of $6,381 in respect of 2011.

The total amount contributed by Quebecor Media in 2010 to provide the pension benefits was $38.9 million 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 25 to our audited consolidated financial statements included under “Item 17. Financial Statements” of this annual report.

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**
$127,611 or more	$25,522	$38,283	$51,044	$63,806	$76,567

Supplemental Retirement Benefit Plan for Designated Executives

In addition to the pension plans in force, Quebecor Media provides supplemental retirement benefits to certain designated executives. Three senior executive officers of Quebecor Media are participants under the Quebecor Media plan.

The pensions of the three senior executive officers who participate in the Quebecor Media plan is equal, for each year of membership under the plan to 2% of the difference between their respective average salaries (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.

As of December 31, 2010, these three senior executive officers of Quebecor Media had credited service of approximately seven 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	$ 14,478	$ 21,717	$ 28,956	$ 36,195	$ 43,433
$ 300,000	$ 34,478	$ 51,717	$ 68,956	$ 86,195	$103,433
$ 400,000	$ 54,478	$ 81,717	$108,956	$136,195	$163,433
$ 500,000	$ 74,478	$111,717	$148,956	$186,195	$223,433
$ 600,000	$ 94,478	$141,717	$188,956	$236,195	$283,433
$ 800,000	$134,478	$201,717	$268,956	$336,195	$403,433
$1,000,000	$174,478	$261,717	$348,956	$436,195	$523,433
$1,200,000	$214,478	$321,717	$428,956	$536,195	$643,433
$1,400,000	$254,478	$381,717	$508,956	$636,195	$763,433

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 "**Company's Shareholders Agreement**"), our Board of Directors is comprised of nominees of each of Quebecor and of Capital CDPQ. In May 2010, our shareholders, acting by written resolution, decreased the size of our Board of Directors from ten Directors to nine, and established that Quebecor would be entitled to nominate five Directors and Capital CDPQ would be entitled to nominate four Directors. See "Item 7. Major Shareholders and Related Party Transactions — Major Shareholders" below for a description of the Company's Shareholders Agreement and the shareholders' resolution decreasing the size of the Board of Directors to nine.

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 four members, namely Messrs. Pierre Karl Péladeau, Serge Gouin, André Delisle and A. Michel Lavigne. Mr. Gouin is the Chairman of our Executive Committee. Subject to the provisions of the Company'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. 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, André Delisle 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 efficient 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 auditors, and it 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 ("**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 Messrs. Serge Gouin, A. Michel Lavigne and Samuel Minzberg. Mr. Gouin is the Chairman 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, 2010, we had approximately 16,360 employees on a consolidated basis. At December 31, 2009 and 2008, we had approximately 15,710 and 17,100 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, 2010.

Operations	Approximate total number of employees	Approximate number of employees under collective agreements	Number of collective agreements
Telecommunications	5,670	3,340	5
News Media[1]	6,230	1,920	76
Broadcasting	1,960	1,160	13
Leisure and Entertainment	1,420	370	8
Interactive Technologies and Communications	880	—	—
Corporate[2]	200	—	—
Total	**16,360**	**6,800**	**102**

1 Includes, in the aggregate, approximately 230 employees of Canoe, which is now part of our News Media segment. In December 2008, Sun Media announced a decrease in the number of its employees, carried out over the course of 2008, 2009 and 2010 The restructuring initiatives are now completed. Osprey Media was wound up and its operations were integrated into Sun Media's operations as of January 1, 2011.

2 Includes QMI Agency.

At December 31, 2010, approximately 42% of our employees were represented by collective bargaining agreements. Through our subsidiaries, we are currently a party to 102 collective bargaining agreements:

- Videotron is party to 5 collective bargaining agreements representing approximately 3,340 unionized employees. The two most important collective bargaining agreements, covering unionized employees

in the Montréal and Québec City regions, have terms extending to December 31, 2013. There are also two collective bargaining agreements covering unionized employees in the Saguenay and Gatineau regions, with terms running through December 31, 2014 and August 31, 2015, respectively, and one other collective bargaining agreement, covering approximately 50 employees of our SETTE inc. subsidiary, which will expire on December 31, 2012.

- Sun Media (including Osprey Media) is party to 74 collective bargaining agreements, representing approximately 1,760 unionized employees. 21 collective bargaining agreements have expired, representing approximately 920 unionized employees, or 52% of its unionized workforce. Negotiations regarding these collective bargaining agreements are either in progress or will be undertaken in 2011. The other collective bargaining agreements are scheduled to expire on various dates through December 2013.
- TVA Group is party to 13 collective bargaining agreements, representing approximately 1,160 unionized employees. Of this number, 2 collective bargaining agreements, representing approximately 20 unionized employees or 1.7% of its unionized workforce, have expired. Negotiations regarding these collective bargaining agreements are in progress. The other collective bargaining agreements will expire between April 30, 2011 and December 31, 2013.
- Of the other 10 collective bargaining agreements, representing approximately 530 unionized employees, one collective bargaining agreement representing approximately 40 unionized employees is expired. The other collective bargaining agreements will expire between May 2011 and December 2017.

We have, in the past, experienced labour disputes which have disrupted our operations, resulted in damage to our network or our equipment and impaired our growth and operating results. On February 26, 2011, the members of the Syndicat des travailleurs de l'information du Journal de Montréal (STIJM) voted 64.1% to accept the mediator's recommendation for a settlement to the labour dispute at the *Journal de Montréal*. On January 24, 2009, in view of the union's refusal to recognize the urgency of the situation and the need for far-reaching changes to the *Journal de Montréal*'s business model, the employer had declared a lockout. The parties must now negotiate a back-to-work agreement to end the dispute.

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

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, 2010, Quebecor held, directly and indirectly, 67,636,713 common shares of our Company, representing a 54.72% voting and equity interest in us. The remaining 45.28% voting and equity

interest, or 55,966,094 common shares, was held by Capital CDPQ. The primary asset of Quebecor, a communications holding company, is its interest in us. Capital CDPQ is a wholly owned subsidiary of the Caisse de dépôt et placement du Québec, one of Canada's largest pension fund managers.

To the knowledge of our directors and officers and based on the most recent regulatory filings, the only persons who beneficially own or exercise control or direction over more than 10% of the shares of any class of voting shares of Quebecor are: (i) Les Placements Péladeau inc., a corporation controlled by Pierre Karl Péladeau, (ii) Jarislowsky, Fraser Limited, (iii) Beutel, Goodman & Co. Ltd., and (iv) Letko, Brosseau & Associates Inc. As of December 31, 2010, Les Placements Péladeau inc. and Pierre Karl Péladeau held, directly and indirectly, a total of 17,468,464 Quebecor Class A Shares and 69,800 Quebecor Class B Shares Subordinate Voting Shares, representing approximately 88.11% of the outstanding Quebecor Class A Shares, approximately 0.16% of the oustanding Quebecor Class B Shares Subordinate Voting Shares and approximately 71.99% of the voting rights attached to all outstanding Quebecor shares.

According to an alternative monthly report filed on SEDAR on November 12, 2010, Jarislowsky, Fraser Limited held, directly or indirectly, 8,300 Quebecor Class A Shares and 6,246,267 Quebecor Class B Subordinate Voting Shares, representing approximately 0.04% of the outstanding Quebecor Class A Shares, approximately 14.04% of the oustanding Quebecor Class B Shares Subordinate Voting Shares and approximately 2.61% of the voting rights attached to all outstanding Quebecor shares. According to an early warning report filed on SEDAR on April 6, 2009, Beutel, Goodman & Co. Ltd. held directly or indirectly, 6,474,742 Quebecor Class B Subordinate Voting Shares, representing approximately 14.55% of the outstanding Quebecor Class B Subordinate Voting Shares and approximately 2.67% of the voting rights attached to all outstanding Quebecor shares. According to an early warning report filed on SEDAR on September 9, 2008, Letko, Brosseau & Associates Inc. held, directly or indirectly, 4,642,563 Quebecor Class B Subordinate Voting Shares, representing approximately 10.43% of the outstanding Quebecor Class B Subordinate Voting Shares and approximately 1.91% of the voting rights attached to all outstanding Quebecor shares. Since the date of each of the above filings, respectively, no publicly-available regulatory filing has been made disclosing that these respective positions in Quebecor have changed.

B – The Company's Shareholders Agreement

We entered into a shareholders' agreement, dated October 23, 2000, with Quebecor, Capital CDPQ and certain of our wholly owned subsidiaries, 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 Company'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 Company'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, (6) a business acquisition in a business sector unrelated to sectors in which we and certain of our subsidiaries are involved, and (7) in respect of capital expenditures in excess of certain amounts for each of the first five years of our operations;

(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 Company's Shareholders Agreement provides that once we become a reporting issuer and have a 20% public "float" of QMI Shares, certain provisions of the Company's Shareholders Agreement will cease to apply, including the consent rights described under subsections (d)(4) and (f) in the description of the Company'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 Company'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%.

On May 5, 2003, our shareholders, by resolution, increased the total number of directors on our Board of Directors from nine to ten and determined that the tenth director would be a nominee of Quebecor. Following the resolution, our Board of Directors consisted of ten directors, of which six were nominees of Quebecor and four were nominees of Capital CDPQ. On May 11, 2010, our shareholders, acting by written resolution decreased the size of our Board of Directors to nine directors and established that Quebecor would be entitled to nominate five directors and Capital CDPQ would be entitled to nominate four directors. See "Item 6. Directors, Senior Management and Employees — Directors and Senior Management".

C – Certain Relationships and Related Party Transactions

Related Party Transactions

The following describes transactions in which the Company and its directors, executive officers and affiliates are involved. The Company believes that each of the transactions described below was on terms no less favourable to Quebecor Media than could have been obtained from unrelated third parties.

Operating transactions

During the year ended December 31, 2010, the Company and its subsidiaries made purchases and incurred rent charges from the parent company and affiliated companies in the amount of $14.8 million ($16.9 million in 2009 and $11.8 million in 2008), which are included in operating expenses. The Company and its subsidiaries made sales to an affiliated company in the amount of $3.6 million ($2.8 million in 2009 and $2.7 million in 2008). These transactions were concluded and accounted for at the exchange amount.

The Company received interest of $0.1 million in 2009 and $1.0 million in 2008 from the parent company.

Corporate reorganization

In June 2009, as part of a corporate reorganization, the subsidiary Canoe, in which the Company held an 86.2% interest and TVA Group held a 13.8% interest, was wound up and its assets distributed to its shareholders. The transactions arising from this reorganization were recorded at the carrying value of the assets transferred and an adjustment of $8.6 million was recorded in contributed surplus.

In the second quarter of 2010, the Company announced the creation of The Sun TV News Channel, a new partnership in which TVA Group holds a 51% interest and Sun Media Corporation a 49% interest. This new partnership will launch the English-language news and opinion specialty channel *Sun News* in the spring of 2011. The Company also decided to terminate the operations of its general-interest television station, *Sun TV*, as soon as *Sun News* is on the air.

Following the creation of the Sun TV News Channel and the decision to terminate the operations of the television station *Sun TV*, a corporate reorganization occurred in December 2010. The related transactions were recorded at carrying amounts and a resulting adjustment of $0.9 million was recorded in contributed surplus.

Management arrangements

Our parent company has entered into management arrangements with the Company. Under these management arrangements, our parent company and the Company provide management services to each other on a cost-reimbursement basis. The expenses subject to reimbursement include the salaries of the Company's executive officers, who also serve as executive officers of our parent company. In 2010, the Company received an amount of $2.1 million, which is included as a reduction in operating expenses ($2.1 million in 2009 and $3.0 million in 2008), and incurred management fees of $1.1 million ($1.1 million in 2009 and 2008) with the Company's shareholders.

Tax transactions

Unlike corporations in the United States, corporations in Canada are not permitted to file consolidated tax returns. As a result, Quebecor Media and its subsidiaries have entered into certain tax consolidation transactions pursuant to which Quebecor Media typically issues preferred shares to its subsidiaries and correspondingly acquires convertible debt obligations or subordinated loans of these subsidiaries or Quebecor Media borrows money from its subsidiaries and acquires preferred shares of such subsidiaries. As a result of such transactions, Quebecor Media and its subsidiaries recognize significant income tax benefits.

In 2010, 2009 and 2008, our parent company transferred $26.4 million, $30.1 million and $104.9 million, respectively, of non-capital losses to certain Company subsidiaries in exchange for cash considerations of $6.0 million, $6.3 million and $18.4 million. These transactions were recorded at the exchange amounts. As a result, the Company recorded reductions of $2.7 million, $14.2 million and $6.4 million, respectively, to its income tax expense in 2010, 2009 and 2008, and expects to reduce its income tax expense by $1.5 million in the future.

World Color Press Inc.

On January 21, 2008, World Color Press, Inc. ("**WCP**"), a former subsidiary of Quebecor formerly named "Quebecor World Inc.", and its U.S. subsidiaries were granted creditor protection under the *Companies' Creditors Arrangement Act* in Canada. On the same date, its U.S. subsidiaries also filed a petition under Chapter 11 of the United States Bankruptcy Code. Since January 21, 2008, WCP is no longer a related company. Prior to this date, the following transactions were made with WCP:

- From January 1, 2008 to January 21, 2008, the Company made purchases from WCP of $3.0 million and made sales to WCP of $1.3 million.
- On January 10, 2008, the Company settled a balance of $4.3 million payable to WCP by set-off. As the balance was due in 2013 and recorded at present value, the difference of $2.7 million between the settled amount of $7.0 million and the carrying value of $4.3 million was recorded as a reduction in contributed surplus.

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, 2010 and 2009 and the consolidated statements of income, comprehensive income, shareholders' equity and cash flows of Quebecor Media for the years ended December 31, 2010, 2009 and 2008, as well as the Report of Independent Registered Public Accounting Firm thereon, are presented in "Item 17. Financial Statements" of this annual report (beginning on page F-1).

B – Legal Proceedings

From time to time, Quebecor Media is a party to various legal proceedings arising in the ordinary course of business.

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

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

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, 2010, our issued and outstanding share capital was as follows:

- 123,602,807 common shares outstanding, of which 67,636,713 were held by Quebecor and 55,966,094 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 2010, the Board of Directors of Quebecor Media declared and paid aggregate cash dividends on our common shares of $87.5 million. In 2009, the Board of Directors of Quebecor Media declared and paid aggregate cash dividends on our common shares of $75.0 million. In 2008, the Board of Directors of Quebecor Media declared and paid aggregate cash dividends on our common shares of $65.0 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 — Subsequent Events”), there has been no significant change in our financial position since December 31, 2010.

ITEM 9 – THE OFFER AND LISTING

A – Offer and Listing Details

Not applicable.

B – Plan of Distribution

Not applicable.

C – Markets

Outstanding Notes

On January 5, 2011, we issued and sold Cdn$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, beginning on June 15, 2011. Our 7 3/8% Senior Notes due 2021 were not and will not be registered under the Securities Act nor under 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 agreed to file an exchange offer registration statement with the SEC with respect to a registered offer to exchange without novation the unregistered notes for our new SEC-registered 7 3/4% Senior Notes due 2016 evidencing the same continuing indebtedness and having substantially identical terms. 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, we have US$700.0 million in aggregate principal amount of our 7 3/4% Senior Notes due 2016 outstanding and registered under the Securities Act. These notes were issued under a different indenture than, 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 the next paragraph.

On January 17, 2006, we issued and sold US$525.0 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. In connection with the issuance of these unregistered notes, we agreed to file an exchange offer registration statement with the SEC with respect to a registered offer to exchange without novation the unregistered notes for our new SEC-registered 7 3/4% Senior Notes due 2016 evidencing the same continuing indebtedness and having substantially identical terms. We filed a registration statement on Form F-4 with the SEC on May 8, 2006 and completed the registered exchange offer on July 14, 2006. As a result, we have US$525.0 million in aggregate principal amount of our 7 3/4% Senior Notes due 2016 outstanding and registered under 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.

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 each respective series of our 7 3/4% Senior Notes due 2016 is Cede & Co., a nominee of The Depository Trust Company, and the record holder of our 7 3/8% Senior Notes due 2021 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, 2010, there were no issued and outstanding Series A Shares.

As of December 31, 2010, there were no issued and outstanding Series B Shares.

As of December 31, 2010, there were no issued and outstanding Series C Shares.

As of December 31, 2010, there were no issued and outstanding Series D Shares.

As of December 31, 2010, there were no issued and outstanding Series E Shares.

As of December 31, 2010, there were no issued and outstanding Series F Shares.

As of December 31, 2010, 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. In 2010, in connection with various intra-group transactions, 1,3000,000 Series G Shares were issued to 9101-0835 Québec Inc., and 930,000 Series G Shares were redeemed. 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

Our Articles of Incorporation and the various Articles of Amendment to our Articles of Incorporation are incorporated herein by reference to our registration statement filed with the SEC on September 5, 2001 (Registration No. 333-13792). In addition, (a) the Articles of Amendment, dated as of February 3, 2003, to our Articles of Incorporation are included as Exhibit 1.2 to our annual report for the fiscal year ended December 31, 2002 which was filed with the SEC on March 31, 2003; (b) the Articles of Amendment, dated as of December 5, 2003, and the Articles of Amendment, dated as of January 16, 2004, to our Articles of Incorporation are included as Exhibits 1.4 and 1.5, respectively, to our annual report for the fiscal year ended December 31, 2003, which was filed with the SEC on March 31, 2004; (c) the Articles of Amendment, dated as of November 26, 2004, to our Articles of Incorporation are included as Exhibit 1.6 to our annual report for the fiscal year ended December 31, 2004, which was filed with the SEC on March 31, 2005; (d) the Articles of Amendment, dated as of January 14, 2005, to our Articles of Incorporation are included as Exhibit 1.9 to our annual report for the fiscal year ended December 31, 2005, which was filed with the SEC on March 29, 2006; (e) the Articles of Amendment, dated as of January 12, 2007, to our Articles of Incorporation are included as Exhibit 1.11 to our annual report for the fiscal year ended December 31, 2006, which was filed with the SEC on March 30, 2007; and (f) the Articles of Amendment, dated as of November 30, 2007, to our Articles of Incorporation are included as Exhibit 1.13 to our annual report for the fiscal year ended December 31, 2007, which was filed with the SEC on March 27, 2008. In this description, we refer to our Articles of Incorporation, as amended, 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 we may transact business with one or more of our directors or with any firm of which one or more of our directors are members or employees or with any corporation or

association of which one or more of our directors are shareholders, directors, officers or employees. The director who has an interest in the transaction shall disclose his interest to us and to the other directors and shall abstain from discussing and voting on the transaction, except if his vote is required to bind us in respect of the transaction.

(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, the directors may authorize us to borrow money and obtain advances upon the credit of our Company, 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 Company, 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 Company 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 of directors under an age limit requirement or (ii) the number of shares, if any, required for the qualification of 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 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 Company'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 Company 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 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 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 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 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 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 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 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 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 provide that the annual meetings of the shareholders shall be held at such time, on such date and at such place as the Board of Directors determines from time to time. Annual meetings of the shareholders may be called at any time by order of the Board of Directors, the chairman of the board, or, provided they are directors of our Company, by the president or any vice president. Special general meetings of the shareholders shall be held at such time, on such date and at such place as the Board of Directors determines from time to time. Special general meetings of the shareholders may be called at any time by order of the Board of Directors, the chairman of the board, or, provided they are directors of our Company, by the president or any vice president.

   For any general meeting, our by-laws provide that a notice specifying the date, time and place of the meeting and the items to be discussed at the meeting must be sent to each shareholder entitled to vote at that meeting (at the address indicated in our books) at least twenty-one (21) days before the date of such a meeting. If the convening of any meeting of shareholders is a matter of urgency, notice of a meeting may be given not less than 48 hours before such meeting is to be held.

   The Chairman of the Board or, in his absence, the President, if he is a director or, in his absence, one of the Vice Presidents who is a director of our Company shall preside at all meetings of shareholders. If all of the aforesaid officers are absent or decline to act, the persons present and entitled to vote may choose one of their number to act as chairman of the meeting.

   Our by-laws provide that the holders of not less than 50.1% of the outstanding shares of our share capital carrying rights to vote at such meeting, present in person or represented by proxy, shall constitute a quorum for any meeting of our shareholders.

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 Company — 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 another of our offices or at such other place in the Province of Quebec as may be determined, from time to time, 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 Cdn$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 Cdn$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 are due on January 15, 2021. Interest on these notes is payable semi-annually in arrears on June 15 and December 15 of each year, beginning on June 15, 2011. 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.

(b) **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 are due on March 15, 2016. Interest on these notes is payable semi-annually in arrears on June 15 and December 15 of each year, beginning on December 15, 2007. These notes are not guaranteed by our subsidiaries. These notes are redeemable, at our option, under certain circumstances and at the redemption prices set forth in this 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. 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 (c) below.

(c) **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 are unsecured and are due on March 15, 2016. Interest on these notes is payable semi-annually in arrears on June 15 and December 15 of each year, beginning on June 15, 2006. These notes are not guaranteed by our subsidiaries. These notes are redeemable, at our option, under certain circumstances and at the redemption prices set forth in this 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. 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 2007, as described in the previous paragraph.

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

On January 17, 2006, in connection with our refinancing plan, we entered into Senior Secured Credit Facilities comprised of (i) a 5-year $100.0 million revolving credit facility with an initial maturity date of January 2011, (ii) a 5-year $125.0 million term loan A that matures in January 2011, and (iii) a 7-year US$350.0 million term loan B facility that matures in January 2013. On January 14, 2010, we entered into a First Amendment Agreement to our credit agreement pursuant to which, amongst other things, the maturity date of the revolving credit facility was extended to January 3, 2013 and various other definitions and covenants were amended. The Senior Secured Credit Facilities also include an uncommitted $350 million incremental facility that may be available to us, subject to compliance at all times with all financial covenants, absence of default and lenders being willing to fund the incremental amount. This incremental facility will have a term to be agreed with the lenders, although the maturity of borrowings under the incremental facility will be required to have a maturity falling on or extending beyond the maturity of the term loan B facility. We may draw Letters of Credit under the Senior Secured Credit Facilities. The proceeds of the term loan A and term loan B were used to refinance existing debt. The proceeds of our revolving facility may be used for our general corporate purposes.

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

Borrowings under the revolving credit facility are repayable in full on January 3, 2013. Borrowings under our term loan A facility are repayable in full in January 2011 and borrowing under our term loan B facility are repayable in full in January 2013. We are also required to make specified quarterly repayments of amounts borrowed under the term loan A and term loan B.

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

The 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, issue shares of capital stock, incur indebtedness and enter into related party transactions. In addition, the Senior Secured Credit Facilities contain customary financial covenants. The 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 subsidiaries, and the occurrence of a change of control.

(e) **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$335.0 million aggregate principal amount of 6 7/8% Senior Notes due January 15, 2014 and, on November 19, 2004, Videotron issued an additional US$315.0 million aggregate principal amount of these notes, pursuant to an Indenture, dated as of October 8, 2003, by and among Videotron, the guarantors party thereto and Wells Fargo Bank Minnesota, N.A. (now Wells Fargo Bank, National Association), as trustee. These notes are unsecured and are due

January 15, 2014. Interest on these notes is payable semi-annually in arrears on January 15 and July 15 of each year, beginning on July 15, 2004. These notes are guaranteed on a senior unsecured basis by most, but not all, of Videotron's subsidiaries. The 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.

(f) **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, National Association, as trustee. These notes are unsecured and are due on December 15, 2015. Interest on these notes is payable semi-annually in arrears on June 15 and December 15 of each year, beginning on December 15, 2005. 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.

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

(h) **Indenture relating to Cdn$300,000,000 of Videotron's 7 1/8% Senior Notes due January 15, 2020, dated as of January 13, 2010, by and among Videotron, the guarantors party thereto, and Computershare Trust Company of Canada, as trustee.**

On January 13, 2010, Videotron issued Cdn$300,000,000 aggregate principal amount of its 7 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 are due on January 15, 2020. Interest on these notes is payable semi-annually in arrears on June 15 and December 15 of each year, beginning on June 15, 2010. These

notes are guaranteed on a senior unsecured basis by most, but not all, of Videotron's subsidiaries. These notes are redeemable, at Videotron's option, under certain circumstances and at the redemption prices set forth in the indenture. The indenture contains customary restrictive covenants with respect to Videotron and certain of its subsidiaries, and customary events of default. If an event of default occurs and is continuing, other than Videotron's bankruptcy or insolvency, the trustee or the holders of at least 25% in principal amount at maturity of the then-outstanding notes may declare all the notes to be due and payable immediately.

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

The $650.0 million senior secured credit facilities of Videotron provide for a $575.0 million secured revolving credit facility that matures in April 2012 and a $75.0 million secured export financing facility providing for a term loan that matures in June 2018. The proceeds of the revolving credit facility can be used for general corporate purposes including, without limitation, to pay dividends to Quebecor Media subject to certain conditions. The proceeds of the term loan may be used for payments and/or reimbursement of payments of export equipment and local services in relation to contracts for wireless infrastructure equipment between Videotron and an affiliate of Nokia Corporation and also for the financing of the Finnvera guarantee fee (Finnvera plc being a specialised financing company owned by the State of Finland which is providing an export buyer credit guarantee in favour of the lenders under the export financing facility covering political and commercial risks).

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

The revolving credit facility will be repayable in full in April 2012. Drawdowns under the export financing facility are repayable by way of seventeen equal and consecutive semi-annual payments starting on June 15, 2010. Subject to certain exceptions and the exemption of the first $50.0 million received, Videotron is required to apply 100% of the net cash proceeds of asset sales or transfers to repay borrowings under the senior secured credit facilities (*pro rata* as between the revolving credit facility and the export financing facility), unless Videotron reinvests these proceeds within specified periods and for specific purposes. Subject to the exemption of the first $50.0 million received, Videotron is also required to apply proceeds from insurance settlements received in excess of $50.0 million in the aggregate to repay borrowings under the senior secured credit facilities (*pro rata* as between the revolving credit facility and the export financing facility).

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

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

(j) **Indenture relating to Sun Media's 7 5/8% Senior Notes due February 15, 2013, dated as of February 7, 2003, by and among Sun Media, the guarantors party thereto, and National City Bank, as trustee, as supplemented.**

On February 7, 2003, Sun Media issued US$205.0 million aggregate principal amount of its 7 5/8% Senior Notes due February 15, 2013 under an Indenture, dated as of February 7, 2003, as supplemented, by and among Sun Media, the guarantors party thereto, and National City Bank, as trustee. These notes were redeemed in full and cancelled, and the indenture was discharged, on February 15, 2011.

(k) **Credit Agreement, dated as of February 7, 2003, by and among Sun Media, the guarantors party thereto, Banc of America Securities LLC, Credit Suisse First Boston Canada, the lenders party thereto, and Bank of America, N.A., as Administrative Agent, as amended.**

On February 7, 2003, as part of the refinancing of its indebtedness, Sun Media entered into a secured credit facility consisting of a five-year revolving credit facility of $75.0 million and a six-year US$230.0 million term loan B. In connection with Quebecor Media's 2006 refinancing, Sun Media's credit facility was amended for the addition of a $40.0 million term loan C in January 2006. On October 31, 2007, Sun Media repaid in full and terminated its term loan B. In addition, on October 31, 2007, Sun Media entered into a Fifth Amending Agreement to its credit agreement. The amendment reduces the revolving credit facility from $75.0 million to $70.0 million, extends the term of the credit facilities to October 31, 2012, and modifies certain definitions and covenants related to leverage and interest coverage ratios, while removing the fixed charge ratio.

Borrowings under the revolving credit facility and the term loan C are repayable in full in October 2012. Sun Media is also required to make specified quarterly repayments of amounts borrowed under the term loan C.

Borrowings under the revolving credit facility and the term loan C facility are in Canadian dollars and bear interest at the Canadian prime rate or the bankers' acceptance rate plus an applicable margin. The proceeds of the term loan C were used to refinance existing debt and for permitted distributions to Sun Media's shareholder. The proceeds of Sun Media's revolving facility may be used for general corporate purposes including distributions to Sun Media's shareholder in certain circumstances.

Borrowings under this amended and restated credit facility and under eligible derivative instruments are secured by a first-ranking hypothec and security agreement (subject to certain permitted encumbrances) on all of Sun Media's current and future assets, as well as those of the guarantors party thereto, if any (the "**Sun Media Group**"), guarantees of all the members of the Sun Media Group, pledges of shares of the members of the Sun Media Group, and other security.

This credit facility contains customary covenants that restrict and limit the ability of Sun Media and its subsidiaries, if any, to, among other things, enter into merger or amalgamation transactions, grant encumbrances, sell assets, pay dividends or make other distributions, issue shares of capital stock, incur indebtedness and enter into related party transactions. In addition, this credit facility contains customary financial covenants. This credit facility also contains 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 Sun Media and members of the Sun Media Group, and the occurrence of a change of control.

(l) **Fourth Amended and Restated Credit Agreement, dated as of September 28, 2007, by and among 4411986 Canada Inc., Osprey Media Income Fund, Osprey Media LP and Osprey Media Income Fund, as borrowers, the financial institutions party thereto from time to time, as lenders, and The Bank of Nova Scotia, as administrative agent, as amended.**

On September 28, 2007, 4411986 Canada Inc., Osprey Media LP and Osprey Media Income Fund entered into a fourth amended and restated secured credit facility consisting of a 39-month revolving

credit facility of $65.0 million and a 39-month $133.3 million term facility. All borrowings under this credit facility were repaid and the Fourth Amended and Restated Credit Agreement was terminated during the course of 2010.

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 Company'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 Company on the right of a non-resident to hold voting shares of the Company, 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 Company — 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 January 17, 2006 (the "**2006 notes**") and our 7 3/4% Senior Notes due 2016 issued on October 5, 2007 (the "**2007 OID notes**") (collectively, 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 to holders that may be subject to special rules under U.S. federal income tax law, including:

- dealers in stocks, securities or currencies;
- securities traders that use 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, the 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, we inform you 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 2006 notes

Payments of stated interest on the 2006 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.

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

If a U.S. Holder purchases notes for an amount less than their stated redemption price at maturity in the case of 2006 notes, or 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 the 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 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.

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.

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 of cash and the fair market value of any property received (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.

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.

Information Reporting and Backup Withholding

In general, information reporting requirements may apply to payments of principal and interest 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.

Recent legislation requires U.S. individuals that hold specified foreign financial assets (including stock and securities of a foreign issuer) 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 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**", 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, 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), 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, and, in the case of a non-resident holder that is an insurer, whose Senior Notes are not designated insurance property (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, an interest in which would be a "tax shelter investment", as defined in the Tax Act; (e) a Holder that is a corporation that has elected in the prescribed from and manner and has otherwise met the requirements to use functional currency tax reporting as set out in the Tax Act; (f) a Holder that is a "specified financial institution" as defined in the Tax Act; or (g) a disposition, transfer or assignment of the Senior Notes by a Non-Resident Holder to a person resident (or deemed resident) of Canada not dealing at arm's length with the Non-Resident Holder. Any such Holder to which this summary does not apply should consult its own tax advisor 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, all specific proposals to amend the Tax Act and the regulations announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof and our understanding of the current published administrative practices and assessing policies of the Canada Revenue Agency. This summary does not otherwise take into account or anticipate any changes in law, whether by judicial, governmental 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. ACCORDINGLY, YOU SHOULD CONSULT YOUR OWN TAX ADVISORS WITH RESPECT TO YOUR PARTICULAR CIRCUMSTANCES.

Interest (including any amounts deemed to be interest) and principal paid to a Non-Resident Holder on the Senior Notes are not subject to Canadian non-resident withholding tax. No other taxes on income (including taxable capital gains) are payable by a Non-Resident Holder under the Tax Act in respect of the acquisition, holding, disposition, redemption or deemed disposition of the Senior Notes or the receipt of interest or principal thereon.

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, DC 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, Quebec, 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 our Company'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 Canadian dollars. A large portion of the interest, principal and premium, if any, payable on its debt is payable in U.S. dollars. Our Company and its subsidiaries have entered into transactions to hedge the foreign currency risk exposure on 100% of their U.S. dollar-denominated debt obligations outstanding as of December 31, 2010 and to hedge their exposure on certain purchases of set-top boxes, handsets, cable modems and capital expenditures. Accordingly, our Company's sensitivity to variations in foreign exchange rates is economically limited.

Some of our Company's and its subsidiaries' revolving and bank credit facilities bear interest at floating rates based on the following reference rates: (i) Bankers' acceptance rate (BA), (ii) LIBOR and (iii) Canadian prime rate. The Senior Notes issued by our Company and its subsidiaries bear interest at fixed rates. Our Company and its subsidiaries have entered into various interest rate and cross-currency interest rate swap agreements in order to manage cash flow and fair value risk exposure due to changes in interest rates. As of December 31, 2010, after taking into account the hedging instruments, long-term debt was comprised of 75.2% fixed rate debt (69.3% as of December 31, 2009) and 24.8% floating rate debt (30.7% as of December 31, 2009).

The estimated sensitivity on financial expense for floating rate debt, before income tax and non-controlling interest, of a 100 basis-point variance in the year-end Canadian Bankers' acceptance rate as of December 31, 2010 is $10.3 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 2010, the total newsprint consumption of our newspaper operations was approximately 144,000 metric tonnes. Newsprint represents our single largest raw material expense and one of our most significant operating costs. Newsprint expense represented approximately 9.8% ($81.4 million) of our News Media segment's operating expenses for the year ended December 31, 2010. 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 for purchases above certain thresholds and benefit from a ceiling on the unit cost of newsprint. Our agreement with our Newsprint Supplier is a short-term agreement 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

Credit risk management

Credit risk is the risk of financial loss to our Company if a customer or counterparty to a financial asset fails to meet its contractual obligations.

In the normal course of business, our Company continuously monitors the financial condition of its customers and reviews the credit history of each new customer. As of December 31, 2010, no customer balance represented a significant portion of our Company's consolidated trade receivables. Our Company 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 $39.1 million as of December 31, 2010 ($40.3 million as of December 31, 2009). As of December 31, 2010, 10.5% of trade receivables were 90 days past their billing date (9.8% as of December 31, 2009).

Our Company believes that its product lines and the diversity of its customer base are instrumental in reducing its credit risk, as well as the impact of fluctuations in product-line demand. Our Company 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, our Company and its subsidiaries are exposed to the risk of non-performance by a third party. When our Company and its subsidiaries enter into derivative contracts, the counterparties (either foreign or Canadian) must have credit ratings at least in accordance with our Company's risk management policy and are subject to concentration limits.

Fair value of financial instruments

See "Item 5 — Operating and Financial Review and Prospects — Additional Information — Risks and Uncertainties — 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, 2010, 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)	
2011	$ 30.1
2012	67.9
2013	373.3
2014	736.4
2015	184.3
2016 and thereafter	2,204.3
Total	**$3,596.3**

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 Company files or submits under the *Securities Exchange Act* is accumulated and communicated to management, including the Company'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 Company (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 generally accepted accounting principles. 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 generally accepted accounting principles, 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 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, 2010.

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 public accountant for the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008. The audited consolidated financial statements for each of the fiscal years in the three-year period ended December 31, 2010 are included in this annual report on Form 20-F.

Our Audit Committee establishes the independent auditors' compensation. In March 2010, the Audit Committee reviewed its policy relating to the pre-approval of services to be rendered by its independent auditors. The Audit Committee pre-approved all audit services, determined which non-audit services the independent auditors are prohibited from providing, and authorized 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, 2010, 2009 and 2008, 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, 2010 and 2009.

	2010	2009
Audit Fees[1]	**$3,647,806**	$3,177,932
Audit related Fees[2]	**205,322**	1,145,796
Tax Fees[3]	**115,006**	65,897
All Other Fees[4]	**64,675**	46,212
Total	**$4,032,809**	$4,435,837

[1] Audit Fees consist of fees approved for the annual audit of the Company's consolidated financial statements and quarterly reviews of interim financial statements of the Company 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

Our audited consolidated balance sheets as of December 31, 2010 and 2009 and the consolidated statements of income, comprehensive income, shareholders' equity and cash flows for the years ended December 31, 2010, 2009 and 2008, including the notes thereto and together with the Report of Independent Registered Public Accounting Firm thereon, are included in this annual report beginning on page F 1.

ITEM 18 – FINANCIAL STATEMENTS

Not applicable.

ITEM 19 – EXHIBITS

EXHIBITS

The following documents are filed as exhibits to this annual report on Form 20-F:

Exhibit Number	Description
1.1	Articles of Incorporation of Quebecor Media (translation) (incorporated by reference to Exhibit 3.1 to Quebecor Media's Registration Statement on Form F-4, dated September 5, 2001, Registration Statement No. 333-13792).
1.2	Certificate of Amendment of Articles of Incorporation filed February 3, 2003 (translation) (incorporated by reference to the applicable exhibit to Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2002, filed on March 31, 2003).
1.3	By-laws of Quebecor Media (translation) (incorporated by reference to Exhibit 3.2 to Quebecor Media's Registration Statement on Form F-4, dated September 5, 2001, Registration Statement No. 333-13792).
1.4	Certificate of Amendment of Articles of Incorporation filed December 5, 2003 (translation) (incorporated by reference to the applicable exhibit to Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2003, filed on March 31, 2004).
1.5	Certificate of Amendment of Articles of Incorporation filed January 16, 2004 (translation) (incorporated by reference to the applicable exhibit to Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2003, filed on March 31, 2004).
1.6	Certificate of Amendment of Articles of Incorporation filed November 26, 2004 (translation) (incorporated by reference to Exhibit 1.6 of Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2004, filed on March 31, 2005).
1.7	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).
1.8	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).
1.9	Certificate of Amendment of Articles of Incorporation of Quebecor Media, as of January 14, 2005 (translation) (incorporated by reference to Exhibit 1.9 of Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2005, filed on March 29, 2006).
1.10	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).

Exhibit Number	Description
1.11	Certificate of Amendment of Articles of Incorporation of Quebecor Media, as of January 12, 2007 (translation) (incorporated by reference to Exhibit 1.11 of Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2006, filed on March 30, 2007).
1.12	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).
1.13	Certificate of Amendment of Articles of Incorporation of Quebecor Media, as of November 30, 2007 (translation) (incorporated by reference to Exhibit 1.13 of Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2007, filed on March 27, 2008).
1.14	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).
1.15	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).
2.1	Form of 7 3/4% Senior Note due 2016 originally issued on January 17, 2006 (included as Exhibit A to Exhibit 2.2 below) (incorporated by reference 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).
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).
2.3	Form of 7 3/4% Senior Note due 2016 originally issued on October 5, 2007 (included as Exhibit A to Exhibit 2.4 below) (incorporated by reference 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 (included as Exhibit A to Exhibit 2.6 below)
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.
2.7	Form of Videotron 6 7/8% Senior Notes due January 15, 2014 (incorporated by reference to Exhibit A to Exhibit 4.3 to Videotron's Registration Statement on Form F-4, dated January 8, 2004, Registration Statement No. 333-110697).
2.8	Form of Notation of Guarantee by the subsidiary guarantors of the 6 7/8% Videotron Senior Notes due January 15, 2014 (incorporated by reference to Exhibit E to Exhibit 4.3 to Videotron's Registration Statement on Form F-4, dated January 8, 2004, Registration Statement No. 333-110697).
2.9	Indenture relating to Videotron 6 7/8% Notes due 2014, dated as of October 8, 2003, by and among Videotron, the subsidiary guarantors signatory thereto and Wells Fargo Bank Minnesota, N.A., as trustee (incorporated by reference to Exhibit 4.3 to Videotron's Registration Statement on Form F-4, dated January 8, 2004, Registration Statement No. 333-110697).

Exhibit Number	Description
2.10	Supplemental Indenture, dated as of July 12, 2004, by and among Videotron, SuperClub Videotron Canada inc., Les Propriétés SuperClub inc. and Wells Fargo Bank, National Association, as trustee, to the Indenture dated as of October 8, 2003 (incorporated by reference to Exhibit 4.4 to Videotron's Registration Statement on Form F-4, dated January 18, 2005, Registration Statement No. 333-121032).
2.11	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 October 8, 2003 (incorporated by reference to Exhibit 2.5 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).
2.12	Supplemental Indenture, dated as of September 23, 2008, by and among Videotron, 9193-2962 Québec inc., as guarantor, and Wells Fargo Bank, National Association, as trustee, to the Indenture dated as of October 8, 2003 (incorporated by reference to Exhibit 2.6 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).
2.14	Supplemental Indenture, dated as of September 29, 2010, by and among Videotron Ltd., the subsidiary guarantor signatory thereto and Wells Fargo Bank, National Association, as trustee, to the Indenture dated as of October 8, 2003 (incorporated by reference to Exhibit 2.7 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).
2.15	Supplemental Indenture, dated as of December 22, 2010, by and among Videotron Ltd., the subsidiary guarantors signatory thereto and Wells Fargo Bank, National Association, as trustee, to the Indenture dated as of October 8, 2003 (incorporated by reference to Exhibit 2.8 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	Form of Videotron 6 3/8% Senior Note due 2015 (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).
2.17	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).
2.18	Indenture relating to Videotron 6 3/8% Senior Notes, dated as of September 16, 2005, by and between Videotron, the guarantors party 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).
2.19	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).
2.20	Supplemental Indenture, dated as of September 23, 2008, by and among Videotron, 9193-2962 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 2.11 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).

Exhibit Number	Description
2.21	Supplemental Indenture, dated as of September 29, 2010, by and among Videotron Ltd., the subsidiary guarantor signatory thereto 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).
2.22	Supplemental Indenture, dated as of December 22, 2010, by and among Videotron Ltd., the subsidiary guarantors signatory thereto 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).
2.23	Form of 9 1/8% Senior Notes due April 15, 2018 of Videotron (incorporated by reference to Exhibit 2.12 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).
2.24	Form of Notation of Guarantee by the subsidiary guarantors of the 9 1/8% Senior Notes due April 15, 2018 of Videotron (incorporated by reference 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).
2.25	Indenture, dated as of April 15, 2008, by and among Videotron, 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).
2.26	Supplemental Indenture, dated as of September 23, 2008, by and among Videotron, 9193-2962 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 2.15 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).
2.27	Supplemental Indenture, dated as of March 5, 2009, by and among Videotron Ltd., the subsidiary guarantors signatory thereto 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 15, 2010).
2.28	Supplemental Indenture, dated as of September 29, 2010, by and among Videotron Ltd., the subsidiary guarantor signatory thereto 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).
2.29	Supplemental Indenture, dated as of December 22, 2010, by and among Videotron Ltd., the subsidiary guarantors signatory thereto 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).
2.30	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).
2.31	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).

Exhibit Number	Description
2.32	Indenture relating to Videotron 7 1/8% Senior Notes, dated as of January 16, 2010, by and among Videotron, 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).
2.33	Supplemental Indenture, dated as of September 29, 2010, by and among Videotron Ltd., the subsidiary guarantor signatory thereto and Computershare Trust Company of Canada, as trustee, to the Indenture dated as of January 15, 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).
2.34	Supplemental Indenture, dated as of December 22, 2010, by and among Videotron Ltd., the subsidiary guarantors signatory thereto and Computershare Trust Company of Canada, as trustee, to the Indenture dated as of January 15, 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).
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 5, 2003 relating to the increase in the size of the Board of Directors of Quebecor Media (translation) (incorporated by reference to the applicable exhibit to Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2003, filed on March 31, 2004).
3.4	Written resolution adopted by the Shareholders of Quebecor Media on May 11, 2010 relating to the decrease in the size of the Board of Directors of Quebecor Media (translation).
4.1	Credit Agreement, dated as of January 17, 2006, by and among Quebecor Media, as Borrower, the financial institutions party thereto from time to time, as Lenders, and Bank of America, N.A., as administrative agent (incorporated by reference to Exhibit 4.2 of Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2005, filed on March 29, 2006).
4.2	First Amending Agreement, dated as of January 14, 2010, amending the Credit Agreement dated as of January 17, 2006 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 (incorporated by reference to Exhibit 4.2 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).
4.3	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).
4.4	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).

Exhibit Number	Description
4.5	Credit Agreement dated as of February 7, 2003 among Sun Media, as borrower, Bank of America, N.A., Banc of America Securities LLC and Credit Suisse First Boston Corporation, as arrangers, Bank of America, N.A., as administrative agent, and the financial institutions signatory thereto, as lenders (incorporated by reference to Exhibit 10.4 to Sun Media's Registration Statement on Form F-4, dated April 10, 2003, Registration Statement No. 333-103998).
4.6	First Amending Agreement, dated as of December 3, 2003, amending the Credit Agreement dated as of February 7, 2003 among Sun Media, Banc of America Securities LLC and Credit Suisse First Boston Canada and the lenders thereto (incorporated by reference to the applicable exhibit to Sun Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2003, filed on March 30, 2004).
4.7	Second Amending Agreement, dated as of October 12, 2004, amending the Credit Agreement dated as of February 7, 2003 among Sun Media, Banc of America Securities LLC and Credit Suisse First Boston Canada and the lenders thereto (incorporated by reference to Exhibit 4.5 of Sun Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2004, filed on March 24, 2005, Commission file No. 333-6690).
4.8	Third Amending Agreement, dated as of January 17, 2006, amending the Credit Agreement dated as of February 7, 2003, as amended, among Sun Media, Banc of America Securities LLC, Credit Suisse First Boston Canada, the lenders party thereto, and Bank of America, N.A., as administrative agent (incorporated by reference to Exhibit 4.6 of Sun Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2005, filed on March 21, 2006, Commission file No. 333-6690).
4.9	Fourth Amending Agreement, dated as of April 27, 2006, amending the Credit Agreement dated as of February 7, 2003, as amended, among Sun Media, Banc of America Securities LLC, Credit Suisse First Boston Canada and the lenders party thereto, and Bank of America, N.A., as administrative agent (incorporated by reference to Exhibit 10.8 of Quebecor Media's Registration Statement on Form F-4, dated November 20, 2007, Registration Statement No. 333-147551).
4.10	Fifth Amending Agreement, dated as of October 31, 2007, amending the Credit Agreement dated as of February 7, 2003, as amended, among Sun Media, Banc of America Securities LLC, Credit Suisse First Boston Canada and the lenders party thereto, and Bank of America, N.A., as administrative agent (incorporated by reference to Exhibit 10.9 of Quebecor Media's Registration Statement on Form F-4, dated November 20, 2007, Registration Statement No. 333-147551).
4.11	Sixth Amending Agreement, dated as of December 23, 2010 to the Credit Agreement dated as of February 7, 2003, as amended, among Sun Media, the lenders party thereto, and Bank of America, N.A., as administrative agent.
4.12	Form of Amended and Restated Credit Agreement entered into as of November 28, 2000, (as amended by a First Amending Agreement dated as of January 5, 2001, a Second Amending Agreement dated as of June 29, 2001, a Third Amending Agreement dated December 12, 2001 and accepted by the Lenders as of December 21, 2001, a Fourth Amending Agreement dated as of December 23, 2002, a Fifth Amending Agreement dated as of March 24, 2003, a Sixth Amending Agreement dated as of October 8, 2003, a Seventh Amending Agreement dated as of November 19, 2004, an Eighth Amending Agreement dated as of March 6, 2008, a Ninth Amending Agreement dated as of April 7, 2008, and Tenth Amending Agreement dated as of November 13, 2009) entered into as of November 28, 2000, as amended as of November 13, 2009, by and among Videotron, Royal Bank of Canada, as administrative agent, and the financial institutions signatory thereto (incorporated by reference to Exhibit 4.1 of 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).

Exhibit Number	Description
4.13	Seventh Amending Agreement, dated as of November 19, 2004, to the Credit Agreement dated as of November 28, 2000, among Videotron, Royal Bank of Canada, as administrative agent, and the financial institutions signatory thereto and acknowledged by Le SuperClub Vidéotron, Groupe de Divertissement SuperClub inc., Videotron (1998) ltée, CF Cable TV Inc., Videotron (Regional) Ltd., 9139-3256 Québec inc., Videotron TVN inc., Les Propriétés SuperClub inc. and SuperClub Videotron Canada inc., as guarantors (the "Guarantors"), and by Quebecor Media (incorporated by reference to Exhibit 10.2 to Videotron's Registration Statement on Form F-4, dated January 18, 2005, Registration Statement No. 333-121032).
4.14	Eighth Amending Agreement, dated as of March 6, 2008, to the Credit Agreement, dated as of November 28, 2000, as amended by the First Amending Agreement, dated as of January 5, 2001, a Second Amending Agreement, dated as of June 29, 2001, a Third Amending Agreement, dated as of December 12, 2001, a Fourth Amending Agreement, dated as of December 23, 2002, a Fifth Amending Agreement, dated as of March 24, 2003, a Sixth Amending Agreement dated as of October 8, 2003 and a Seventh Amending Agreement, dated as of November 19, 2004 among Videotron, Royal Bank of Canada, as administrative agent, and the financial institutions signatory thereto and acknowledged by Le SuperClub Vidéotron ltée, Groupe de Divertissement SuperClub inc., CF Cable TV Inc., Les Propriétés SuperClub inc. and SuperClub Videotron Canada inc., as guarantors, and by Quebecor Media (incorporated by reference to Exhibit 4.3 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).
4.15	Ninth Amending Agreement, dated as of April 7, 2008, to the Credit Agreement, dated as of November 28, 2000, as amended by the First Amending Agreement, dated as of January 5, 2001, a Second Amending Agreement, dated as of June 29, 2001, a Third Amending Agreement, dated as of December 12, 2001, a Fourth Amending Agreement, dated as of December 23, 2002, a Fifth Amending Agreement, dated as of March 24, 2003, a Sixth Amending Agreement dated as of October 8, 2003, a Seventh Amending Agreement dated as of November 19, 2004, and an Eighth Amending Agreement dated as of March 6, 2008, among Videotron, Royal Bank of Canada, as administrative agent, and the financial institutions signatory thereto and acknowledged by Le SuperClub Vidéotron, Groupe de Divertissement SuperClub inc., CF Cable TV Inc., Les Propriétés SuperClub inc. and SuperClub Videotron Canada inc., as guarantors, and by Quebecor Media (incorporated by reference to Exhibit 4.2 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).
4.16	Tenth Amending Agreement, dated as of November 13, 2009, to the Credit Agreement, dated as of November 28, 2000, as amended by the First Amending Agreement, dated as of January 5, 2001, a Second Amending Agreement, dated as of June 29, 2001, a Third Amending Agreement, dated as of December 12, 2001, a Fourth Amending Agreement, dated as of December 23, 2002, a Fifth Amending Agreement, dated as of March 24, 2003, a Sixth Amending Agreement dated as of October 8, 2003, a Seventh Amending Agreement dated as of November 19, 2004, an Eighth Amending Agreement dated as of March 6, 2008, and a Ninth Amending Agreement, dated as of April 7, 2008, among Videotron, Royal Bank of Canada, as administrative agent, and the financial institutions signatory thereto and acknowledged by Le SuperClub Vidéotron, CF Cable TV Inc., 7215924 Canada Inc., 9212-7919 Québec inc., and Videotron US Inc., as guarantors, and by Quebecor Media (incorporated by reference to Exhibit 4.2 of 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).
4.17	Finnvera Facility B Credit agreement dated as of November 13, 2009, by and among Videotron, as borrower, the financial institutions party thereto from time to time, as Lenders, and HSBC Bank plc, as agent (incorporated by reference to Exhibit 4.17 of 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).

Exhibit Number	Description
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 of Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2008, filed on March 12, 2009).
12.1	Certification of Pierre Karl Péladeau, 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, 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 Pierre Karl Péladeau, 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, 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: **Chief Financial Officer**

Dated: March 21, 2011

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2010, 2009 and 2008

Report of Independent Registered Public Accounting Firm to the Board of Directors and to the Shareholders of Quebecor Media Inc. F-2

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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, 2010 and 2009, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for the years ended December 31, 2010, 2009 and 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit 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 Company'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 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 as of December 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years ended December 31, 2010, 2009 and 2008, in conformity with Canadian Generally Accepted Accounting Principles.

/s/ Ernst & Young LLP (1)

Chartered Accountants

Montreal, Canada

March 21, 2011

(1) CA auditor permit no. 9298

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2010, 2009 and 2008
(in millions of Canadian dollars)

	Note	2010	2009	2008
Revenues		**$ 4,000.1**	$ 3,806.4	$ 3,759.4
Cost of sales, selling and administrative expenses		**2,652.3**	2,521.7	2,639.8
Amortization		**399.7**	341.5	316.7
Financial expenses	2	**265.4**	238.2	276.0
(Gain) loss on valuation and translation of financial instruments	3	**(46.1)**	(61.5)	3.7
Restructuring of operations, impairment of assets and other special items	4	**50.3**	29.6	54.6
Loss on debt refinancing	5	**12.3**	–	–
Impairment of goodwill and intangible assets	6	**–**	13.6	671.2
Income (loss) before income taxes and non-controlling interest		**666.2**	723.3	(202.6)
Income taxes	8	**166.7**	177.3	155.2
Income (loss) before non-controlling interest		**499.5**	546.0	(357.8)
Non-controlling interest	17	**(18.8)**	(23.8)	(23.2)
Income (loss) from continuing operations		**480.7**	522.2	(381.0)
Income from discontinued operations		**–**	2.9	2.3
Net income (loss)		**$ 480.7**	$ 525.1	$ (378.7)

See accompanying notes to consolidated financial statements.

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2010, 2009 and 2008
(in millions of Canadian dollars)

	Note	2010	2009	2008
Net income (loss)		**$ 480.7**	$ 525.1	$ (378.7)
Other comprehensive income (loss):				
Unrealized (loss) gain on translation of net investments in foreign operations		**(2.9)**	(3.3)	5.0
Gain (loss) on valuation of derivative financial instruments		**43.0**	(8.2)	(16.7)
Income taxes related to derivative financial instruments		**(2.7)**	41.6	(47.9)
Reclassification to income of other comprehensive loss related to derivative financial instruments, net of income taxes of $2.5 million	5	**5.9**	–	–
		43.3	30.1	(59.6)
Comprehensive income (loss)		**$ 524.0**	$ 555.2	$ (438.3)

See accompanying notes to consolidated financial statements.

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years ended December 31, 2010, 2009 and 2008
(in millions of Canadian dollars)

	Note	Capital stock (note 18)	Contributed surplus	Deficit	Accumulated other comprehensive income (loss) (note 20)	Total shareholders' equity
Balance as of December 31, 2007		$ 1,752.4	$ 3,217.2	$ (2,531.0)	$ 9.4	$ 2,448.0
Net loss		–	–	(378.7)	–	(378.7)
Other comprehensive loss		–	–	–	(59.6)	(59.6)
Dividends		–	–	(65.0)	–	(65.0)
Related party transactions	24	–	(2.7)	–	–	(2.7)
Balance as of December 31, 2008		1,752.4	3,214.5	(2,974.7)	(50.2)	1,942.0
Net income		–	–	525.1	–	525.1
Other comprehensive income		–	–	–	30.1	30.1
Dividends		–	–	(75.0)	–	(75.0)
Related party transactions	24	–	8.6	–	–	8.6
Balance as of December 31, 2009		1,752.4	3,223.1	(2,524.6)	(20.1)	2,430.8
Net income		–	–	480.7	–	480.7
Other comprehensive income		–	–	–	43.3	43.3
Dividends		–	–	(87.5)	–	(87.5)
Related party transactions	24	–	0.9	–	–	0.9
Balance as of December 31, 2010		**$ 1,752.4**	**$ 3,224.0**	**$ (2,131.4)**	**$ 23.2**	**$ 2,868.2**

See accompanying notes to consolidated financial statements.

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2010, 2009 and 2008
(in millions of Canadian dollars)

	Note	2010	2009	2008
Cash flows related to operating activities				
Income (loss) from continuing operations		**$ 480.7**	$ 522.2	$ (381.0)
Adjustments for:				
Amortization of property, plant and equipment		**323.4**	292.6	277.2
Amortization of intangible assets and other assets		**76.3**	48.9	39.5
(Gain) loss on valuation and translation of financial instruments	3	**(46.1)**	(61.5)	3.7
Amortization of financing costs and long-term debt discount	2	**12.5**	10.2	9.3
Loss on debt refinancing	5	**12.3**	–	–
Impairment of property, plant and equipment and other assets	4	**11.9**	0.4	19.1
Impairment of goodwill and intangible assets	6	**–**	13.6	671.2
Future income taxes	8	**110.2**	147.6	142.5
Non-controlling interest		**18.8**	23.8	23.2
Other		**(4.7)**	4.6	(0.3)
		995.3	1,002.4	804.4
Net change in non-cash balances related to operating activities		**(125.2)**	(52.9)	(18.3)
Cash flows provided by operating activities		**870.1**	949.5	786.1
Cash flows related to investing activities				
Business acquisitions, net of cash and cash equivalents	7	**(3.1)**	(4.6)	(146.7)
Business disposals, net of cash and cash equivalents		**2.1**	14.6	6.4
Additions to property, plant and equipment		**(705.6)**	(491.1)	(465.6)
Additions to intangible assets		**(113.9)**	(111.5)	(637.6)
Net change in temporary investments		**30.0**	(29.8)	–
Proceeds from disposals of assets		**53.0**	3.6	5.7
Acquisition of tax deductions from parent company	24	**(6.0)**	(6.3)	(18.4)
Other		**(0.4)**	–	(1.3)
Cash flows used in investing activities		**(743.9)**	(625.1)	(1,257.5)
Sub-total, balance carried forward		**$ 126.2**	$ 324.4	$ (471.4)

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

Years ended December 31, 2010, 2009 and 2008
(in millions of Canadian dollars)

	Note		2010		2009		2008
Sub-total, balance brought forward		$	**126.2**	$	324.4	$	(471.4)
Cash flows related to financing activities							
Net change in bank indebtedness			**3.9**		(10.5)		(4.8)
Issuance of long-term debt, net of financing fees			**292.7**		399.1		463.8
Net change under revolving and bridge bank facilities			**2.0**		(300.1)		98.4
Repayment of long-term debt	5		**(358.8)**		(54.6)		(25.7)
Settlement of hedging contracts	5		**(32.4)**		–		–
Dividends			**(87.5)**		(75.0)		(65.0)
Dividends paid to non-controlling shareholders			**(2.4)**		(2.5)		(3.0)
Other			**–**		(2.7)		2.7
Cash flows (used in) provided by financing activities			**(182.5)**		(46.3)		466.4
Net change in cash and cash equivalents			**(56.3)**		278.1		(5.0)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies			**(1.0)**		(0.6)		1.4
Cash and cash equivalents at beginning of year			**300.0**		22.5		26.1
Cash and cash equivalents at end of year		**$**	**242.7**	$	300.0	$	22.5
Cash and cash equivalents consist of:							
Cash		**$**	**122.1**	$	26.0	$	9.9
Cash equivalents			**120.6**		274.0		12.6
		$	**242.7**	$	300.0	$	22.5
Additional information on the consolidated statements of cash flows							
Changes in non-cash balances related to operations (net of effect of business acquisitions and disposals):							
Accounts receivable		**$**	**(72.5)**	$	(31.2)	$	18.3
Inventories			**(69.6)**		16.4		(30.2)
Accounts payable and accrued charges			**(24.3)**		(41.6)		87.8
Stock-based compensation			**12.6**		7.1		(100.0)
Deferred revenues			**46.5**		18.9		19.1
Other			**(17.9)**		(22.5)		(13.3)
		$	**(125.2)**	$	(52.9)	$	(18.3)
Non-cash investing activities:							
Net change in additions to property, plant and equipment and intangible assets financed with accounts payable		**$**	**(16.4)**	$	(52.0)	$	(19.7)
Cash interest payments		**$**	**285.0**	$	276.8	$	282.0
Cash income taxes payments (net of refunds)			**37.0**		17.0		24.4

See accompanying notes to consolidated financial statements.

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2010 and 2009
(in millions of Canadian dollars)

	Note		2010		2009
Assets					
Current assets					
Cash and cash equivalents		**$**	**242.7**	$	300.0
Temporary investments			**–**		30.0
Accounts receivable	9		**587.3**		518.6
Income taxes			**6.4**		1.3
Amounts receivable from parent company			**8.4**		8.2
Inventories	10		**245.2**		176.1
Prepaid expenses			**37.1**		28.7
Future income taxes	8		**39.5**		47.9
			1,166.6		1,110.8
Non-current assets					
Property, plant and equipment	11		**2,793.1**		2,439.8
Intangible assets	12		**1,081.3**		1,052.7
Derivative financial instruments	23		**28.7**		49.0
Other assets	13		**144.2**		122.1
Future income taxes	8		**9.0**		12.5
Goodwill	14		**3,508.2**		3,506.1
			7,564.5		7,182.2
Total assets		**$**	**8,731.1**	$	8,293.0

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (continued)

December 31, 2010 and 2009
(in millions of Canadian dollars)

	Note	2010	2009
Liabilities and shareholders' equity			
Current liabilities			
Bank indebtedness		**$ 4.9**	$ 1.0
Accounts payable and accrued charges		**789.5**	789.8
Deferred revenue		**275.1**	234.7
Income taxes		**33.6**	16.3
Current portion of long-term debt	15	**30.1**	67.8
		1,133.2	1,109.6
Non-current liabilities			
Long-term debt	15	**3,483.3**	3,693.4
Derivative financial instruments	23	**479.9**	422.4
Other liabilities	16	**122.5**	107.2
Future income taxes	8	**512.4**	413.4
Non-controlling interest	17	**131.6**	116.2
		4,729.7	4,752.6
Shareholders' equity			
Capital stock	18	**1,752.4**	1,752.4
Contributed surplus	24	**3,224.0**	3,223.1
Deficit		**(2,131.4)**	(2,524.6)
Accumulated other comprehensive income (loss)	20	**23.2**	(20.1)
		2,868.2	2,430.8
Commitments and contingencies	21		
Guarantees	22		
Subsequent events	28		
Total liabilities and shareholders' equity		**$ 8,731.1**	$ 8,293.0

See accompanying notes to consolidated financial statements.

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

SEGMENTED INFORMATION

Years ended December 31, 2010 and 2009 and 2008
(in millions of Canadian dollars)

Quebecor Media Inc. ("Quebecor Media" or the "Company") operates 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 or its distribution and rental stores. The News Media segment produces original content in Canada for all of Quebecor Media's platforms. Its operations includes the printing, publishing and distribution of daily newspapers, weekly newspapers, directories 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 and movie distribution businesses in Canada. The Leisure and Entertainment segment combines book publishing and distribution, retail sales of CDs, books, DVD and Blu-ray units, musical instruments and magazines in Canada, online sales of downloadable music and music production and distribution in Canada. 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.

These segments are managed separately since they all require specific market strategies. The Company assesses the performance of each segment based on income from continuing operations before amortization, financial expenses, (gain) loss on valuation and translation of financial instruments, restructuring of operations, impairment of assets and other special items, loss on debt refinancing, impairment of goodwill and intangible assets, income taxes and non-controlling interest.

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.

INDUSTRY SEGMENTS

	Telecommunications	News Media	Broadcasting	Leisure and Entertainment	Interactive Technologies and Communications	Head office and Inter-segments	Total
							2010
Revenues	$ 2,209.0	$ 1,034.8	$ 448.2	$ 302.5	$ 98.0	$ (92.4)	$ 4,000.1
Income from continuing operations before (i)	1,035.9	200.3	76.2	27.5	6.0	1.9	1,347.8
Amortization	307.5	61.9	15.5	9.8	3.9	1.1	399.7
Additions to property, plant and equipment	668.0	11.4	18.5	4.2	2.6	0.9	705.6
Additions to intangible assets	90.6	12.0	5.9	5.4	–	–	113.9
Total assets	6,146.9	1,780.8	494.9	173.2	89.3	46.0	8,731.1

(i) Amortization, financial expenses, (gain) loss on valuation and translation of financial instruments, restructuring of operations, impairment of assets and other special items, loss on debt refinancing, impairment of goodwill and intangible assets, income taxes and non-controlling interest.

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

SEGMENTED INFORMATION (continued)

Years ended December 31, 2010 and 2009 and 2008
(in millions of Canadian dollars)

INDUSTRY SEGMENTS (continued)

	Telecommu-nications	News Media	Broad-casting	Leisure and Enter-tainment	Interactive Techno-logies and Communi-cations	Head office and Inter-segments	Total
							2009
Revenues	$ 2,001.2	$ 1,054.9	$ 439.0	$ 307.8	$ 91.0	$ (87.5)	$ 3,806.4
Income from continuing operations before (i)	972.9	199.5	80.0	25.9	4.1	2.3	1,284.7
Amortization	254.4	57.3	14.8	9.9	4.0	1.1	341.5
Additions to property, plant and equipment	434.1	33.4	16.5	3.6	3.1	0.4	491.1
Additions to intangible assets	89.9	10.3	7.0	4.0	0.3	–	111.5
Total assets	5,631.1	1,839.2	468.3	175.4	88.4	90.6	8,293.0
							2008
Revenues	$ 1,804.2	$ 1,210.7	$ 436.7	$ 301.9	$ 89.6	$ (83.7)	$ 3,759.4
Income from continuing operations before (i)	797.9	227.1	66.0	20.2	5.1	3.3	1,119.6
Amortization	226.4	62.1	13.9	9.5	4.3	0.5	316.7
Additions to property, plant and equipment	356.7	77.1	17.8	8.9	3.6	1.5	465.6
Additions to intangible assets	614.7	11.4	4.1	7.4	–	–	637.6
Total assets	5,275.2	1,788.4	438.2	188.8	105.1	198.7	7,994.4

(i) Amortization, financial expenses, (gain) loss on valuation and translation of financial instruments, restructuring of operations, impairment of assets and other special items, loss on debt refinancing, impairment of goodwill and intangible assets, income taxes and non-controlling interest.

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2010, 2009 and 2008
(tabular amounts in millions of Canadian dollars, except for option data)

Quebecor Media is incorporated under the laws of Quebec and is a subsidiary of Quebecor Inc. (“Quebecor” or “the parent company”).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). The significant differences between generally accepted accounting principles in Canada and in the United States are described in note 26.

(a) Basis of presentation

The consolidated financial statements include the accounts of the Company and all its subsidiaries. Intercompany transactions and balances are eliminated on consolidation.

Certain comparative figures for the years 2009 and 2008 have been reclassified to conform to the presentation adopted for the year ended December 31, 2010.

(b) Foreign currency translation

Financial statements of self-sustaining foreign operations are translated using the rate in effect at the balance sheet date for asset and liability items, and using the average exchange rates during the year for revenues and expenses. Adjustments arising from this translation are recorded in other comprehensive income and are reclassified in income only when a reduction in the investment in these foreign operations is realized.

Foreign currency transactions are translated using the temporal method. Translation gains and losses on financial instruments are included in financial expenses or in gain or loss on valuation and translation of financial instruments, unless hedge accounting is used.

(c) Use of estimates

The preparation of consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions 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 knowledge of the amount, event or actions, actual results could differ from these estimates. The following significant areas require management to use assumptions and make estimates:

- revenue recognition;
- impairment testing of goodwill, intangible assets and property, plant and equipment;
- business purchase price allocation;
- fair value of financial instruments;
- cost and liabilities related to pension and postretirement benefit plans;
- allowance for doubtful accounts, provision for obsolescence and allowance for sales returns;
- net realizable value of inventories;
- provisions such as legal contingencies and restructuring of operations;
- residual value and useful life of assets subject to amortization;
- future income taxes;
- government assistance and income tax credits;
- stock-based compensation.

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
(tabular amounts in millions of Canadian dollars, except for option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Impairment of long-lived assets

The Company reviews its long-lived assets with definite useful lives whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. An impairment test is done when the carrying amount of an asset or a group of assets held for use exceeds the sum of the undiscounted cash flows expected from its use and eventual disposition. Measurement of an impairment loss is based on the amount by which the carrying amount of a group of assets exceeds its fair value. Fair value is determined using quoted market prices, when available, or using accepted valuation techniques such as the discounted future cash flows method.

(e) Revenue recognition

The Company recognizes its operating revenues when the following criteria are met:

- persuasive evidence of an arrangement exists;
- delivery has occurred or services have been rendered;
- the seller’s price to the buyer is fixed or determinable; and
- the collection of the sale is reasonably assured.

The portion of revenue that is unearned is recorded under “Deferred revenue” when customers are invoiced.

Revenue recognition policies for each of the Company’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 connecting costs) and 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.

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 these 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. Revenues from equipment sales to subscribers and their costs are recognized in income when the equipment is delivered and, in the case of mobile devices, revenues from equipment sales are recognized in income when the mobile device is delivered and activated. Revenues from DVD and Blu-ray rentals are recorded as revenue when services are provided. Promotional offers related to subscriber services are accounted for as a reduction in the related service revenue over the period of performance of the service contract. Promotional offers related to equipment, including mobile devices, are accounted for as a reduction in the related equipment sales when the equipment is delivered. 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 of the News Media segment 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 recognized also when the publication is delivered. Website advertising is recognized when the advertisements are placed on the 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
(tabular amounts in millions of Canadian dollars, except for option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue recognition (continued)

Broadcasting

Revenues of the Broadcasting segment 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. Revenues derived from circulation 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 period of broadcasting or the period that movies are presented in theatre, when exploitation, exhibition or sale can begin and the licence period of the arrangement has begun.

Theatrical revenues are recognized over the period of presentation and are based on a percentage of revenues generated by movie theatres. Revenues generated from the distribution of DVD and Blu-ray units 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 retail stores, 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.

(f) Barter transactions

In the normal course of operations, the News Media and the Broadcasting segments 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 obtained.

For the year ended December 31, 2010, the Company recorded $15.7 million of barter advertising ($19.8 million in 2009 and $20.2 million in 2008).

(g) Financial instruments

Classification, recognition and measurement

Financial instruments are classified as held for trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities, and measurement in subsequent periods depends on their classification. The Company 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 • Temporary investments • Bank indebtedness	• Accounts receivable • Amounts receivable from parent company • Loans and other long-term receivable included in "Other assets"	• Other portfolio investments included in "Other assets"	• Accounts payable and accrued charges • Long-term debt • Other long-term financial liabilities included in "Other liabilities"

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
(tabular amounts in millions of Canadian dollars, except for option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments (continued)

Classification, recognition and measurement (continued)

Financial instruments held for trading are measured at fair value with changes recognized in income as 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 if applicable, 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 measured at amortized cost, using the effective interest rate method of amortization.

Financing fees related to long-term financing are capitalized in reduction of long-term debt and amortized using the effective interest rate method.

Derivative financial instruments and hedge accounting

The Company uses various derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates and interest rates. The Company does not hold or use any derivative financial instruments for speculative purposes. Under hedge accounting, the Company 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. The Company assesses the effectiveness of derivative financial instruments when the hedge is put in place and on an ongoing basis.

The Company enters into the following types of derivative financial instruments:

- The Company uses foreign exchange forward contracts to hedge the foreign currency rate exposure on (i) anticipated equipment or inventory purchases in a foreign currency and (ii) principal payments on long-term debt in a foreign currency. These foreign exchange forward contracts are designated as cash flow hedges.
- The Company uses cross-currency interest rate swaps to hedge (i) the foreign currency rate exposure on interest and principal payments on foreign currency denominated debt and/or (ii) the 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.-denominated debt in fixed CAD dollars are designated as cash flow hedges. The Company's cross-currency interest rate swaps that set all future interest and principal payments on U.S.-denominated debt in fixed CAD dollars, in addition to converting the interest rate from a fixed rate to a floating rate, or converting a floating rate index to another floating rate index, are designated as fair value hedges.
- The Company uses interest rate swaps to manage the 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.

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
(tabular amounts in millions of Canadian dollars, except for option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)

Under hedge accounting, the Company 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 are ineffective or that are not designated as hedges, including derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts, are reported on a mark-to-market basis in the consolidated balance sheets. Any change in the fair value of these derivative financial instruments is recorded in income as gain or loss on valuation and translation of financial instruments.

(h) Cash and cash equivalents and temporary investments

Cash and cash equivalents include highly liquid investments purchased three months or less from maturity and are recorded at fair value. As of December 31, 2010, these highly liquid investments consisted of Bankers' acceptances and term deposits.

Temporary investments consisted of high-quality money market instruments as of December 31, 2009. These temporary investments, classified as held-for-trading, are recorded at fair value.

(i) Tax credits and government assistance

The Company 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 Company 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.

(j) 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 pro-rata billing value of the work completed.

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
(tabular amounts in millions of Canadian dollars, except for option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Inventories (continued)

In particular, the Broadcasting segment inventories, which are primarily comprised of programs, 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 licence 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 in accordance with the conditions of the broadcast licence agreement; (c) the programs, movies or series are available for first showing or telecast.

Amounts paid for broadcast rights before all of the above conditions are met are recorded as prepaid broadcast rights.

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 licence.

(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 licence agreement when (a) the cost of the licence is known or can be reasonably estimated, (b) the televisual product and movie has been accepted in accordance with the conditions of the licence 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 distribution or broadcasting 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.

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
(tabular amounts in millions of Canadian dollars, except for option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Income taxes

The Company uses the liability method of accounting for income taxes. Under this method, future 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 financial statements and their respective tax bases. Future income tax assets and liabilities are measured using 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 future income tax assets and liabilities is recognized in income in the period that includes the substantive enactment date. A valuation allowance is established, if necessary, to reduce any future income tax asset to an amount that is more likely than not to be realized.

In the course of the Company'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 Company 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.

(l) Long-term investments

Investments in companies subject to significant influence are accounted for by the equity method. Carrying values of investments are reduced to estimated fair values if there is other than a temporary decline in the value of the investment.

(m) Property, plant and equipment

Property, plant and equipment are stated at cost. Cost represents acquisition costs, net of government grants and investment tax credits, or construction costs, including preparation, installation and testing costs and interest incurred with respect to the property, plant and equipment until they are ready for commercial production. In the case of projects to construct cable and mobile networks, the cost includes equipment, direct labour and direct overhead costs. Projects under development may also be comprised of advance payments made to suppliers for equipment under construction. Expenditures for additions, improvements and replacements are capitalized, whereas maintenance and repair expenditures are expensed as incurred.

Amortization is calculated on a straight-line basis over the following estimated useful lives:

Assets	Estimated useful life
Buildings	25 to 40 years
Machinery and equipment	3 to 20 years
Receiving, distribution and telecommunication networks	3 to 20 years

Leasehold improvements are amortized over the shorter of the term of the lease and economic life.

The Company does not record an asset retirement obligation in connection with its cable distribution networks. The Company expects to renew all of its agreements with utility companies to access their support structures in the future, making the retirement date for the assets undeterminable. An asset retirement obligation related to its advanced mobile network is however recorded for the rental of sites.

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
(tabular amounts in millions of Canadian dollars, except for option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Goodwill and other intangible assets

Goodwill and intangible assets with indefinite useful lives are not amortized.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared to its fair value. When the fair value of a reporting unit exceeds its carrying amount, then the goodwill of the reporting unit is considered not to be impaired and the second step is not required. The second step of the impairment test is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared to its carrying amount to measure the amount of the impairment loss, if any. When the carrying amount of the reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess.

Intangible assets acquired, such as broadcasting licences and mastheads that have an indefinite useful life, are also tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test compares the carrying amount of the intangible asset to its fair value, and an impairment loss is recognized in the consolidated statements of income for the excess, if any.

Intangible assets with definite useful lives are amortized over their useful life using the straight-line method over the following periods:

Assets	Estimated useful life
Advanced mobile services spectrum licences[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 licences issued by Industry Canada.*

The cost of the spectrum licences for advanced mobile services includes acquisition costs and interest incurred during the development period of the mobile network project until the network is ready for commercial service.

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 this stage are recognized as expenses.

(o) Stock-based compensation

Stock-based awards to employees that call for settlement in cash or other assets at the option of the employee are classified as a liability and the compensation cost is recognized in operating expenses over the vesting period. Changes in the intrinsic value of stock-based awards between the grant date and the measurement date result in a change in the liability and compensation cost.

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
(tabular amounts in millions of Canadian dollars, except for option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Pension plans and postretirement benefits

The Company 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 Company pays fixed contributions to participating employee's pension plans and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as employee benefits in the consolidated statement of income when the contributions become due.

(ii) Defined benefit pension and postretirement plans

Defined benefit pension plan costs are determined using actuarial methods and are funded through contributions determined in accordance with the projected benefit method pro rated on service, which incorporates management's best estimate 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 include the following:

- Cost of pension plan benefits provided in exchange for employee services rendered during the year.
- Amortization of the initial net transition asset, prior service costs (except in certain pension plans for which past service costs are recognized immediately in income as they are incurred) and amendments on a straight-line basis over the expected average remaining service period of the active employee group covered by the plans.
- Interest cost of pension plan obligations, expected return on pension fund assets, and amortization of cumulative unrecognized net actuarial gains and losses, in excess of 10.0% of the greater of the accrued benefit obligation and the fair value of plan assets, over the expected average remaining service period of 13 years of the active employee group covered by the plans.

When an event gives rise to both a curtailment and a settlement, the curtailment is accounted for prior to the settlement.

Actuarial gains and losses arise from the difference between the actual rate of return on plan assets for a period and the expected rate of return on plan assets for that period, or from changes in actuarial assumptions used to determine the accrued benefit obligation.

The Company uses the fair value of plan assets as of the end of the year to evaluate plan assets for the purpose of calculating the expected return on plan assets.

The Company 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 related benefits of these plans are funded by the Company as they become due.

(q) Rates subject to CRTC regulations

The Telecommunications segment's operations are subject to rate regulations on certain services based on geographical regions, mainly by the *Broadcasting Act* (Canada) and the *Telecommunications Act* (Canada), both managed by the Canadian Radio-television and Telecommunication Commission ("CRTC"). Accordingly, the Telecommunications segment's operating revenues could be affected by changes in regulations or decisions made by this regulating body. The Company does not select accounting policies that differ from Canadian GAAP, even though the Company is subject to these regulations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
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2. FINANCIAL EXPENSES

	2010	2009	2008
Interest on long-term debt	**$ 284.6**	$ 272.7	$ 278.3
Amortization of financing costs and long-term debt discount	**12.5**	10.2	9.3
Loss (gain) on foreign currency translation on short-term monetary items	**3.2**	(4.7)	4.9
Other	**0.4**	0.1	(3.7)
	300.7	278.3	288.8
Interest capitalized to the cost of:			
Property, plant and equipment	**(9.7)**	(6.7)	(0.3)
Intangible assets	**(25.6)**	(33.4)	(12.5)
	(35.3)	(40.1)	(12.8)
	$ 265.4	$ 238.2	$ 276.0

3. (GAIN) LOSS ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

	2010	2009	2008
Gain on embedded derivatives and derivative financial instruments for which hedge accounting is not used	**$ (41.3)**	$ (13.9)	$ (47.2)
(Gain) loss on foreign currency translation of financial instruments for which hedge accounting is not used	**(6.9)**	(24.6)	34.3
Loss (gain) on the ineffective portion of fair value hedges	**2.1**	(23.0)	16.6
	$ (46.1)	$ (61.5)	$ 3.7

4. RESTRUCTURING OF OPERATIONS, IMPAIRMENT OF ASSETS AND OTHER SPECIAL ITEMS

	2010	2009	2008
Restructuring of operations	**$ 44.7**	$ 28.3	$ 35.6
Impairment of assets	**11.9**	0.4	19.1
Other special items	**(6.3)**	0.9	(0.1)
	$ 50.3	$ 29.6	$ 54.6

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
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4. RESTRUCTURING OF OPERATIONS, IMPAIRMENT OF ASSETS AND OTHER SPECIAL ITEMS (continued)

(a) Telecommunications

During the third quarter of 2010, Videotron Ltd. ("Videotron") launched its new advanced mobile network. As a result, Videotron recorded in 2010 a charge of $10.0 million, payable in March 2011, for the termination of its Mobile Virtual Network Operator ("MVNO") agreement and a charge of $13.9 million for the migration costs of its existing MVNO subscribers to its new mobile network. Videotron expects to incur migration costs as long as the conversion process is not completed.

Other restructuring charges of $0.6 million ($0.3 million in 2009 and in 2008), impairment of assets of $0.2 million ($0.2 million in 2009 and none in 2008), and a gain of $3.3 million (loss of $0.8 million in 2009 and $0.3 million in 2008) related to the sale of assets were also recorded in 2010.

(b) News Media

The Company has implemented various restructuring initiatives to reduce the News Media segment's operating costs. As a result of these initiatives, the News Media segment recorded restructuring costs of $17.8 million in 2010 ($26.3 million in 2009 and $33.3 million in 2008), mainly related to the elimination of positions at several publications.

Continuity of restructuring costs payable

		2010		2009
Balance at beginning of year	$	**32.0**	$	29.7
Workforce-reduction initiatives		**17.8**		26.3
Payments		**(14.4)**		(24.0)
Balance at end of year	**$**	**35.4**	$	32.0

As part of the restructuring initiatives, certain assets were also sold in the second quarter of 2010, resulting in a net gain of $2.5 million (none in 2009 and 2008) and an impairment charge of $3.5 million related to certain assets was recorded in 2010 ($0.4 million in 2009 and $19.1 million in 2008).

(c) Broadcasting

In the second quarter of 2010, the Company announced the creation of The Sun TV News Channel ("Sun News"), a new partnership in which TVA Group Inc. ("TVA Group") holds a 51% interest and Sun Media Corporation a 49% interest. This new partnership will launch an English-language news and opinion specialty channel in the first semester of 2011. The Company also decided to terminate the operations of its general-interest television station, Sun TV, as soon as the new specialty channel is on the air. As a result of this repositioning, the Broadcasting segment recorded an impairment charge of $8.2 million on certain equipment and broadcasting rights.

Restructuring charges of $1.4 million (a reversal of $0.8 million in 2009 and charge of $0.2 million in 2008) primarily related to the elimination of positions and a gain on disposal of assets of $0.5 million (none in 2009 and 2008) were also recorded in 2010.

(d) Other segments

In 2010, other segments recorded restructuring costs and other special items of $1.0 million ($2.4 million in 2009 and $1.4 million in 2008).

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
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5. LOSS ON DEBT REFINANCING

On January 14, 2010, the Company prepaid drawings under its term loan "B" credit facility (note 15 (i)) in an aggregate amount of US$170.0 million and settled a corresponding portion of its hedging contracts for an amount of $30.9 million, representing a total cash consideration of $206.7 million. This transaction resulted in a total loss of $10.4 million (before income taxes), including a loss of $6.5 million previously recorded in accumulated other comprehensive loss.

In May 2010, Osprey Media Publishing Inc. ("Osprey Media") paid the balance on its term credit facility and settled the related hedging contracts for a total cash consideration of $116.3 million, resulting in a reclassification to income of a $1.9 million loss (before income taxes), previously recorded in accumulated other comprehensive loss. On June 30, 2010, Osprey Media's credit facilities were terminated.

6. IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

In the fourth quarter of 2008, the Company determined that the adverse financial and economic environment prevailing at that time triggered a goodwill impairment test in reporting units of the News Media, Leisure and Entertainment, and Interactive Technologies and Communications segments. As a result, the Company concluded that these reporting units' goodwill was impaired. In the second quarter of 2009, the Company completed the goodwill impairment test and an additional impairment loss of $5.6 million was recorded as an adjustment to the preliminary goodwill impairment loss of $631.0 million in the fourth quarter of 2008. The additional charge was allocated as follows: $1.7 million to the News Media segment, $1.2 million to the Leisure and Entertainment segment, and $2.7 million to the Interactive Technologies and Communications segment.

In the second quarter of 2009, the Company also recorded an impairment loss of $8.0 million on its mastheads as a result of the completion of its 2009 annual impairment test. An impairment loss of $40.2 million was recorded on its mastheads in the fourth quarter of 2008.

7. BUSINESS ACQUISITIONS

During the years ended December 31, 2010, 2009, and 2008, the Company acquired or increased its interest in several businesses and has accounted for these by the purchase method. The results of operations of these businesses have been included in the Company's consolidated financial statements from their respective acquisition date.

2010

- In 2010, the Company increased its interest in the News Media segment's distribution network for a total cash consideration of $2.1 million, resulting in goodwill of an equivalent amount. The Company also recorded contingent consideration payable of $1.0 million as of December 31, 2010.

2009

- In 2009, the Company increased its equity interest in TVA Group, Broadcasting segment, from 50.90% to 51.44% when TVA Group repurchased 253,300 Class B shares for a total cash consideration of $2.6 million, resulting in goodwill of $0.2 million.
- In 2009, the Company made additional contingent payments of $2.0 million resulting in goodwill of an equivalent amount.

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
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7. BUSINESS ACQUISITIONS (continued)

2008

- On June 2, 2008, TVA Group repurchased 3,000,642 Class B shares at a price of $17.00 per share under a substantial issuer bid for a total cash consideration of $51.4 million, resulting in goodwill of $4.3 million. The Company's equity interest in TVA Group increased from 45.24% to 50.90% following this transaction.
- In February 2008, the Company acquired all of the non-controlling interest in Nurun Inc. ("Nurun"), Interactive Technologies and Communications segment, pursuant to its offer to purchase the shares at a price of $4.75 per Common Share for a total cash consideration of $75.2 million, resulting in goodwill of $40.3 million. Common Shares of Nurun were delisted from the Toronto Stock Exchange following this transaction.
- The Company incurred and paid a contingent amount of $5.0 million in the first quarter of 2008 in relation to the 2005 acquisition of Sogides Group Inc. ("Sogides Group"), Leisure and Entertainment segment. The payment was recorded as goodwill.
- The Company acquired and/or increased its interest in various businesses, mainly in the News Media segment, for a total cash consideration of $15.1 million, a contingent amount payable of $1.0 million as of December 31, 2008, and additional contingent payments totalling $6.0 million, based on the achievement of specific conditions in the future. These acquisitions resulted in goodwill of $11.1 million.

Business acquisitions for 2008 are summarized as follows:

		2008
Assets acquired:		
Cash and cash equivalents	$	0.5
Non-cash current assets		1.1
Property, plant and equipment		3.1
Intangible assets		18.8
Goodwill[1]		60.7
Non-controlling interest		73.0
		157.2
Liabilities assumed:		
Non-cash current liabilities		(2.9)
Future income taxes		(6.1)
		(9.0)
Net assets acquired at fair value	$	148.2
Consideration:		
Cash	$	147.2
Contingent amount payable		1.0
	$	148.2

[1] No amount of goodwill is deductible for tax purposes in 2010 (nil in 2009 and $0.7 million in 2008).

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
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8. INCOME TAXES

Income taxes on continuing operations are as follows:

	2010	2009	2008
Current	**$ 56.5**	$ 29.7	$ 12.7
Future	**110.2**	147.6	142.5
	$ 166.7	$ 177.3	$ 155.2

The following table reconciles income taxes at the Company's domestic statutory tax rate of 29.9% in 2010 (30.9% in 2009 and in 2008) and income taxes in the consolidated statements of income:

	Note	**2010**	2009	2008
Income taxes at domestic statutory tax rate		**$ 199.2**	$ 223.5	$ (62.7)
Increase (reduction) resulting from:				
Effect of provincial tax rate differences		**(1.0)**	(0.4)	(3.1)
Effect of non-deductible charges, non-taxable income and differences between current and future tax rates		**(7.9)**	(23.7)	11.5
Change in valuation allowance		**(10.1)**	(10.3)	15.3
Change in future income tax balances due to a change in substantively enacted tax rates		**–**	(3.7)	–
Tax consolidation transactions with parent company	24	**(2.7)**	(14.2)	(6.4)
Impairment of goodwill		**–**	1.7	196.4
Other		**(10.8)**	4.4	4.2
Income taxes		**$ 166.7**	$ 177.3	$ 155.2

The tax effects of significant items comprising the Company's net future income tax positions are as follows:

	2010	2009
Losses carryforwards	**$ 153.6**	$ 147.4
Accounts payable and accrued charges	**17.0**	15.2
Property, plant and equipment	**(349.5)**	(294.5)
Goodwill, intangible assets and other assets	**(139.2)**	(107.5)
Long-term debt and derivative financial instruments	**(16.4)**	(2.0)
Other	**0.6**	13.5
	(333.9)	(227.9)
Valuation allowance	**(130.0)**	(125.1)
Net future income tax liabilities	**$ (463.9)**	$ (353.0)

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
(tabular amounts in millions of Canadian dollars, except for option data)

8. INCOME TAXES (continued)

The current and long-term future income tax assets and liabilities are as follows:

		2010		2009
Future income tax assets:				
Current	**$**	**39.5**	$	47.9
Long-term		**9.0**		12.5
		48.5		60.4
Future income tax liabilities:				
Long-term		**(512.4)**		(413.4)
Net future income tax liabilities	**$**	**(463.9)**	$	(353.0)

As of December 31, 2010, the Company had operating loss carryforwards for income tax purposes of $79.6 available to reduce future taxable income, including $55.9 million that will expire between 2026 and 2030 and $23.7 million that can be carried forward indefinitely. The Company also had capital losses of $954.9 million that can be carried forward indefinitely and applied only against future capital gains.

The Company has not recognized a future income tax liability for the undistributed earnings of its subsidiaries in the current or prior years since the Company does not expect to sell or repatriate funds from those investments, in which case the undistributed earnings might become taxable. Any such liability cannot reasonably be determined at the present time.

9. ACCOUNTS RECEIVABLE

		2010		2009
Trade	**$**	**528.9**	$	462.6
Other		**58.4**		56.0
	$	**587.3**	$	518.6

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
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10. INVENTORIES

	2010	2009
Raw materials and supplies	**$ 32.6**	$ 27.3
Work in progress	**19.2**	14.3
Finished goods	**136.7**	83.4
Programs, broadcast and distribution rights	**56.7**	51.1
	$ 245.2	$ 176.1

Cost of inventories included in cost of sales amounted to $795.4 million in 2010 ($783.9 million in 2009 and $819.8 million in 2008). Write-downs of inventories totalling $3.3 million were recognized in cost of sales in 2010 ($5.8 million in 2009 and $6.8 million in 2008).

11. PROPERTY, PLANT AND EQUIPMENT

			2010
	Cost	**Accumulated amortization**	**Net amount**
Land	**$ 31.9**	**$ –**	**$ 31.9**
Buildings and leasehold improvements	**389.4**	**145.5**	**243.9**
Machinery and equipment	**976.5**	**421.3**	**555.2**
Receiving, distribution and telecommunication networks	**3,403.0**	**1,563.7**	**1,839.3**
Projects under development	**122.8**	**–**	**122.8**
	$ 4,923.6	**$ 2,130.5**	**$ 2,793.1**

			2009
	Cost	Accumulated amortization	Net amount
Land	$ 41.2	$ –	$ 41.2
Buildings and leasehold improvements	403.2	141.6	261.6
Machinery and equipment	847.4	352.1	495.3
Receiving, distribution and telecommunication networks	2,840.7	1,363.9	1,476.8
Projects under development	164.9	–	164.9
	$ 4,297.4	$ 1,857.6	$ 2,439.8

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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12. INTANGIBLE ASSETS

				2010
		Cost	**Accumulated amortization**	**Net amount**
Advanced mobile services spectrum licences[1]		**$ 527.4**	**$ 16.6**	**$ 510.8**
Software		**360.0**	**157.4**	**202.6**
Customer relationships and other		**203.5**	**86.5**	**117.0**
Broadcasting licences[2]		**85.3**	**–**	**85.3**
Mastheads[2]		**57.4**	**–**	**57.4**
Projects under development		**108.2**	**–**	**108.2**
		$ 1,341.8	**$ 260.5**	**$ 1,081.3**

			2009
	Cost	Accumulated amortization	Net amount
Advanced mobile services spectrum licences[1]	$ 503.6	$ –	$ 503.6
Software	259.6	127.8	131.8
Customer relationships and other	200.8	68.9	131.9
Broadcasting licences[2]	87.0	–	87.0
Mastheads[2]	57.4	–	57.4
Projects under development	141.0	–	141.0
	$ 1,249.4	$ 196.7	$ 1,052.7

[1] *Interest costs of $23.8 million were capitalized to the cost of these licences in 2010 ($32.5 million in 2009). The spectrum licences were issued by Industry Canada on December 23, 2008 for an initial term of 10 years.*

[2] *Intangible assets with indefinite useful lives are not subject to amortization.*

For the year ended December 31, 2010, the Company recorded additions of $53.0 million ($42.0 million in 2009 and $43.8 million in 2008) to internally generated intangible assets subject to amortization and of $60.9 million ($69.5 million in 2009 and 593.8 million in 2008) to externally acquired intangible assets subject to amortization.

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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13. OTHER ASSETS

	Note	2010	2009
Programs, broadcast and distribution rights		**$ 34.0**	$ 39.0
Deferred pension charge	25	**50.7**	28.8
Deferred connection costs		**35.3**	28.6
Other		**24.2**	25.7
		$ 144.2	$ 122.1

14. GOODWILL

For the years ended December 31, 2010 and 2009, the changes in the carrying amounts of goodwill were as follows:

				2010
	Balance as at December 31, 2009	**Business acquisitions**	**Adjustment of purchase price allocation and other**	**Balance as at December 31, 2010**
Telecommunications	**$ 2,570.1**	**$ –**	**$ –**	**$ 2,570.1**
News Media	**817.5**	**3.1**	**–**	**820.6**
Broadcasting	**54.9**	**–**	**–**	**54.9**
Leisure and Entertainment	**37.2**	**–**	**–**	**37.2**
Interactive Technologies and Communications	**26.4**	**–**	**(1.0)**	**25.4**
Total	**$ 3,506.1**	**$ 3.1**	**$ (1.0)**	**$ 3,508.2**

					2009
	Balance as at December 31, 2008	Business acquisitions (disposals)	Impairment (note 6)	Adjustment of purchase price allocation and other	Balance as at December 31, 2009
Telecommunications	$ 2,575.0	$ (4.9)	$ –	$ –	$ 2,570.1
News Media	818.9	1.0	(1.7)	(0.7)	817.5
Broadcasting	54.7	0.2	–	–	54.9
Leisure and Entertainment	38.4	–	(1.2)	–	37.2
Interactive Technologies and Communications	29.7	1.0	(2.7)	(1.6)	26.4
Total	$ 3,516.7	$ (2.7)	$ (5.6)	$ (2.3)	$ 3,506.1

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

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15. LONG-TERM DEBT

	Effective interest rate as of December 31, 2010	Year of maturity	**2010**	2009
Quebecor Media				
Bank credit facilities (i)	2.34%	2011-2013	**$ 179.9**	$ 422.4
Other credit facility (ii)	1.55%	2015	**53.1**	63.8
Senior Notes (iii)	7.75%	2016	**528.4**	551.2
Senior Notes (iv)	8.81%	2016	**673.7**	698.1
			1,435.1	1,735.5
Videotron and its subsidiaries (v)				
Bank credit facilities (vi)	–%	2012-2018	**–**	–
Senior Notes (vii)	6.59%	2014	**650.8**	689.2
Senior Notes (viii)	6.44%	2015	**173.7**	183.4
Senior Notes (ix)	9.37%	2018	**702.3**	741.2
Senior Notes (x)	7.13%	2020	**300.0**	–
			1,826.8	1,613.8
Sun Media Corporation and its subsidiaries (v)				
Bank credit facilities (xi)	2.78%	2012	**37.8**	38.3
Senior Notes (xii)	7.88%	2013	**205.3**	213.8
			243.1	252.1
Osprey Media (v)				
Bank credit facilities (note 5)			**–**	114.2
TVA Group and its subsidiaries (v)				
Bank credit facilities (xiii)	5.28%	2012-2014	**91.3**	89.9
Total long-term debt			**3,596.3**	3,805.5
Change in fair value related to hedged interest rate risk			**26.8**	16.8
Adjustments related to embedded derivatives			**(67.5)**	(17.1)
Financing fees, net of amortization			**(42.2)**	(44.0)
			(82.9)	(44.3)
			3,513.4	3,761.2
Less current portion			**30.1**	67.8
			$ 3,483.3	$ 3,693.4

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
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15. LONG-TERM DEBT (continued)

(i) The bank credit facilities of Quebecor Media are comprised of (i) a $125.0 million term loan "A" credit facility, bearing interest at Bankers' acceptance rate, London Interbanking Offered Rate ("LIBOR") or Canadian prime rate, plus a premium determined by a leverage ratio, and maturing in January 2011, (ii) a US$350.0 million term loan "B" credit facility, bearing interest at U.S. prime rate, plus a premium of 1.0%, or at LIBOR, plus a premium of 2.0%, and maturing in January 2013, and (iii) a $100.0 million revolving credit facility, bearing interest at Bankers' acceptance rate, LIBOR or Canadian prime rate, plus a premium determined by a leverage ratio, and maturing in January 2013. These credit facilities contain covenants concerning certain financial ratios and restricting the declaration and payment of dividends and other distributions. They are collateralized by liens on all of the movable property and assets of the Company (primarily shares of its subsidiaries), now owned or hereafter acquired. As of December 31, 2010, the credit facilities of the Company were secured by assets with a carrying value of $4,206.7 million ($4,116.0 million in 2009). The Company shall repay the term loan "A" in quarterly repayments equal to 2.5% of the principal amount during the first three years of the term, 5.0% in the fourth year and 12.5% in the fifth year of the term. It shall repay the principal amount of its term loan "B" in quarterly repayments of 0.25% of the principal amount and the balance at the end of the term. As of December 31, 2010 and 2009, no amount was drawn on the revolving credit facility, while the balance of the term "A" and "B" credit facilities were $15.5 million ($68.7 million in 2009) and $164.4 million ($353.7 million in 2009), respectively.

(ii) The long-term credit facility with Société Générale (Canada) for the CAD dollar equivalent of €59.4 million, bears interest at Bankers' acceptance rate, plus a premium, and matures in 2015. The facility is secured by all the property and assets of the Company, now owned and hereafter acquired. This facility mostly contains the same covenants as the bank facilities described in (i).

(iii) In January 2006, the Company issued Senior Notes of US$525.0 million in aggregate principal amount for net proceeds of $609.0 million, before issuance fees of $9.0 million. The notes bear interest at 7.75%, payable every six months on June 15 and December 15, and mature in March 2016. These notes contain certain restrictions on the Company, including limitations on its ability to incur additional indebtedness, pay dividends or make other distributions. The notes are unsecured and are redeemable at the option of the Company at a decreasing premium, commencing on March 15, 2011.

(iv) In October 2007, the Company issued Senior Notes of US$700.0 million in aggregate principal amount at a discount price of 93.75% for net proceeds of $672.2 million, including accrued interest of $16.6 million and before financing fees of $9.8 million. The Senior Notes bear interest at 7.75% for an effective interest rate of 8.81%, payable every six months on June 15 and December 15, and mature in March 2016. These notes contain certain restrictions on the Company, including limitations on its ability to incur additional indebtedness, pay dividends or make other distributions. The notes are unsecured and are redeemable at the option of the Company at a decreasing premium, commencing on March 15, 2011.

(v) The debts of these subsidiaries are non-recourse to Quebecor Media.

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
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15. LONG-TERM DEBT (continued)

(vi) The senior secured bank credit facilities provide for a $575.0 million secured revolving credit facility that matures in April 2012 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 or Canadian prime rates, plus a margin, depending on Videotron's leverage ratio. Advances under the secured export financing facility bear interest at Bankers' acceptance rate plus a margin. The senior secured 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 its subsidiaries. As of December 31, 2010, the senior secured bank credit facilities of Videotron were secured by assets with a carrying value of $5,585.6 million ($4,690.6 million in 2009). The senior secured bank credit facilities contain covenants such as maintaining certain financial ratios and some restrictions on the payment of dividends and asset acquisitions and dispositions. As of December 31, 2010 and 2009, no amount was drawn on these facilities.

In November 2009, Videotron entered into the facility B credit agreement providing for an unsecured term credit facility in a maximum amount equal to the difference between US$100.0 million and the aggregate of the U.S. dollar equivalent of each drawing on the Company's secured export financing facility. This facility matures in April 2016 and is bearing interest at the Bankers' acceptance rate plus a margin. As of December 31, 2010 and 2009, no amount was drawn on this facility.

(vii) In October 2003, a first series of US$335.0 million in aggregate principal amount of Senior Notes was issued at a discount price of 99.08% for net proceeds of $445.6 million, before issuance fees of $7.6 million. In November 2004, a second series of US$315.0 million in aggregate principal amount of Senior Notes was issued at a premium price of 105.0% for net proceeds of $405.1 million, including accrued interest of $8.9 million and before issuance fees of $7.4 million. These notes bear interest at a rate of 6.875% for an average effective interest rate of 6.59%, payable every six months on January 15 and July 15, and mature on January 15, 2014. The notes contain certain restrictions on Videotron, including limitations on its ability to incur additional indebtedness, and are unsecured. The Senior Notes are guaranteed by specific subsidiaries of Videotron. The notes became redeemable at the option of Videotron, in whole or in part, at any time on or after January 15, 2009, at a decreasing premium.

(viii) On September 16, 2005, US$175.0 million in aggregate principal amount of Senior Notes was issued at a discount price of 99.5% for net proceeds of $205.2 million, before issuance fees of $3.8 million. These notes bear interest at a rate of 6.375% for an effective interest rate of 6.44%, payable every six months on December 15 and June 15, and mature on December 15, 2015. The notes contain certain restrictions on Videotron, including limitations on its ability to incur additional indebtedness, and are unsecured. The Senior Notes are guaranteed by specific subsidiaries of Videotron. The notes became redeemable at the option of Videotron, in whole or in part, at any time on or after December 15, 2010, at a decreasing premium.

(ix) In April 2008, a first series of US$455.0 million in aggregate principal amount of Senior Notes was issued at a discount price of 98.43% for net proceeds of $457.3 million, before financing fees of $9.5 million. In March 2009, a second series of US$260.0 million in aggregate principal amount of Senior Notes was issued at a discount price of 98.625% for net proceeds of $332.4 million, including accrued interest of $6.9 million and net of financing fees of $6.9 million. The Senior Notes bear interest at 9.125% for an average effective interest rate of 9.37%, payable every six months on June 15 and December 15, and mature on April 15, 2018. The notes contain certain restrictions on Videotron, including limitations on its ability to incur additional indebtedness, pay dividends or make other distributions, and are unsecured. The Senior Notes are guaranteed by specific subsidiaries of Videotron. The notes are redeemable at the option of Videotron, in whole or in part, at any time on or after April 15, 2013, at a decreasing premium.

(x) In January 2010, $300.0 million in aggregate principal amount of Senior Notes were issued for net proceeds of $293.9 million, net of financing fees of $6.1 million. The Senior Notes bear interest at 7.125%, payable every six months on June 15 and December 15, and mature on January 15, 2020. These notes contain certain restrictions on Videotron, including limitations on its ability to incur additional indebtedness, pay dividends or make other distributions, and are unsecured. The Senior Notes are guaranteed by specific subsidiaries of Videotron. The notes are redeemable at the option of Videotron, in whole or in part, at any time prior to January 15, 2015 at a price based on a make-whole formula and at a decreasing premium from January 15, 2015 and thereon.

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
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15. LONG-TERM DEBT (continued)

(xi) The bank credit facilities of Sun Media Corporation are comprised of (i) a revolving credit facility amounting to $70.0 million, maturing in October 2012, and (ii) a term loan “C” credit facility amounting to $40.0 million, also maturing in October 2012. The credit facilities are collateralized by liens on all of the property and assets of Sun Media Corporation and its operating subsidiaries, now owned or hereafter acquired. The bank credit facilities contain covenants concerning certain financial ratios and restrictions on the declaration and payment of dividends or other distributions. As of December 31, 2010, the bank credit facilities were secured by assets with a carrying value of $1,191.0 million ($1,206.2 million in 2009). Any amount borrowed under the revolving credit facility bears interest at Canadian Bankers’ acceptance and/or Canadian prime rate, plus an applicable margin determined by financial ratios. Advances under the term “C” credit facility bear interest at Canadian Bankers’ acceptance rate, plus a margin of 1.50% per annum, or Canadian prime rate, plus a margin of 0.50% per annum. As of December 31, 2010 and 2009, no amount was drawn on the revolving credit facility, while $37.8 million ($38.3 million in 2009) was drawn down on the term loan “C” credit facilities.

(xii) In February 2003, Sun Media Corporation issued US$205.0 million in aggregate principal amount of Senior Notes at a discount price of 98.29% for net proceeds of $306.8 million, before issuance fees of $8.4 million. These notes bear interest at a rate of 7.625% for an effective interest rate of 7.88%, payable every six months on February 15 and August 15, and mature in February 2013. The notes contain certain restrictions on Sun Media Corporation, including limitations on its ability to incur additional indebtedness or make other distributions, and are unsecured. The notes became redeemable, in whole or in part, at the option of Sun Media Corporation any time after February 15, 2008, at a decreasing premium.

(xiii) The credit facilities of TVA Group are comprised of a revolving credit facility in the amount of $100.0 million, maturing in December 2012, and a term credit facility in the amount of $75.0 million, maturing in December 2014. TVA Group’s revolving credit facility bears interest at a Canadian chartered bank’s prime rate or Bankers’ acceptance rate, plus a variable margin determined by certain financial ratios, while the term loan bears interest at a rate of 5.54%, payable every six months on June 15 and December 15. The credit facilities contain certain restrictions, including the obligation to maintain certain financial ratios. As of December 31, 2010, $16.3 million ($14.9 million in 2009) was drawn on the revolving credit facility and $75.0 million ($75.0 million in 2009) was drawn on the term credit facility.

On December 31, 2010, the Company and its subsidiaries were in compliance with all debt covenants.

Principal repayments of long-term debt over the coming years are as follows:

2011	$ 30.1
2012	67.9
2013	373.3
2014	736.4
2015	184.3
2016 and thereafter	2,204.3

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
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16. OTHER LIABILITIES

	Note	2010	2009
Accrued pension and postretirement benefits liability	25	**$ 54.2**	$ 50.3
Deferred revenue		**51.4**	43.4
Stock-based compensation[1]		**5.9**	4.3
Other		**11.0**	9.2
		$ 122.5	$ 107.2

[1] *The current portion of stock-based compensation in the amount of $19.1 million is included in accounts payable and accrued charges ($8.1 million at December 31, 2009).*

17. NON-CONTROLLING INTEREST

Non-controlling interest represents the interest of non-controlling shareholders in the participating shares of the Company's subsidiaries. As of December 31, 2010 and 2009, the only significant non-controlling interest is in TVA Group, Broadcasting segment, and it represents an interest in 0.05% in votes and 48.56% in equity.

18. 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 Company;
- An unlimited number of Cumulative First Preferred Shares, Series B ("Preferred B Shares"), carrying a fixed cumulative preferential dividend generally equivalent to the Company's credit facility interest rate, redeemable at the option of the holder and retractable at the option of the Company;
- 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 Company;
- An unlimited number of Cumulative First Preferred Shares, Series D ("Preferred D Shares"), carrying an 11.00% annual fixed cumulative preferential dividend, redeemable at the option of the holder and retractable at the option of the Company;
- 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 Company;
- 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 Company;

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
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18. CAPITAL STOCK (continued)

(a) Authorized capital stock (continued)

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 Company.

(b) Issued and outstanding capital stock

	Common Shares	
	Number	Amount
Balance as of December 31, 2010 and 2009	**123,602,807**	**$ 1,752.4**

(c) Cumulative First Preferred Shares

All Cumulative First Preferred Shares are owned by subsidiaries of the Company and are eliminated on consolidation. The following Cumulative First Preferred Shares are issued and outstanding:

	Preferred Shares	
	Number	Amount
Preferred G Shares		
Balance as of December 31, 2008	2,055,000	$ 2,055.0
Issuance	190,000	190.0
Redemption	(985,000)	(985.0)
Balance as of December 31, 2009	1,260,000	1,260.0
Issuance	1,300,000	1,300.0
Redemption	(930,000)	(930.0)
Balance as of December 31, 2010	**1,630,000**	**$ 1,630.0**

19. STOCK-BASED COMPENSATION PLANS

(a) Quebecor plans

(i) Stock option plan

Under a stock option plan established by the parent company, 6,500,000 of Class B shares of the parent company have been set aside for directors, officers, senior employees, and other key employees of the parent company and its subsidiaries. The exercise price of each option is equal to the weighted average trading price of the parent company'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 company may, at its discretion, affix different vesting periods at the time of each grant.

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
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19. STOCK-BASED COMPENSATION PLANS (continued)

(a) Quebecor plans (continued)

(i) Stock option plan (continued)

The following table gives details on changes to outstanding options for the years ended December 31, 2010 and 2009:

		2010		2009
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**463,160**	**$ 22.42**	172,803	$ 27.11
Granted	**39,221**	**34.72**	290,357	19.63
Balance at end of year	**502,381**	**$ 23.38**	463,160	$ 22.42
Vested options at end of year	**211,988**	**$ 23.69**	57,601	$ 27.11

The following table gives summary information on outstanding options as of December 31, 2010:

			Outstanding options		Vested options
Range of exercise price	Number	Weighted average years to maturity	Weighted average exercise price	Number	Weighted average exercise price
$19.63 to 27.11	463,160	8.13	$ 22.42	211,988	$ 23.69
34.72	39,221	9.38	34.72	–	–
$19.63 to 34.72	**502,381**	**8.23**	**$ 23.38**	**211,988**	**$ 23.69**

(ii) Mid-term stock-based compensation plan

In 2010, the Company finalized the implementation of a new mid-term stock-based compensation plan for management. Under this new plan, at the end of a three-year period, participants will be entitled to receive a cash payment based on the appreciation of the Quebecor Class B share price, subject to the achievement of certain non-market performance criteria. As of December 31, 2010, 337,224 units were outstanding at an average exercise price of $26.92.

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
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19. STOCK-BASED COMPENSATION PLANS (continued)

(b) Quebecor Media stock option plan

Under a stock option plan established by the Company, 6,180,140 Common Shares of the Company have been set aside for officers, senior employees, directors, and other key employees of the Company 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 Company 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 Company 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 Company'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. The vesting on 400,000 options is also subject to market-related performance criteria as the achievement of specific targets in regards to the fair value of the Company's shares in the future.

The following table gives details on changes to outstanding options for the years ended December 31, 2010 and 2009:

		2010		2009
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**3,326,069**	**$ 40.96**	3,843,297	$ 41.05
Granted	**1,096,500**	**46.50**	671,000	37.19
Exercised	**(503,830)**	**38.17**	(304,422)	25.66
Cancelled	**(403,071)**	**44.38**	(883,806)	43.76
Balance at end of year	**3,515,668**	**$ 42.69**	3,326,069	$ 40.96
Vested options at end of year	**793,098**	**$ 41.80**	564,636	$ 39.74

During the year ended December 31, 2010, 503,830 stock options were exercised for a cash consideration of $5.6 million (304,422 for $4.5 million in 2009).

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
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19. STOCK-BASED COMPENSATION PLANS (continued)

(b) Quebecor Media stock option plan (continued)

The following table gives summary information on outstanding options as of December 31, 2010:

	Outstanding options			Vested options	
Range of exercise price	Number	Weighted average years to maturity	Weighted average exercise price	Number	Weighted average exercise price
$21.75 to 33.41	316,779	5.25	$ 31.52	180,702	$ 31.34
35.90 to 50.51	3,198,889	8.72	43.80	612,396	44.89
$21.75 to 50.51	**3,515,668**	**8.40**	**$ 42.69**	**793,098**	**$ 41.80**

(c) TVA Group plans

(i) Stock option plan for senior executives and directors

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 the 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, 2010 and 2009:

	2010		2009	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**975,155**	**$ 16.16**	975,155	$ 16.16
Cancelled	**(141,545)**	**15.04**	–	–
Balance at end of year	**833,610**	**$ 16.35**	975,155	$ 16.16
Vested options at end of year	**560,952**	**$ 17.05**	428,383	$ 17.47

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
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19. STOCK-BASED COMPENSATION PLANS (continued)

(c) TVA Group plans (continued)

(i) Stock option plan for senior executives and directors (continued)

The following table gives summary information on outstanding options as of December 31, 2010:

	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	639,479	6.40	$ 14.97	366,821	$ 15.01
20.50 to 21.38	194,131	3.86	20.90	194,131	20.90
$14.50 to 21.38	**833,610**	**5.81**	**$ 16.35**	**560,952**	**$ 17.05**

Had the vested options to purchase TVA Group Class B shares been exercised as of December 31, 2010 and the holder chosen to purchase Class B shares, the Company's interest in TVA Group would have decreased from 51.44% to 50.25% (51.44% to 50.53% as of December 31, 2009).

(ii) Share purchase plan for executives and employees

In 1998, TVA Group introduced a share purchase plan relating to 375,000 TVA Group Class B shares for its executives and a share purchase plan relating to 375,000 TVA Group Class B shares for its employees. Under the plans, participants can acquire shares in accordance with terms and conditions related to their level of remuneration. The shares can be acquired at a price equal to 90% of the average closing market price of TVA Group Class B shares on the Toronto Stock Exchange in the five trading days immediately preceding the first day of the annual subscription period under the plans. The plans also provide financing terms free of interest. No Class B shares have been issued under the plans in the last three years. As of December 31, 2010 and 2009, the remaining balance of TVA Group Class B Shares that may be issued is 332,643 under the share purchase plan for executives and 229,753 under the share purchase plan for employees.

(d) All stock-based plans

For the year ended December 31, 2010, a net consolidated compensation charge related to all stock-based compensation plans was recorded in the amount of $18.1 million (a net charge of $10.1 million in 2009 and a net reversal of $8.3 million in 2008).

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
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20. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Translation of net investments in foreign operations	Cash flow hedges	Total
Balance as of December 31, 2007	$ (3.1)	$ 12.5	$ 9.4
Other comprehensive income (loss)	5.0	(64.6)	(59.6)
Balance as of December 31, 2008	1.9	(52.1)	(50.2)
Other comprehensive (loss) income	(3.3)	33.4	30.1
Balance as of December 31, 2009	(1.4)	(18.7)	(20.1)
Other comprehensive (loss) income	(2.9)	46.2	43.3
Balance as of December 31, 2010	**$ (4.3)**	**$ 27.5**	**$ 23.2**

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 7-year period.

21. COMMITMENTS AND CONTINGENCIES

(a) Leases and purchasing agreements

The Company rents premises and equipment under operating leases and has entered into long-term commitments to purchase services, capital equipment, and distribution and broadcasting rights that call for total future payments of $536.4 million, including an amount of $148.2 million for future rent payments to the parent company. The minimum payments for the coming years are as follows:

	Leases	Other commitments
2011	$ 72.3	$ 79.8
2012	53.8	37.4
2013	46.3	5.9
2014	38.2	3.6
2015	29.1	1.6
2016 and thereafter	167.2	1.2

Operating lease expenses amounted to $66.7 million, $49.8 million and $46.9 million for the years ended December 31, 2010, 2009, and 2008, respectively.

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
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21. COMMITMENTS AND CONTINGENCIES (continued)

(b) Contingencies

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

A number of other legal proceedings against the Company and its subsidiaries are pending. In the opinion of the management of the Company and its subsidiaries, the outcome of these proceedings is not expected to have a material adverse effect on the Company's consolidated results or on its consolidated financial position.

(c) Settlement of litigations

In 2003 and 2004, a number of companies, including Videotron and TVA Group, brought suit against the Crown before the Federal Court alleging that the Part II licence fees to be paid annually to the CRTC by broadcasters and broadcasting distribution undertakings constituted, in fact and in law, unlawful taxes under the Broadcasting Act (Canada). On October 7, 2009, the parties in this case, including Videotron and TVA Group, agreed on an out-of-court settlement whereby the plaintiff companies withdrew their legal challenge and monetary claims and the government agreed not to claim the unpaid Part II licence fees for the period of September 1, 2006 through August 31, 2009. In view of this settlement, in the fourth quarter of 2009, the Company reversed a $42.8 million provision for unpaid Part II licence fees as of August 31, 2009. The CRTC amended its regulations to limit the amount of the Part II licence fees for the period subsequent to August 31, 2009.

22. GUARANTEES

In the normal course of business, the Company enters into numerous agreements containing guarantees, including the following:

Operating leases

The Company has guaranteed a portion of the residual values of certain assets under operating leases for the benefit of the lessor. Should the Company terminate these leases prior to term (or at the end of these lease terms) and should the fair value of the assets be less than the guaranteed residual value, then the Company must, under certain conditions, compensate the lessor for a portion of the shortfall. In addition, the Company has provided guarantees to the lessor of certain premises leases, with expiry dates through 2015. Should the lessee default under the agreement, the Company must, under certain conditions, compensate the lessor. As of December 31, 2010, the maximum exposure with respect to these guarantees was $18.9 million and no liability has been recorded in the consolidated balance sheet. The Company has not made any payments relating to these guarantees in prior years.

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 Company 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 Company from estimating the maximum potential liability it could be required to pay to guaranteed parties. The Company has not accrued any amount in respect of these items in the consolidated balance sheet. The Company has not made any payments relating to these guarantees in prior years.

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

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22. GUARANTEES (continued)

Outsourcing companies and suppliers

In the normal course of its operations, the Company enters into contractual agreements with outsourcing companies and suppliers. In some cases, the Company agrees to provide indemnifications in the event of legal procedures initiated against them. In other cases, the Company provides indemnification to counterparties for damages resulting from the outsourcing companies and suppliers. The nature of the indemnification agreements prevents the Company 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. The Company has not made any payments relating to these guarantees in prior years.

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's financial risk management policies have been established in order to identify and analyze the risks faced by the Company, 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 Company's activities.

As a result of their use of financial instruments, the Company and its subsidiaries are exposed to credit risk, liquidity risk and market risks relating to foreign exchange fluctuations, interest rate fluctuations and equity prices. In order to manage its foreign exchange and interest rate risks, the Company and its subsidiaries use derivative financial instruments (i) to set in CAD dollars all 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 and (ii) to achieve a targeted balance of fixed and variable rate debts. The Company and it 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. The Company and its subsidiaries designate their derivative financial instruments either as fair value hedges or cash flow hedges when they qualify for hedge accounting.

(a) Description of derivative financial instruments

(i) Foreign exchange forward contracts

Currencies (sold/bought)	Maturing	Average exchange rate	Notional amount
Sun Media Corporation			
$/US$	February 15, 2013	1.5227	$ 312.2
Videotron			
$/US$	Less than 1 year	1.0168	139.5

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

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23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(a) Description of derivative financial instruments (continued)

(ii) Cross-currency interest rate swaps

	Period covered	Notional amount	Annual effective interest rate using hedged rate	Annual nominal interest rate of debt	CAD dollar exchange rate on interest and capital payments per one U.S. dollar
Quebecor Media					
Senior Notes	2007 to 2016	US$ 700.0	7.69%	7.75%	0.9990
Senior Notes	2006 to 2016	US$ 525.0	7.39%	7.75%	1.1600
Term loan "B" credit facilities	2009 to 2013	US$ 113.8	Bankers' acceptances 3 months + 2.22%	Libor + 2.00%	1.1625
Term loan "B" credit facilit	2006 to 2013	US$ 49.6	6.44%	Libor + 2.00%	1.1625
Videotron					
Senior Notes	2004 to 2014	US$ 190.0	Bankers' acceptances 3 months + 2.80%	6.875%	1.2000
Senior Notes	2004 to 2014	US$ 125.0	7.45%	6.875%	1.1950
Senior Notes	2003 to 2014	US$ 200.0	Bankers' acceptances 3 months + 2.73%	6.875%	1.3425
Senior Notes	2003 to 2014	US$ 135.0	7.66%	6.875%	1.3425
Senior Notes	2005 to 2015	US$ 175.0	5.98%	6.375%	1.1781
Senior Notes	2008 to 2018	US$ 455.0	9.65%	9.125%	1.0210
Senior Notes	2009 to 2018	US$ 260.0	9.12%	9.125%	1.2965

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
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23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(a) Description of derivative financial instruments (continued)

(ii) Cross-currency interest rate swaps (continued)

	Period covered	Notional amount	Annual effective interest rate using hedged rate	Annual nominal interest rate of debt	CAD dollar exchange rate on interest and capital payments per one U.S. dollar
Sun Media Corporation					
Senior Notes	2008 to 2013	US$155.0	Bankers' acceptances 3 months + 3.70%	7.625%	1.5227
Senior Notes	2003 to 2013	US$ 50.0	Bankers' acceptances 3 months + 3.70%	7.625%	1.5227

Certain cross-currency interest rate swaps entered into by the Company and its subsidiaries include an option that allows each party to unwind the transaction on a specific date at the then settlement amount.

(iii) Interest rate swaps

Maturity	Notional amount	Pay / receive	Fixed rate	Floating rate
Sun Media Corporation				
October 2012	$ 38.1	Pay fixed / Receive floating	3.75%	Bankers' acceptances 3 months

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
(tabular amounts in millions of Canadian dollars, except for option data)

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value of financial instruments

The carrying amount of accounts receivable from external or related parties (classified as loans and receivables), accounts payable and accrued charges to external or related parties (classified as other liabilities), approximates their fair value since these items will be realized or paid within one year or are due on demand. Other financial instruments classified as loans and receivables or as available-for-sale are not significant and their carrying value approximates their fair value.

The fair value of long-term debt is estimated based on quoted market prices when available or on valuation models. When the Company 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.

In accordance with Canadian Institute of Chartered Accountants Section 3862, *Financial Instruments – Disclosures*, the Company 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 cash equivalents, temporary investments 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 Company'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 Company. Accordingly, financial derivative instruments are classified as Level 3 under the fair value hierarchy.

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
(tabular amounts in millions of Canadian dollars, except for option data)

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value of financial instruments (continued)

The fair value of early settlement options recognized as embedded derivatives is determined by option pricing models using Level 2 market inputs, including volatility and discount factors.

The carrying value and fair value of long-term debt and derivative financial instruments as of December 31, 2010 and 2009 are as follows:

	2010		2009	
	Carrying value	**Fair value**	Carrying value	Fair value
Long-term debt[1]	**$ (3,596.3)**	**$ (3,773.1)**	$ (3,805.5)	$ (3,869.8)
Derivative financial instruments				
Early settlement options	**88.8**	**88.8**	41.1	41.1
Interest rate swaps	**(1.3)**	**(1.3)**	(4.3)	(4.3)
Foreign exchange forward contracts	**(2.4)**	**(2.4)**	(5.8)	(5.8)
Cross-currency interest rate swaps	**(447.5)**	**(447.5)**	(363.3)	(363.3)

[1] *The carrying value of long-term debt excludes adjustments to record changes in the fair value of long-term debt related to hedged interest risk, embedded derivatives and financing fees.*

The following table shows changes to the carrying value or fair value of derivative financial instruments (Level 3) in 2010 and 2009:

	2010	2009
Asset (liability)		
Balance as of beginning of year	**$ (373.4)**	$ 200.6
Loss recognized in the consolidated statement of income[1, 2]	**(31.0)**	(143.3)
Loss recognized in other comprehensive income[3]	**(76.7)**	(431.0)
Settlements	**29.9**	0.3
Balance as of end of year	**$ (451.2)**	$ (373.4)

[1] *Substantially all gains or losses were related to derivative instruments held as of December 31, 2010 and December 31, 2009.*

[2] *The loss is offset by a gain on valuation and translation of long-term debt of $28.1 million in 2010 ($163.9 million in 2009).*

[3] *The loss is offset by a gain on translation of long-term debt of $119.7 million in 2010 ($422.8 million in 2009).*

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
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23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value of financial instruments (continued)

The estimated sensitivity on income and other comprehensive income, before income tax and non-controlling interest, of a 100 basis-point variance in the credit default premium used to calculate the fair value of derivative financial instruments as of December 31, 2010, as per the Company's valuation models, is as follows:

Increase (decrease)	Income	Other comprehensive income
Increase of 100 basis points	$ 6.2	$ 10.7
Decrease of 100 basis points	(6.2)	(10.7)

(c) Credit risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial asset fails to meet its contractual obligations.

In the normal course of business, the Company continuously monitors the financial condition of its customers and reviews the credit history of each new customer. As of December 31, 2010, no customer balance represented a significant portion of the Company's consolidated trade receivables. The Company 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 $39.1 million as of December 31, 2010 ($40.3 million as of December 31, 2009). As of December 31, 2010, 10.5% of trade receivables were 90 days past their billing date (9.8% as of December 31, 2009).

The following table shows changes to the allowance for doubtful accounts for the years ended December 31, 2010 and 2009:

	2010	2009
Balance as of beginning of year	**$ 40.3**	$ 47.6
Charged to net income	**27.8**	23.5
Utilization	**(29.0)**	(30.8)
Balance as of end of year	**$ 39.1**	$ 40.3

The Company believes that its product lines and the diversity of its customer base are instrumental in reducing its credit risk, as well as the impact of fluctuations in product-line demand. The Company 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 Company and its subsidiaries are exposed to the risk of non-performance by a third party. When the Company and its subsidiaries enter into derivative contracts, the counterparties (either foreign or Canadian) must have credit ratings at least in accordance with the Company's risk management policy and are subject to concentration limits.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
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23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(d) Liquidity risk management

Liquidity risk is the risk that the Company and its subsidiaries will not be able to meet their financial obligations as they fall due or the risk that those financial obligations have to be met at excessive cost. The Company and its subsidiaries manage this exposure through staggered debt maturities. The weighted average term of Quebecor Media's consolidated debt was approximately 5.0 years as of December 31, 2010 (5.3 years as of December 31, 2009).

Company management believes that cash flows from continuing operations 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 Company has access to cash flows generated by its subsidiaries through dividends (or distributions) and cash advances paid by its wholly-owned subsidiaries and through dividends paid by its publicly traded subsidiary, TVA Group.

As of December 31, 2010, 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 years	3-5 years	5 years or more
Bank indebtedness	$ 4.9	$ 4.9	$ –	$ –	$ –
Accounts payable and accrued charges	789.5	789.5	–	–	–
Long-term debt[1]	3,596.3	30.1	441.2	920.7	2,204.3
Interest payments[2]	1,538.8	256.4	554.9	438.5	289.0
Derivative instruments[3]	509.8	0.5	130.3	213.9	165.1
Total	$ 6,439.3	$ 1,081.4	$ 1,126.4	$ 1,573.1	$ 2,658.4

[1] *The carrying value of long-term debt excludes adjustments to record changes in the fair value of long-term debt related to hedged interest risk, 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, 2010.*

[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 Company'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 Company'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 CAD dollars. A large portion of the interest, principal and premium, if any, payable on its debt is payable in U.S. dollars. The Company and its subsidiaries have entered into transactions to hedge the foreign currency risk exposure on 100% of their U.S. dollar-denominated debt obligations outstanding as of December 31, 2010 and to hedge their exposure on certain purchases of set-top boxes, handsets, cable modems and capital expenditures. Accordingly, the Company's sensitivity to variations in foreign exchange rates is economically limited.

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
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23. 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 and non-controlling interest, of a variance of $0.10 in the year-end exchange rate of a CAD dollar per one U.S. dollar as of December 31, 2010:

Increase (decrease)	Income	Other comprehensive income
Increase of $0.10		
U.S. dollar-denominated accounts payable	$ (1.0)	$ –
(Gain) loss on valuation and translation of financial instruments and derivative financial instruments	(0.4)	66.1
Decrease of $0.10		
U.S. dollar-denominated accounts payable	1.0	–
(Gain) loss on valuation and translation of financial instruments and derivative financial instruments	0.4	(66.1)

Interest rate risk

Some of the Company's and its subsidiaries' revolving and bank credit facilities bear interest at floating rates based on the following reference rates: (i) Bankers' acceptance rate (BA), (ii) LIBOR and (iii) Canadian prime rate. The Senior Notes issued by the Company and its subsidiaries bear interest at fixed rates. The Company and its subsidiaries have entered into various interest rate and cross-currency interest rate swap agreements in order to manage cash flow and fair value risk exposure due to changes in interest rates. As of December 31, 2010, after taking into account the hedging instruments, long-term debt was comprised of 75.2% fixed rate debt (69.3 % in 2009) and 24.8% floating rate debt (30.7 % in 2009).

The estimated sensitivity on financial expense for floating rate debt, before income tax and non-controlling interest, of a 100 basis-point variance in the year-end Canadian Bankers' acceptance rate as of December 31, 2010 is $10.3 million.

The estimated sensitivity on income and other comprehensive income, before income tax and non-controlling interest, of a 100 basis-point variance in the discount rate used to calculate the fair value of financial instruments as of December 31, 2010, as per the Company's valuation model, is as follows:

Increase (decrease)	Income	Other comprehensive income
Increase of 100 basis points	$ (1.7)	$ 10.1
Decrease of 100 basis points	1.7	(10.1)

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
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23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(f) Capital management

The Company'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 Company 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 generated by operations, and the level of distributions to shareholders. The Company has not significantly changed its strategy regarding the management of its capital structure since the last financial year.

The Company's capital structure is composed of shareholders' equity, bank indebtedness, long-term debt, net assets and liabilities related to derivative financial instruments, and non-controlling interest, less cash and cash equivalents and temporary investments. The capital structure is as follows:

	2010	2009
Bank indebtedness	**$ 4.9**	$ 1.0
Long-term debt	**3,513.4**	3,761.2
Net liabilities related to derivative financial instruments	**451.2**	373.4
Non-controlling interest	**131.6**	116.2
Cash and cash equivalents	**(242.7)**	(300.0)
Temporary investments	**–**	(30.0)
Net liabilities	**3,858.4**	3,921.8
Shareholders' equity	**$ 2,868.2**	$ 2,430.8

The Company is not subject to any externally imposed capital requirements other than certain restrictions under the terms of its borrowing agreements, which relate to permitted investments, inter-company transactions, the declaration and payment of dividends or other distributions.

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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24. RELATED PARTY TRANSACTIONS

Operating transactions

During the year ended December 31, 2010, the Company and its subsidiaries made purchases and incurred rent charges from the parent company and affiliated companies in the amount of $14.8 million ($16.9 million in 2009 and $11.8 million in 2008), which are included in operating expenses. The Company and its subsidiaries made sales to an affiliated company in the amount of $3.6 million ($2.8 million in 2009 and $2.7 million in 2008). These transactions were concluded and accounted for at the exchange amount.

The Company received interest of $0.1 million in 2009 and $1.0 million in 2008 from the parent company (none in 2010).

Corporate reorganization

In June 2009, as part of a corporate reorganization, the subsidiary Canoe, in which the Company held an 86.2% interest and TVA Group a 13.8% interest, was wound up and its assets distributed to the shareholders. The transactions arising from this reorganization were recorded at the carrying value of the assets transferred and an adjustment of $8.6 million was recorded in contributed surplus.

Following the creation of Sun News and the decision to terminate the operations of the television station Sun TV (see note 4(c)), a corporate reorganization occurred in December 2010. The related transactions were recorded at carrying amounts and a resulting adjustment of $0.9 million was recorded in contributed surplus.

Management arrangements

The parent company has entered into management arrangements with the Company. Under these management arrangements, the parent company and the Company provide management services to each other on a cost-reimbursement basis. The expenses subject to reimbursement include the salaries of the Company's executive officers, who also serve as executive officers of the parent company. In 2010, the Company received an amount of $2.1 million, which is included as a reduction in operating expenses ($2.1 million in 2009 and $3.0 million in 2008), and incurred management fees of $1.1 million ($1.1 million in 2009 and 2008) with the Company's shareholders.

Tax transactions

In 2010, 2009 and 2008, the parent company transferred $26.4 million, $30.1 million and $104.9 million, respectively, of non-capital losses to certain Company subsidiaries in exchange for cash considerations of $6.0 million, $6.3 million and $18.4 million. These transactions were recorded at the exchange amounts. As a result, the Company recorded reductions of $2.7 million, $14.2 million and $6.4 million, respectively, to its income tax expense in 2010, 2009 and 2008, and expects to reduce its income tax expense by $1.5 million in the future.

World Color Press, Inc. (a former subsidiary of Quebecor Inc.)

On January 21, 2008, World Color Press, Inc. ("WCP" formerly "Quebecor World Inc.") and its U.S. subsidiaries were granted creditor protection under the Companies' Creditors Arrangement Act in Canada. On the same date, its U.S. subsidiaries also filed a petition under Chapter 11 of the United States Bankruptcy Code. Since January 21, 2008, WCP is no longer a related company. Prior to this date, the following transactions were made with WCP:

- From January 1, 2008 to January 21, 2008, the Company made purchases from WCP of $3.0 million and made sales to WCP of $1.3 million.
- On January 10, 2008, the Company settled a balance of $4.3 million payable to WCP by set-off. As the balance was due in 2013 and recorded at present value, the difference of $2.7 million between the settled amount of $7.0 million and the carrying value of $4.3 million was recorded as a reduction in contributed surplus.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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25. PENSION PLANS AND POSTRETIREMENT BENEFITS

The Company maintains various flat-benefit plans, final-pay plans with indexation features from zero to 2%, and defined contribution plans. The Company's policy is to maintain its contribution at a level sufficient to cover benefits. Actuarial valuations of the Company's numerous pension plans have been performed at least once in the last three years and the next required valuations will be performed within the next three years.

The Company provides postretirement benefits to eligible retired employees. The costs of these benefits, principally health care, are accounted for during the employee's active service period.

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, 2010 and 2009, along with a statement of the funded status as of those dates:

	Pension benefits		Postretirement benefits	
	2010	2009	**2010**	2009
Change in benefit obligations				
Benefit obligations at beginning of year	**$ 666.1**	$ 526.5	**$ 41.9**	$ 35.5
Service costs	**16.9**	9.5	**1.0**	1.0
Interest costs	**41.8**	40.1	**2.4**	2.6
Plan participants' contributions	**14.6**	12.8	**–**	–
Actuarial loss	**123.2**	99.9	**3.8**	7.6
Benefits and settlements paid	**(40.1)**	(31.1)	**(0.9)**	(0.8)
Curtailment loss (gain)	**–**	7.5	**(0.6)**	(4.0)
Plan amendments and other	**0.7**	0.9	**–**	–
Benefit obligations at end of year	**$ 823.2**	$ 666.1	**$ 47.6**	$ 41.9

	Pension benefits		Postretirement benefits	
	2010	2009	**2010**	2009
Change in plan assets				
Fair value of plan assets at beginning of year	**$ 623.2**	$ 529.6	**$ –**	$ –
Actual return on plan assets	**53.3**	86.6	**–**	–
Employer contributions	**38.9**	25.3	**0.9**	0.8
Plan participants' contributions	**14.6**	12.8	**–**	–
Benefits and settlements paid	**(40.1)**	(31.1)	**(0.9)**	(0.8)
Fair value of plan assets at end of year	**$ 689.9**	$ 623.2	**$ –**	$ –

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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25. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

The plan assets are comprised of:

	2010	2009
Equity securities	**59.5 %**	58.8 %
Debt securities	**38.1**	38.2
Other	**2.4**	3.0
	100.0 %	100.0 %

As of December 31, 2010, plan assets included shares of the parent company in an amount of $0.9 million ($1.6 million as of December 31, 2009).

	Pension benefits		Postretirement benefits	
	2010	2009	**2010**	2009
Reconciliation of funded status				
Plan deficit	**$ (133.3)**	$ (42.9)	**$ (47.6)**	$ (41.9)
Unrecognized actuarial loss	**170.1**	58.4	**8.2**	4.4
Unrecognized net transition (asset) obligation	**(3.1)**	(3.6)	**0.2**	0.3
Unrecognized prior service cost (benefit)	**8.9**	11.1	**(3.0)**	(3.4)
Valuation allowance	**(3.9)**	(3.9)	**–**	–
Net amount recognized	**$ 38.7**	$ 19.1	**$ (42.2)**	$ (40.6)

Included in the above benefit obligations and fair value of plan assets at year-end are the following amounts in respect of plans that are not fully funded:

	Pension benefits		**Postretirement benefits**	
	2010	**2009**	**2010**	**2009**
Benefit obligations	**$ (810.5)**	$ (514.9)	**$ (47.6)**	$ (41.9)
Fair value of plan assets	**676.8**	466.5	**–**	–
Funded status - Plan deficit	**$ (133.7)**	$ (48.4)	**$ (47.6)**	$ (41.9)

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
(tabular amounts in millions of Canadian dollars, except for option data)

25. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Amounts recognized in the consolidated balance sheets are as follows:

	Pension benefits		Postretirement benefits	
	2010	2009	**2010**	2009
Deferred pension charge	**$ 50.7**	$ 28.8	**$ –**	$ –
Accrued benefit liability	**(12.0)**	(9.7)	**(42.2)**	(40.6)
Net amount recognized	**$ 38.7**	$ 19.1	**$ (42.2)**	$ (40.6)

Components of the net benefit costs are as follows:

	Pension benefits			Postretirement benefits		
	2010	2009	2008	**2010**	2009	2008
Service costs	**$ 16.9**	$ 9.5	$ 20.7	**$ 1.0**	$ 1.0	$ 1.6
Interest costs	**41.8**	40.1	36.0	**2.4**	2.6	2.5
Actual return on plan assets	**(53.3)**	(86.6)	77.7	**–**	–	–
Current actuarial loss (gain)	**123.2**	99.9	(157.5)	**3.8**	7.6	(12.5)
Current prior service costs	**–**	0.2	10.9	**–**	–	–
Special termination benefits, curtailment loss (gain) and other	**1.0**	7.7	0.5	**(0.6)**	(2.2)	(0.7)
Elements of net benefit costs before adjustments to recognize the long-term nature and valuation allowance	**129.6**	70.8	(11.7)	**6.6**	9.0	(9.1)
Difference between actual and expected return on plan assets	**9.0**	48.8	(121.3)	**–**	–	–
Deferral of amounts arising during the year:						
Actuarial (loss) gain	**(123.2)**	(99.9)	157.5	**(3.8)**	(7.6)	12.5
Prior service costs	**–**	(0.2)	(4.4)	**–**	–	–
Amortization of previously deferred amounts:						
Actuarial loss (gain)	**1.5**	(0.5)	3.4	**–**	(0.1)	0.5
Prior service costs (benefits)	**2.2**	0.8	0.9	**(0.4)**	(0.4)	(0.4)
Transitional obligations	**(0.5)**	(0.2)	(0.5)	**0.1**	–	–
Other	**–**	–	1.2	**–**	–	–
Total adjustments to recognize the long-term nature of benefit costs	**(111.0)**	(51.2)	36.8	**(4.1)**	(8.1)	12.6
Valuation allowance	**–**	(4.7)	(2.5)	**–**	–	–
Net benefit costs	**$ 18.6**	$ 14.9	$ 22.6	**$ 2.5**	$ 0.9	$ 3.5

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
(tabular amounts in millions of Canadian dollars, except for option data)

25. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

The expense related to defined contribution pension plans amounted to $11.7 million in 2010 ($10.6 million in 2009 and $11.3 million in 2008).

The total cash amount paid or payable for employee future benefits for all plans, consisting of cash contributed by the Company to its funded pension plans, cash payment directly to beneficiaries for its unfunded other benefit plans, and cash contributed to its defined contribution plans, totalled $51.5 million for the year ended December 31, 2010 ($36.7 million in 2009 and $35.2 million in 2008).

The weighted average rates used in measuring the Company's benefit obligations as of December 31, 2010, 2009, and 2008 and current periodic costs are as follows:

	Pension benefits			Postretirement benefits		
	2010	2009	2008	**2010**	2009	2008
Benefit obligations						
Rates as of year-end:						
Discount rate	**5.25 %**	6.25 %	7.50 %	**5.25 %**	6.25 %	7.50 %
Rate of compensation increase	**3.25**	3.50	3.50	**3.25**	3.50	3.50
Current periodic costs						
Rates as of preceding year-end:						
Discount rate	**6.25 %**	7.50 %	5.50 %	**6.25 %**	7.50 %	5.50 %
Expected return on plan assets[1]	**7.00**	7.00	7.25	**–**	–	–
Rate of compensation increase	**3.50**	3.50	3.50	**3.50**	3.50	3.50

[1] *After management and professional fees.*

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligations was 8.2% at the end of 2010. The costs, as per the estimate, are expected to decrease gradually over the next eight years to 5.0% and to remain at that level thereafter. A one-percentage-point change in the assumed health care cost trend would have the following effects:

	Postretirement benefits	
Sensitivity analysis	1% increase	1% decrease
Effect on benefit cost	**$ 0.6**	**$ (0.4)**
Effect on benefit obligations	**6.9**	**(5.3)**

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
(tabular amounts in millions of Canadian dollars, except for option data)

26. SIGNIFICANT DIFFERENCES BETWEEN GAAP IN CANADA AND IN THE UNITED STATES

The Company's consolidated financial statements are prepared in accordance with Canadian GAAP, which differ in some respects from those applicable in the United States ("U.S. GAAP"). The following tables set forth the impact of material differences between Canadian and U.S. GAAP on the Company's consolidated financial statements of income, comprehensive income and balance sheets:

(a) Consolidated statements of income

	2010	2009	2008
Net income (loss) as per Canadian GAAP	**$ 480.7**	$ 525.1	$ (378.7)
Non-controlling interest as per Canadian GAAP (ix)	**18.8**	23.8	23.4
Adjustments:			
Pension and postretirement benefits (i)	**0.3**	(8.2)	2.3
Derivative financial instruments (ii)	**(22.1)**	(42.9)	3.8
Stock-based compensation (iii)	**2.0**	(10.3)	3.5
Impairment of goodwill (iv)	**–**	–	3.8
Rental costs (v)	**(8.4)**	(1.8)	–
Income taxes (vi)	**10.0**	14.5	(9.8)
	(18.2)	(48.7)	3.6
Net income (loss) as adjusted per U.S. GAAP	**$ 481.3**	$ 500.2	$ (351.7)
Attributable to (ix):			
Equity shareholders	**$ 462.6**	$ 475.1	$ (376.7)
Non-controlling interest	**18.7**	25.1	25.0

(b) Consolidated statements of comprehensive income

	2010	2009	2008
Comprehensive income (loss) as per Canadian GAAP	**$ 524.0**	$ 555.2	$ (438.3)
Non-controlling interest as per Canadian GAAP (ix)	**18.8**	23.9	23.7
Other adjustments to net income (loss) as per (a) above	**(18.2)**	(48.7)	3.6
Adjustments to other comprehensive income (loss):			
Pension and postretirement benefits (i)	**(114.2)**	(54.9)	45.0
Derivative financial instruments (ii)	**(22.3)**	4.2	2.0
Income taxes (vi)	**32.8**	15.3	(12.4)
	(103.7)	(35.4)	34.6
Comprehensive income (loss) as per U.S. GAAP	**$ 420.9**	$ 495.0	$ (376.4)
Attributable to (ix):			
Equity shareholders	**$ 410.9**	$ 474.0	$ (401.2)
Non-controlling interest	**10.0**	21.0	24.8

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
(tabular amounts in millions of Canadian dollars, except for option data)

26. SIGNIFICANT DIFFERENCES BETWEEN GAAP IN CANADA AND IN THE UNITED STATES (continued)

(c) Consolidated balance sheets

	2010		2009	
	Canada	**United States**	Canada	United States
Current assets	**$ 1,166.6**	**$ 1,166.6**	$ 1,110.8	$ 1,111.1
Property, plant and equipment	**2,793.1**	**2,782.9**	2,439.8	2,438.0
Goodwill	**3,508.2**	**3,506.2**	3,506.1	3,506.1
Other assets	**144.2**	**45.9**	122.1	59.2
Long-term future income tax assets	**9.0**	**11.9**	12.5	15.2
Current liabilities	**(1,133.2)**	**(1,132.0)**	(1,109.6)	(1,122.4)
Long-term debt	**(3,483.3)**	**(3,549.1)**	(3,693.4)	(3,714.8)
Other liabilities	**(122.5)**	**(224.0)**	(107.2)	(133.5)
Long-term future income tax liabilities	**(512.4)**	**(433.9)**	(413.4)	(364.1)
Contributed surplus (vii), (viii)	**(3,224.0)**	**(3,424.0)**	(3,223.1)	(3,423.6)
Deficit	**2,131.4**	**2,383.9**	2,524.6	2,759.0
Accumulated other comprehensive (income) loss	**(23.2)**	**105.3**	20.1	53.6
Non-controlling interest	**(131.6)**	**(117.4)**	(116.2)	(110.7)

The accumulated other comprehensive (income) loss as of December 31, 2010, 2009, and 2008 is as follows:

	2010	2009	2008
Accumulated other comprehensive income (loss) as per Canadian GAAP	**$ 23.2**	$ (20.1)	$ (50.2)
Adjustments:			
Pension and postretirement benefits (i)	**(192.4)**	(78.2)	(23.3)
Derivative instruments (ii)	**(13.1)**	9.2	5.0
Income taxes (vi)	**56.9**	24.1	8.9
Non-controlling interest	**20.1**	11.4	7.1
	(128.5)	(33.5)	(2.3)
Accumulated other comprehensive loss as per U.S. GAAP	**$ (105.3)**	$ (53.6)	$ (52.5)

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
(tabular amounts in millions of Canadian dollars, except for option data)

26. SIGNIFICANT DIFFERENCES BETWEEN GAAP IN CANADA AND IN THE UNITED STATES (continued)

(i) Under U.S. GAAP, Codification Topic 715, *Compensation – Retirement Benefits*, requires the recognition of over- or under-funded positions of defined benefit pension and other postretirement plans on the balance sheet, along with a corresponding non-cash adjustment to be recorded in accumulated other comprehensive income (loss).

Under Canadian GAAP, a company is not required to recognize over- or under-funded positions. However, when a defined benefit plan gives rise to an accrued benefit asset, a company must recognize a valuation allowance for the excess of the adjusted benefit asset over the expected future benefit to be realized from plan assets. U.S. GAAP does not provide for a valuation allowance against pension assets.

(ii) Under Canadian GAAP, certain embedded derivatives, such as the early settlement options included in some of the Company's borrowing agreements, do not meet the criteria to be considered closely related to their host contracts and therefore must be recorded at their fair value with changes in income. Under U.S. GAAP, those embedded derivatives are considered closely related to their host contract and do not have to be recorded separately at their fair values. Accordingly, the measurement of ineffective hedging relationships recorded in income under U.S. GAAP differs from the measurement under Canadian GAAP.

(iii) Under U.S. GAAP, in accordance with Codification Topic 718, *Compensation – Stock Compensation*, the liability related to stock-based awards that calls for settlement in cash or other assets must be measured at its fair value based on the fair value of stock option awards and is to be re-measured at the end of each reporting period. Under Canadian GAAP, the liability is measured and re-measured based on the intrinsic values of the stock option awards instead of at their fair values.

(iv) In respect of the 1999 acquisition of Sun Media Corporation, certain of the restructuring costs related to the acquired newspapers were recorded in the purchase equation as goodwill under Canadian GAAP, but were excluded from the purchase equation and expensed under U.S. GAAP. The difference between the carrying value of goodwill under Canadian GAAP and U.S. GAAP resulted in an adjustment of the 2008 goodwill impairment charge.

(v) Under U.S. GAAP, Codification Topic 840, *Leases*, requires that rental costs relating to an operating lease be expensed as incurred during the construction period of an asset. Under Canadian GAAP, such rent expenses can be capitalized to the cost of an item of property, plant and equipment being constructed until this item is substantially complete and ready for productive use.

(vi) Under Canadian GAAP, income taxes are measured using substantively enacted tax rates, while under U.S. GAAP, measurement is based on enacted tax rates.

Furthermore, under U.S. GAAP, the FASB issued interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), an interpretation of Codification Topic 740, *Income Taxes*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with Codification Topic 740 and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance as to derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Under Canadian GAAP, there is no such interpretation and therefore the reserve related to income tax contingencies is not based on the same level of likelihood as that prescribed by FIN 48.

Other adjustments represent the tax impact of U.S. GAAP adjustments.

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
(tabular amounts in millions of Canadian dollars, except for option data)

26. SIGNIFICANT DIFFERENCES BETWEEN GAAP IN CANADA AND IN THE UNITED STATES (continued)

(vii) Under Canadian GAAP, a gain on repurchase of redeemable preferred shares of a subsidiary was included in income in 2003. Under U.S. GAAP, any such gain is included in contributed surplus.

(viii) The Company or its subsidiaries have entered into tax consolidation transactions with the Company's parent company, through which tax losses were transferred between the parties. Under Canadian GAAP, this resulted in the recognition of deferred credits. Under U.S. GAAP, since these transactions relate to asset transfers between related parties, the difference between the carrying value of the tax benefits transferred and the cash consideration received or paid is recognized in contributed surplus.

(ix) The new provisions of Codification Topic 805, *Business Combinations*, adopted in 2009, apply prospectively to business combinations for which the acquisition date is on or after December 31, 2008. Codification Topic 805 establishes guidance on the recognition and measurement of all assets and all liabilities of the acquired business at fair value. Non-controlling interests are measured at either their fair value or at their proportionate share of the fair value of identifiable assets and liabilities. The measurement of consideration given now includes the fair value of any contingent consideration as of the acquisition date, and subsequent changes in fair value of the contingent consideration classified as a liability are recognized in earnings. Acquisition-related costs are excluded from the purchase price and are expensed as incurred. In addition, restructuring costs related to a business combination are no longer part of the purchase price equation and are expensed as incurred. The adoption of these provisions has not yet created a material difference between Canadian and U.S. GAAP.

The rules under Codification Topic 810, *Consolidation*, also adopted in 2009, establish guidance on accounting for non-controlling interests and for transactions with non-controlling interest. Codification Topic 810 requires that non-controlling interest be presented as a separate component of shareholders' equity. In the statement of income, net income is calculated before non-controlling interest and is then attributed to shareholders and non-controlling interest. In addition, changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are now accounted for as equity transactions.

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
(tabular amounts in millions of Canadian dollars, except for option data)

27. NON-CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY

The Company 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 Company'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 Company.

The U.S Securities and Exchange Commission requires that the non-consolidated financial statements of the parent company be presented when its subsidiaries have restrictions that may limit the amount of cash that can be paid to the parent company. These non-consolidated and condensed financial statements, as prepared under Canadian GAAP, are shown below.

Non-consolidated and condensed statements of income

	2010	2009	2008
Revenues			
Management fees	**$ 58.9**	$ 48.4	$ 46.4
Other	**9.6**	8.7	–
	68.5	57.1	46.4
General and administrative expenses	**71.5**	60.5	43.1
Amortization	**1.8**	2.2	0.5
Financial expenses	**114.5**	124.3	137.0
Loss on debt refinancing	**10.4**	–	–
Loss (gain) on disposal of investments and other assets	**0.1**	0.3	(0.4)
(Gain) loss on valuation and translation of financial instruments	**(22.7)**	(18.3)	8.8
Loss before income taxes	**(107.1)**	(111.9)	(142.6)
Income taxes	**4.9**	20.2	81.7
	(112.0)	(132.1)	(224.3)
Equity income (loss) from subsidiaries	**592.7**	657.2	(154.4)
Net income (loss)	**$ 480.7**	$ 525.1	$ (378.7)

Non-consolidated and condensed statements of comprehensive income

	2010	2009	2008
Net income (loss)	**$ 480.7**	$ 525.1	$ (378.7)
Other comprehensive income (loss)	**25.0**	26.9	(40.8)
Share of other comprehensive income (loss) from subsidiaries	**18.3**	3.2	(18.8)
	43.3	30.1	(59.6)
Comprehensive income (loss)	**$ 524.0**	$ 555.2	$ (438.3)

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
(tabular amounts in millions of Canadian dollars, except for option data)

27. NON-CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY (continued)

Non-consolidated and condensed statements of cash flows

	2010	2009	2008
Cash flows related to operations			
Net income (loss)	**$ 480.7**	$ 525.1	$ (378.7)
Amortization of plant, property and equipment	**1.8**	2.2	0.5
(Gain) loss on valuation and translation of financial instruments	**(22.7)**	(18.3)	8.8
Loss (gain) on disposal of investments and other assets	**0.1**	0.3	(0.4)
Amortization of financing costs and long-term debt discount	**7.1**	6.5	6.1
Loss on debt refinancing	**10.4**	–	–
Future income taxes	**4.9**	20.2	81.7
Excess of equity (income) loss on dividends from subsidiaries	**(16.8)**	(332.1)	445.1
Net change in non-cash balances related to operations	**13.0**	(25.8)	(24.5)
Cash flows provided by operations	**478.5**	178.1	138.6
Cash flows related to investing activities			
Net acquisitions of investments in subsidiaries	**(102.5)**	(43.5)	(126.3)
Reduction to paid-up capital of subsidiaries	**–**	–	120.0
Disposal of a business to a subsidiary	**–**	–	0.4
Other	**(2.3)**	1.6	(1.5)
Cash flows used in investing activities	**(104.8)**	(41.9)	(7.4)
Sub-total, balance carried forward	**$ 373.7**	$ 136.2	$ 131.2

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
(tabular amounts in millions of Canadian dollars, except for option data)

27. NON-CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY (continued)

Non-consolidated and condensed statements of cash flows (continued)

	2010	2009	2008
Sub-total, balance brought forward	**$ 373.7**	$ 136.2	$ 131.2
Cash flows related to financing activities			
Proceeds from issuance of redeemable preferred shares	**1,300.0**	190.0	1,100.0
Repurchases of redeemable preferred shares	**(930.0)**	(985.0)	(1,710.0)
Net change in bank indebtedness	**–**	(2.5)	0.7
Net change under revolving facility	**–**	(4.0)	4.0
Repayment of long-term debt	**(244.3)**	(36.0)	(25.2)
Settlement of hedging contracts	**(30.9)**	–	–
Issuance of long-term debt, net of financing fees	**–**	–	16.3
Dividends and reduction of Common Shares paid-up capital	**(87.5)**	(75.0)	(65.0)
Net change in subordinated loans from subsidiaries	**(1,128.0)**	1,262.0	–
Net change in convertible obligations, subordinated loans and notes receivable—subsidiaries	**715.6**	(450.4)	516.6
Net change in advances to or from subsidiaries	**20.2**	(15.9)	31.2
Cash flows used in financing activities	**(384.9)**	(116.8)	(131.4)
Net change in cash and cash equivalents	**(11.2)**	19.4	(0.2)
Cash and cash equivalents at beginning of year	**19.4**	–	0.2
Cash and cash equivalents at end of year	**$ 8.2**	$ 19.4	$ –

Non-consolidated and condensed balance sheets

	2010	2009
Assets		
Current assets	**$ 47.2**	$ 74.8
Investments in subsidiaries	**4,121.3**	3,984.7
Convertible obligations, subordinated loans and notes receivable—subsidiaries	**2,056.8**	2,772.4
Other assets	**38.2**	56.5
	$ 6,263.5	$ 6,888.4

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2010, 2009 and 2008
(tabular amounts in millions of Canadian dollars, except for option data)

27. NON-CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY (continued)

Non-consolidated and condensed balance sheets (continued)

	2010	2009
Liabilities and shareholders' equity		
Current liabilities	**$ 78.7**	$ 124.3
Long-term debt	**1,367.3**	1,649.7
Advances from subsidiaries	**66.5**	46.3
Other liabilities	**118.8**	115.3
Subordinated loan from subsidiaries	**134.0**	1,262.0
Redeemable preferred shares issued to subsidiaries	**1,630.0**	1,260.0
Shareholders' equity	**2,868.2**	2,430.8
	$ 6,263.5	$ 6,888.4

28. SUBSEQUENT EVENTS

On January 5, 2011, Quebecor Media issued $325.0 million in aggregate principal amount of Senior Notes for net proceeds of $319.2 million, net of financing fees of $5.8 million. The Senior Notes bear interest at 7.375%, payable every six months on June 15 and December 15, and will mature on January 15, 2021. These notes contain certain restrictions on Quebecor Media, including limitations on its ability to incur additional indebtedness, pay dividends or make other distributions, and are unsecured. These notes are redeemable at the option of the Company, in whole or in part, at any time prior to January 15, 2016 at a price based on a make-whole formula and at a decreasing premium from January 15, 2016 and thereon.

On February 15, 2011, Sun Media Corporation paid an amount of $202.8 million for the redemption and retirement of all of its 7.625% Senior Notes of an aggregate principal amount of US$205.0 million and settled its related hedging contracts for an amount of $105.4 million, representing a total cash consideration of $308.2 million. This transaction resulted in a total loss of $9.4 million (before income taxes).

On March 1, 2011, Quebecor Media announced that it has entered into an agreement with Québec City under which the Company obtained the management and naming rights for a 25 year period related to the arena to be constructed in Québec City. The agreement includes, among other terms, a commitment from Quebecor Media to pay $33.0 million in 2015 for the naming rights to the site of the future facility, a lease for an initial period of 25 years with annual rental payments of approximately $3.0 million, as well as other conditions. The financial commitment from the Company could potentially increase in the event that an agreement to operate a National Hockey League franchise occurs in the future.

Exhibit 2.6

QUEBECOR MEDIA INC.

$325,000,000

7 3/8% SENIOR NOTES DUE JANUARY 15, 2021

INDENTURE

Dated as of January 5, 2011

COMPUTERSHARE TRUST COMPANY OF CANADA
as Trustee

This INDENTURE, dated as of January 5, 2011, is by and between QUEBECOR MEDIA INC., a company incorporated under the laws of the Province of Québec (the "*Company*"), and COMPUTERSHARE TRUST COMPANY OF CANADA, as trustee (the "*Trustee*").

The Company and the Trustee agree as follows for the equal and ratable benefit of the Holders of the 7 3/8% Senior Notes due January 15, 2021 (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 pursuant to a resolution of the Board of Directors of the Company 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 of the Company or any of its Restricted Subsidiaries; *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$10.0 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 the Company or any of its Restricted Subsidiaries to the Company or another of its Restricted Subsidiaries;

(4) the sale, lease, conveyance or other disposition of equipment, inventory or other assets in the ordinary course of business;

(5) the sale or other disposition of cash or Cash Equivalents;

(6) 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;

(7) any transfer of accounts receivable, or a fractional undivided interest therein, by an Accounts Receivable Entity in a Qualified Receivables Transaction;

(8) any Tax Benefit Transaction;

(9) the issuance of Equity Interests of any Public Subsidiary pursuant to any equity compensation plan approved in accordance with the rules and regulations of the primary stock exchange or quotation system on which the Capital Stock of such Public Subsidiary is listed or quoted; *provided*, *however*, that the aggregate Fair Market Value for all such issued Equity Interests shall not exceed US$5.0 million in any twelve-month period;

(10) 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; and

(11) a Restricted Payment or Permitted Investment that is permitted by Section 4.10 hereof.

"*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 Quebecor Media Entity, executes or has executed a subordination agreement in favor of the Holders in substantially the form attached hereto as Exhibit E.

"*Back-to-Back Preferred Shares*" means Preferred Shares issued:

(1) to a Quebecor Media Entity by an Affiliate of the Company (other than a Quebecor Media Entity) in circumstances where, immediately prior to or after, as the case may be, the issuance of such Preferred Shares, an Affiliate of such Quebecor Media Entity (other than a Quebecor Media Entity) has loaned on an unsecured basis to such Quebecor Media Entity, or an Affiliate of such Quebecor Media Entity (other than a Quebecor Media Entity) has subscribed for Preferred Shares of such Quebecor Media Entity in, an amount equal to the requisite subscription price for such Preferred Shares;

(2) by a Quebecor Media Entity to one of its Affiliates (other than a Quebecor Media Entity) in circumstances where, immediately prior to or after, as the case may be, the issuance of such Preferred

Shares, such Quebecor Media Entity has loaned an amount equal to the proceeds of such issuance to an Affiliate (other than a Quebecor Media Entity) on an unsecured basis; or

(3) by a Quebecor Media Entity to one of its Affiliates (other than a Quebecor Media Entity) in circumstances where, immediately prior to or after, as the case may be, the issuance of such Preferred Shares, such Quebecor Media Entity has used the proceeds of such issuance to subscribe for Preferred Shares issued by an Affiliate (other than a Quebecor Media Entity);

in each case on terms whereby:

(i) the aggregate redemption amount applicable to the Preferred Shares issued to or by such Quebecor Media 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 Quebecor Media 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 Quebecor Media 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 Quebecor Media 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 Quebecor Media 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 of the Company as set forth in clauses (1), (2) and (3) above, each holder of such Preferred Shares under such Back-to-Back Transaction, other than such Restricted Subsidiary, executes or has executed a subordination agreement in favor of the Holders in substantially the form attached hereto as Exhibit E.

"*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 of the Company (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 January 15, 2016 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 11h00 (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 January 15, 2016 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.

"*Canada Yield Price*" means the price for the Notes, as determined by an independent investment dealer selected by the Company and acceptable to the Trustee, acting reasonably, as of the Business Day immediately preceding the day on which the notice of redemption for prepayment is given, equal to the sum of the present values of (1) the redemption price of such Notes at January 15, 2016 (such redemption price being described under Section 3.07) plus (2) the scheduled payments of interest on the Notes remaining between the date of redemption and January 15, 2016 (not including any portion of the scheduled payments of interest accrued as of the relevant redemption date) discounted to the relevant redemption date on a semi-annual basis (assuming a 365-day year) at the discount rate equal to the sum of the Canada Bond Yield for such Notes and the Canada Yield Spread.

"*Canada Yield Spread*" means 1.00% (or 100 basis points) per annum.

"*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 Rule 903 under the 1933 Act.

"*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.

"*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 (including cash received when non-cash proceeds have been converted into cash) received by the Company after January 17, 2006:

(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$250.0 million;

(4) repurchase obligations with a term of not more than 60 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, at least a "P-1" rating from Moody's Investors Service, Inc. or at least an "A-1" rating 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, 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.

"*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.

"Commodity Price Agreement" means any commodity swap agreements, commodity option agreements, forward contracts and other agreements or arrangements entered into for the purpose of fixing, hedging or swapping commodity price risk.

"Company" means Quebecor Media Inc. 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, 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; plus

(4) solely for the purpose of determining the amount of Indebtedness that may be Incurred under Section 4.09(a), the amount of income or losses attributable to a non-controlling interest in a non-Wholly Owned Restricted Subsidiary, which was deducted and not added back in calculating Consolidated Net Income of such Person; minus

(5) any interest and other payments made to Persons other than any Quebecor Media 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

(6) 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.

"*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 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) solely for the purpose of determining the amount available for Restricted Payments under Section 4.10(a)(3)(a), 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 (or 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 any of its Restricted Subsidiaries (other than in each case Disqualified Stock of the Company).

"*Corporate Trust Office of the Trustee*" shall be at the address of the Trustee specified in Section 11.01 hereof, or such other address as to which the Trustee may give notice to the Company.

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

"*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 any foreign exchange contract, currency swap agreement, currency option or other similar agreement or arrangement entered into for the purpose of protecting against fluctuations in currency exchange rates with any commercial bank or other financial institutions having capital and surplus in excess of US$250.0 million at the time the Currency Exchange Protection Agreement is entered into.

"*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 as of such Determination Date to (b) (i) the Consolidated Cash Flow of the Company's telecommunications segment as reported in its consolidated financial statements (the "*Telecommunications Business*") for the most recently ended fiscal quarter ending immediately prior to such Determination Date for which internal financial statements are available multiplied by four, *provided*, that if (A) in such fiscal quarter the Consolidated Cash Flow of the Telecommunications Business was reduced by a cash restructuring expense and (B) no similar restructuring expense or other non-recurring cash expense was incurred by the Telecommunications Business in the three fiscal quarters prior to such fiscal quarter, for the purpose of calculating the Consolidated Cash Flow of the Telecommunications Business, such cash restructuring charge shall not be multiplied by four; *plus* (ii) the Consolidated Cash Flow of the Company, excluding the Telecommunications Business, for the most recently ended four fiscal quarters ending immediately prior to such Determination Date for which internal financial statements are available (each of the periods referenced to in clauses (i) and (ii), a "Measurement Period"), determined on a *pro forma* basis after giving effect to all acquisitions or dispositions of assets made by the Company and its Restricted Subsidiaries from the beginning of the applicable Measurement Period through and including such Determination Date (including any related financing transactions) as if such acquisitions and dispositions had occurred at the beginning of the applicable Measurement Period. 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 of its Restricted Subsidiaries 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 had been 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.

"*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).

"*Equity Offering*" means an offering by the Company of Equity Interests (other than Disqualified Stock or Back-to-Back Securities) of the Company however designated and whether voting or non-voting or an equity contribution by a direct or indirect parent company to the common equity of the Company.

"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 in existence on January 17, 2006, until such amounts are repaid.

"*Existing Notes*" means, collectively, the Company's issued and outstanding 7 3/4% Senior Notes due March 15, 2016 initially issued on January 17, 2006 and the Company's issued and outstanding 7 3/4% Senior Notes due March 15, 2016 initially issued on October 5, 2007.

"*Fair Market Value*" means, with respect to any assets (including securities), the price that could be negotiated in an arm's-length transaction, for cash, between a willing seller and willing buyer, neither of whom is under undue pressure or compulsion to complete the transaction; *provided, however*, that if such assets have a Fair Market Value in excess of US$75.0 million, Fair Market Value shall be determined by the Board of Directors of the Company, as set forth in a resolution, based upon (i) approval by a majority of the disinterested members of the Board of Directors or (ii) an opinion or appraisal issued by an accounting, appraisal or investment banking firm of national standing in the United States or Canada; *provided*, *further*, that no such resolution, approval or opinion shall be required in connection with any Back-to-Back Transaction.

"*GAAP*" means generally accepted accounting principles, consistently applied, as in effect in Canada from time to time, including, for the avoidance of doubt, IFRS as from its implementation in Canada as of January 1, 2011.

"*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, Currency Exchange Protection Agreement or Commodity Price Agreement.

"*Holder*" means a Person in whose name a Note is registered, unless otherwise specified in this Indenture or such Note.

"*IFRS*" means the International Financial Reporting Standards (formerly known as the International Accounting Standards), as set and promoted by the International Accounting Standards Board (formerly known as the International Accounting Standards Committee) and implemented in Canada through the Accounting Recommendations in the *Handbook of the Canadian Institute of Chartered Accountants*.

"*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 the face of 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 Shares which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock or Preferred Shares as if such Disqualified Stock or Preferred Shares 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 Shares, such fair market value shall be determined in good faith by the Board of Directors of the issuer of such Disqualified Stock or Preferred Shares. The term *"Indebtedness"* shall 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 $325,000,000 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 any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement or other similar agreement or arrangement entered into for the purpose of protecting against fluctuations in interest rates with any commercial bank or other financial institution having capital and surplus in excess of US$250.0 million at the time the Interest Rate Agreement is entered into.

"*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 January 5, 2011.

"*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.

"*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 US$10.0 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 Debt*" means Indebtedness:

(1) as to which neither the Company nor any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) other than a pledge of the Equity Interests of an Unrestricted Subsidiary, (b) is directly or indirectly liable as a guarantor or otherwise other than by virtue of a pledge of the Equity Interests of an Unrestricted Subsidiary 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 other than set forth in clause (1) above.

"*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 Subsidiaries on January 17, 2006, or anything related or ancillary thereto.

"*Permitted Holders*" means one or more of the following persons or entities:

(1) Quebecor Inc.;

(2) any issue of the late Pierre Péladeau;

(3) any trust having as its sole beneficiaries one or more of the persons or entities listed in clause (2) above, in this clause (3) or in clause (4) below;

(4) any corporation, partnership or other entity controlled, directly or indirectly, by one or more of the persons or entities referred to in clause (2) or (3) above or in this clause (4); and

(5) Caisse de dépôt et placement du Québec, or any corporation, partnership or other entity controlled, directly or indirectly, by Caisse de dépôt et placement du Québec.

"*Permitted Investments*" means:

(1) any Investment in the Company or in a Restricted Subsidiary of the Company;

(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:

(a) such Person becomes a Restricted Subsidiary;

(b) 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

(c) such Person, which was formed solely for the 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) any Investment made in connection with Hedging Obligations entered into in the ordinary course of business of the Company or any of its Restricted Subsidiaries 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, foreign currency exchange rates or 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 its 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 in connection with Back-to-Back Transactions;

(9) any Investment existing on January 17, 2006, and any Investment that is an extension, modification, renewal or reinvestment of such existing Investment, *provided*, that, the Fair Market Value of the new Investment does not exceed the Fair Market Value of the existing Investment at the time it is extended, modified, renewed or reinvested;

(10) 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;

(11) Investments in joint ventures engaged in a Permitted Business not to exceed US$100.0 million.

(12) other Investments in any Person 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 since January 17, 2006 pursuant to this clause (12), not to exceed US$150.0 million in the aggregate outstanding at any one time.

"*Permitted Liens*" means:

(1) Liens on the assets of the Company securing Indebtedness and other Obligations of the Company under Credit Facilities, which Indebtedness was permitted to be Incurred pursuant to Section 4.09(b)(1) hereof;

(2) Liens in favor of the Company;

(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, *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;

(4) Liens on property existing at the time of acquisition thereof by the Company, *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(b)(4) hereof covering only the assets acquired with such Indebtedness;

(7) Liens existing on January 17, 2006;

(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 Liens of a similar nature incurred in the ordinary course of business (including, without limitation, mechanics', landlords' or workmen's compensation Liens and Liens in respect of insurance or benefits and other similar Liens), in each case 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) Liens on Capital Stock of any Unrestricted Subsidiary;

(21) any extensions, substitutions, replacements or renewals of the foregoing clauses (2) through (20); and

(22) Liens incurred in the ordinary course of business of the Company 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 of its Restricted Subsidiaries (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, 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, such Permitted Refinancing Indebtedness is *pari passu* with, or subordinated in right of payment to, the Notes; and

(5) such Indebtedness is Incurred either by the Company 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.

"*Public Subsidiary*" means any of the Company's Restricted Subsidiaries that (1) is required to file reports pursuant to the Securities Act (Ontario) and/or is required to file reports pursuant to Section 13 of the Exchange Act and (2) has Capital Stock listed or quoted on the Toronto Stock Exchange, the New York Stock Exchange or the NASDAQ National Market.

"*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 as defined in Rule 144A.

"*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 Entity*" means any of the Company or any of its Restricted Subsidiaries.

"*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).

"*Replacement Assets*" means (1) non-current assets that will be used or useful in a Permitted Business; (2) if the Net Proceeds are from the sale of assets of the Company or any of its Restricted Subsidiaries or the Equity Interests of any of its Restricted Subsidiaries, substantially all the assets of a Permitted Business or a majority of the Voting Stock of any Person engaged in a Permitted Business that will become on the date of acquisition thereof a Restricted Subsidiary; or (3) if the Net Proceeds are from the sale of assets or Equity Interests of a Person other than the Company or any of its Restricted Subsidiaries, the assets of a Permitted Business or the Voting Stock of any Person engaged in a Permitted Business.

"*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 Note*" 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 (a) payable in Equity Interests (other than Disqualified Stock or Back-to-Back Securities) of the Company or (b) 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 Subordinated Indebtedness of the Company, except, in the case of Subordinated Indebtedness (other than Back-to-Back Securities), 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 Subordinated Indebtedness; or

(4) any Restricted Investment.

"*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.

"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 is in effect on the Issue Date.

"*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.

"*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 of its Restricted Subsidiaries (whether outstanding on the Issue Date or thereafter Incurred) that is, by its terms, expressly subordinate or junior in right of payment to the Notes.

"*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).

"*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 Quebecor Media Entity and Quebecor Inc. or any of its Affiliates, the primary purpose of which is to create tax benefits for any Quebecor Media Entity or for Quebecor Inc. or any of its Affiliates; *provided*, *however*, that not later than the date of any such transaction (1) if the Tax Benefit Transaction includes net consideration payable thereunder in excess of $10.0 million (or $25.0 million when aggregated with all other Tax Benefit Transactions in any 12-month period), the Quebecor Media Entity involved in the transaction obtains, or has obtained in connection with a previous similar Tax Benefit Transaction, 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 Quebecor Media Entity; (2) if the Tax Benefit Transaction includes net consideration payable thereunder in excess of $10.0 million (or $25.0 million when aggregated with all other Tax Benefit Transactions in any 12-month period), the Company delivers to the trustee a resolution of the Board of Directors of the Company to the effect the transaction will not prejudice the Holders, which resolution shall be based upon (a) approval by a majority of the disinterested members of such Board of Directors or (b) an opinion as to the fairness to such Quebecor Media Entity 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 or Canada; (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 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 will be in default under this Indenture if such transaction does not comply with the preceding requirements or is not otherwise unwound within 45 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 was designated after January 17, 2006 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.

"*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(a)(3)
"Affiliate Transaction"	4.14(a)
"Asset Sale Offer"	4.12(e)
"Authentication Order"	2.02(d)
"Base Currency"	11.10(a)
"Change of Control Offer"	4.18(a)
"Change of Control Amount"	4.18(a)
"Covenant Defeasance"	8.03
"Event of Default"	6.01
"Excess Proceeds"	4.12(d)

Term	Defined in Section
"Excluded Holder"	4.20(b)
"First Currency"	11.11
"indenture legislation"	11.15
"judgment currency"	11.10(a)
"Legal Defeasance"	8.02
"losses"	7.06
"Offer Amount"	3.09(b)(ii)
"Offer Period"	3.09(c)
"Offer to Purchase"	3.09(a)
"Participants List"	2.01(e)
"Paying Agent"	2.03(a)
"Payment Default"	6.01(v)(a)
"Permitted Debt"	4.09(b)
"Privacy Laws"	11.12
"Proxy Material"	12.07(b)
"Purchase Date"	3.09(c)
"rate(s) of exchange"	11.10(d)
"Registrar"	2.03(a)
"Required Number"	12.07(b)
"Security Register"	2.03(a)
"Surviving Company"	5.01(a)(1)

Section 1.03. **Rules of Construction**.

(a) 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**

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 12. 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 12.06.

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.

The holding of Notes shall be proved by the Security Register.

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 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, 10.01, 10.02 and 10.03 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, 10.01, 10.02 and 10.03 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, 10.01, 10.02 and 10.03 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(a) 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 thereof. The terms and provisions contained in the Notes shall constitute a part of this Indenture, and the Company 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 10.03 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.

(e) 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.

(f) 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 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. The Paying Agent, except if the Paying Agent is the Company or a Subsidiary, shall not be liable for interest on any money received or held by it hereunder, and, if the Paying Agent is other than the Company or a Subsidiary, moneys held in trust by the Paying Agent need not be segregated except as required by law. Upon any Event of Default under Sections 6.01(viii) and (ix) 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 delivers to the Trustee a notice from the Depositary to the effect that the Depositary is no longer willing, able or qualified to properly discharge its responsibilities as depositary with respect to the Notes and a successor Depositary is not appointed by the Company within 120 days after the date of such notice from the Depositary, or (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. Upon the occurrence of any of the preceding events in clauses (1), (2), (3), (4) or (5) 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 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 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;

(C) 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 securities laws 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;

(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. 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.

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 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; or

(C) 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;

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 securities laws in Canada, 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 SECURITY HAS 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 OFFERED, 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 ACCEPTANCE HEREOF AGREES 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 QUEBECOR MEDIA INC. ("QUEBECOR MEDIA") OR ANY AFFILIATE OF QUEBECOR MEDIA WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY), ONLY (A) TO QUEBECOR MEDIA 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 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 IN A MINIMUM PRINCIPAL AMOUNT OF THE SECURITIES OF $250,000 PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE 1933 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, SUBJECT TO QUEBECOR MEDIA'S AND THE TRUSTEE'S RIGHT (I) PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER 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"):

(C) "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) JANUARY 5, 2011, AND (II) THE DATE THAT THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY."

(D) 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 THE COMPANY OR THE TRUSTEE 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) 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.

(vi) If applicable, the Trustee is hereby authorized to enter into a letter of representation with the Depositary in the form provided by the Company and to act in accordance with such letter.

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**.

(a) 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(c) hereof.

(b) 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.

(c) 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.

(d) 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:

(a) the aggregate principal amount of such Additional Notes to be authenticated and delivered pursuant to this Indenture;

(b) 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 if such issuance of Additional Notes would not constitute a "qualified reopening" within the meaning of Treasury Regulation Section 1.1275-2(k) under the Code; and

(c) 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 45 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 30 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, 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 30 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:

(a) the redemption date;

(b) the redemption price or if the redemption is made pursuant to Section 3.07(b) hereof a calculation of the redemption price;

(c) 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;

(d) the name and address of the Paying Agent;

(e) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(f) 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;

(g) the applicable section of this Indenture pursuant to which the Notes called for redemption are being redeemed; and

(h) 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 45 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, 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(d) 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.**

(a) Except as set forth in clauses (b) to (d) of this Section 3.07, the Notes shall not be redeemable at the option of the Company prior to January 15, 2016. Beginning on January 15, 2016, the Company may redeem all or a part of the Notes, at once or over time, in accordance with Section 3.03 hereof, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest thereon on the Notes redeemed, to the applicable 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), if redeemed during the twelve-month period commencing on January 15 of the years indicated below:

Redemption Year	Percentage
2016	103.688%
2017	102.458%
2018	101.229%
2019 and thereafter	100.000%

(b) At any time and from time to time prior to January 15, 2014, the Company may on one or more occasions redeem up to 35% of the aggregate principal amount of the Notes issued under this Indenture at a redemption price (expressed as a percentage of principal amount) equal to 107.375% of the principal amount thereof, plus accrued and unpaid interest thereon to 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) with the net cash proceeds of one or more Equity Offerings; *provided, however*, that (i) at least 65% of the aggregate principal amount of the Notes issued under this Indenture (excluding Notes held by the Company and its Subsidiaries) remain outstanding immediately following such redemption and (ii) any such redemption shall be made within 90 days of the date of closing of any such Equity Offering.

(c) 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 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(c).

(d) Prior to January 15, 2016, the Company may redeem the Notes, in whole or in part, at the make-whole price which is equal to the greater of (a) the Canada Yield Price and (b) 101% of the aggregate principal amount of Notes redeemed, plus, in each case, accrued and unpaid interest to and including the redemption date.

(e) 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.**

(a) 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.

(b) 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 has occurred, the transaction or transactions that constitute the Change of Control, 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 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 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.

(c) The Offer to Purchase shall remain open for a period of at least 30 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.

(d) 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.

(e) 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. 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.

(f) 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.

(g) 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.

(h) 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 any 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 in that period. In addition, in the case of the first interest period (from the Issue Date until the first interest payment date, which is June 15, 2011), interest will be calculated on the basis of the actual number of days elapsed from the Issue Date to (but excluding) June 15, 2011 divided by 365.

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**.

(a) 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 hereby initially designates the office of the Trustee at 1500 University Street, 7th Floor, Montreal, Québec H3A 3S8 as such an office or agency. 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.

(b) 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.

(c) 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**.

(a) For so long as the Company is required, pursuant to any of the respective indentures governing any outstanding series of the Existing Notes, to file reports with the Commission, the Company shall (for so long as any Notes remain outstanding) file with the Commission and furnish to the Holders of the Notes and the Trustee:

(1) 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

(2) 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 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 IDEA (f/k/a EDGAR) database (or successor database thereto), posts such report on its public website or furnishes such report to the Trustee.

(b) 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 such reports with the Commission and no longer does so, the Company shall instead furnish to the Holders of the Notes and the Trustee:

(1) within 120 days after the end of each fiscal year, annual audited financial statements; and

(2) 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.

(c) For so long as any Notes remain outstanding, the Company shall furnish to a Holder, and any prospective purchaser of the Notes designated by the Holder, upon the Holder's request, the information required to be delivered pursuant to Rule 144A(d)(4) under the 1933 Act.

(d) 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 disclosure, 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**.

(a) 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, 2011, 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.

(b) 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. **[Reserved.]**

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, in accordance with the organizational documents (as the same may be amended from time to time) of the Company and (ii) the rights (charter and statutory), licenses and franchises of the Company.

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**.

(a) 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 its Restricted Subsidiaries 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 applicable Measurement Period, would have been no greater than 6.0 to 1.0.

(b) Paragraph (a) of this Section 4.09 shall not prohibit the Incurrence of any of the following items of Indebtedness or issuances of Preferred Shares (each such item being referred to herein as "*Permitted Debt*"):

(1) the Incurrence by the Company of Indebtedness and letters of credit under one or more Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (1) (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of the Company thereunder) not to exceed an aggregate of $1.75 billion, *less* the aggregate amount of all Net Proceeds of Asset Sales applied by the Company since the Issue Date 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;

(2) the Incurrence by the Company and the Restricted Subsidiaries of Existing Indebtedness;

(3) the Incurrence by the Company of Indebtedness represented by the Initial Notes;

(4) the Incurrence by the Company or any of its Restricted Subsidiaries 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 Restricted Subsidiaries, in an aggregate principal amount, including all Permitted Refinancing Indebtedness Incurred to refund, refinance or replace any Indebtedness Incurred pursuant to this clause (4), not to exceed US$200.0 million at any time outstanding;

(5) the Incurrence by the Company or any of its Restricted Subsidiaries 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 (a) or clauses (b)(2), (b)(3) and (b)(4) of this Section 4.09;

(6) the Incurrence by the Company or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Company and any Restricted Subsidiary; *provided, however,* that:

(i) if the Company 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, and

(ii) (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 (6);

(7) the issuance by the Company of Disqualified Stock or the issuance 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 (7);

(8) 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:

(i) 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

(ii) 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;

(9) the guarantee by the Company or any of its Restricted Subsidiaries of Indebtedness of the Company or a Restricted Subsidiary that was permitted to be Incurred by another provision of this Section 4.09;

(10) the Incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness in relation with 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;

(11) the Incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness owed to any Person under or in connection with any worker's compensation, health, disability, employee benefits or equity compensation plan or property, casualty or liability insurance provided by such Person to the Company or its Restricted Subsidiaries pursuant to reimbursement or indemnification obligations to such Person, in each case incurred in the ordinary course of business;

(12) 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;

(13) Non-Recourse Accounts Receivable Entity Indebtedness incurred by any Accounts Receivable Entity in a Qualified Receivables Transaction;

(14) the Incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness, the issuance by the Company of Disqualified Stock or the issuance by any of the Company's Restricted Subsidiaries of Preferred Shares in an aggregate principal amount at any time outstanding not to exceed US$150.0 million; and

(15) the issuance of Indebtedness, Preferred Shares or Disqualified Stock in connection with a Tax Benefit Transaction.

(c) 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 or 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.

(d) The Company shall not Incur any Indebtedness, including Permitted Debt, that is contractually subordinated in right of payment to any other Indebtedness of the Company, unless such Indebtedness is also contractually subordinated in right of payment to the Notes, on substantially identical terms; *provided, however*, that no Indebtedness of the Company shall be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Company, solely by virtue of collateral or lack thereof.

(e) 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.

(f) 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 (b)(1) through (15) above, or is entitled to be Incurred pursuant to paragraph (a) 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 (1) of paragraph (b) 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(a) 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 January 17, 2006, excluding Restricted Payments made pursuant to clauses (2), (3), (4), (6), (7), (8), (9), (10) and (11) of paragraph (b) below, shall not exceed, at the date of determination, the sum, without duplication, of:

  (a) an amount equal to the Company's Consolidated Cash Flow from January 1, 2006 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 January 1, 2006 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

(b) an amount equal to 100% of Capital Stock Sale Proceeds, less any such Capital Stock Sale Proceeds used in connection with:

(i) an Investment made pursuant to clause (6) of the definition of "Permitted Investments;" or

(ii) an Incurrence of Indebtedness pursuant to Section 4.09(b)(8) hereof; plus

(c) to the extent that any Restricted Investment that was made after January 17, 2006 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

(d) to the extent that the Board of Directors of the Company designates any Unrestricted Subsidiary that was designated as such after January 17, 2006 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; plus

(e) $215.0 million.

(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 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)(b) 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 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 the Company's stock option plans; *provided, however,* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests shall not exceed the sum of (a) US$5.0 million in any fiscal year (with unused amounts in any fiscal year being permitted to be carried over to succeeding fiscal years) and (b) the Company's liability under the Company's stock option plans as of January 17, 2006;

(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 Quebecor Media 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, management fees or similar expenses payable to shareholders of the Company in an aggregate amount not to exceed US$2.0 million in any calendar year;

(9) (a) the payment of any dividend pursuant to the terms of Disqualified Stock of the Company or Preferred Shares of any of its Restricted Subsidiaries, provided, that such dividend is included in the Company's Consolidated Interest Expense; and (b) the payment of principal at or within one year of the Stated Maturity of Disqualified Stock of the Company or Preferred Shares of any of its Restricted Subsidiaries, *provided*, that such Disqualified Stock or Preferred Shares was incurred or permitted to be incurred pursuant to the covenant contained in Section 4.09;

(10) the repurchase by any of the Company's non-Wholly Owned Restricted Subsidiaries of its previously issued and outstanding Equity Interests for consideration equal to the Fair Market Value of the repurchased Equity Interests;

(11) so long as no Default has occurred and is continuing or would be caused thereby, other Restricted Payments in an aggregate amount not to exceed US$100.0 million; and

(12) 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 5.5 to 1.0 (calculated on a *pro forma* basis as if such payment, including any related financing transaction, had occurred at the beginning of the applicable Measurement Period), the purchase, redemption or other acquisition or retirement for value, of Equity Interests of the Company held by Caisse de dépôt et placement du Québec or any of its Affiliates.

(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 Affiliate of the Company ceases to be the obligor under or issuer of any Back-to-Back Securities and a Person other than an Affiliate of the Company 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, directly or indirectly, create, incur, assume or suffer to exist or become effective any Lien of any kind on any asset owned at the Issue Date or thereafter acquired, except Permitted Liens, unless the Company has made or will make effective provision to secure the Notes equally and ratably with the obligations of the Company 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, Cash Equivalents, Replacement Assets or a combination thereof. For purposes of this clause (3), each of the following shall be deemed to be cash:

(a) 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 subordinated to the Notes), 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

(b) any securities, notes or other obligations received by the Company or any such Restricted Subsidiary from such transferee that are converted within 90 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) **[Reserved]**.

(c) Within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Company or any of its Restricted Subsidiaries may apply those Net Proceeds at its option:

(1) (a) to permanently repay or reduce Indebtedness, other than Subordinated Indebtedness, of the Company and, if the Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto; or (b) to permanently repay or reduce Indebtedness of any of the Company's Restricted Subsidiaries;

(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 365-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 a Subsidiary 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 365-day period; and *provided, further, however*, that (a) if the Net Proceeds are from the sale of assets of the Company or any of its Restricted Subsidiaries or the Equity Interests of any of its Restricted Subsidiaries, 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;

(4) to acquire, or enter into a binding agreement to acquire, previously issued and outstanding Voting Stock of a non-Wholly Owned Restricted Subsidiary of the Company (a) from a Person that is not an Affiliate of the Company or (b) in a brokered transaction through the facilities of a stock exchange; *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 365-day period;

(5) to make capital expenditures; or

(6) 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 365-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.

(d) Any Net Proceeds from Asset Sales that are not applied or invested as provided in paragraph (c) above shall constitute "Excess Proceeds."

(e) When the aggregate amount of Excess Proceeds exceeds $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 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 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 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 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 be deemed not 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 January 17, 2006 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 not materially 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 January 17, 2006; *provided, further, however*, that if such Existing Indebtedness or Credit Facility could not be amended, modified, restated, renewed, increased, supplemented, refunded, replaced or refinanced on commercially reasonable terms without the inclusion of dividend and other payment restrictions that are materially more restrictive than those contained in such Existing Indebtedness or Credit Facility (as determined in good faith by the Board of Directors of the Company), the Company or its Restricted Subsidiary may amend, modify, restate, renew, increase, supplement, refund, replace or refinance such Existing Indebtedness or Credit Facility, 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);

(2) this Indenture and the Notes;

(3) applicable law or any applicable rule, regulation or order, or under the terms of any permit or license issued under 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 or other agreements that restrict the assignment of such agreements or rights or non-cash assets thereunder, including, without

limitation, customary restrictions imposed on the transfer of intellectual property, in each case entered into in the ordinary course of business;

(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 the dividend and other payment restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially 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 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 asset sale agreements, stock sale agreements and other similar agreements entered into in the ordinary course of business;

(11) customary provisions in joint venture agreements, shareholders' agreements and other similar agreements entered into in the ordinary course of business;

(12) customary restrictions imposed by customers under contracts entered into in the ordinary course of business;

(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; and

(14) 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).

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) the Company delivers to the Trustee with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$75.0 million:

(i) a Board Resolution of the Company set forth in an Officers' Certificate stating that 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; or

(ii) an opinion as to the fairness to the Company or such Restricted Subsidiary of such Affiliate Transaction or series of related Affiliate Transactions from a financial point of view issued by an independent accounting, appraisal or investment banking firm of national standing in the United States or Canada.

(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) payments pursuant to any employment agreement, collective bargaining agreement, employee benefit plan or other compensation, indemnity, incentive or similar arrangement entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business, which represent customary and reasonable consideration (as determined in good faith by the Board of Directors of the Company);

(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 January 17, 2006 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 January 17, 2006;

(7) Restricted Payments that are permitted by the provisions of Section 4.10 hereof;

(8) Permitted Investments;

(9) Transactions effected as part of a Qualified Receivables Transaction; and

(10) any Tax Benefit 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) 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.

(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 applicable Measurement Period; (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 (in the event that the Notes have reached Investment Grade Status and the provisions of Section 4.10 hereof have therefore ceased to apply, any calculation required to be effected under this clause (ii) shall be effected as if such provisions had been applicable at all times since the Issue Date); and (iii) 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**.

(a) Upon the occurrence of a Change of Control, the Company shall, within 30 days of a Change of Control, 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 in whole or in part (equal to $1,000 or an integral multiple of $1,000) 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 the purchase date.

(b) The Company shall not be required to make a Change of Control Offer upon a Change of Control 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. **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) and Section 5.01(a)(4), and such covenants, terms and provisions shall cease to apply to the Notes.

Section 4.20. **Additional Amounts**.

(a) All payments made by or on behalf of the Company on or with respect to the Notes 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 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:

(1) make such withholding or deduction;

(2) remit the full amount deducted or withheld to the relevant government authority in accordance with applicable law;

(3) pay such additional amounts ("*Additional Amounts*") as may be necessary so that the net amount received by each holder after this withholding or deduction (including any deduction or withholding for Additional Amounts) will not be less than the amount the holder would have received if such Taxes had not been withheld or deducted;

(4) 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;

(5) indemnify and hold harmless each Holder (other than an Excluded Holder, as defined in paragraph (b) 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

(6) 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 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.

For greater certainty, the obligation to indemnify under clause (5) above shall extend to Taxes (other than Taxes that are excluded under clause (5) above) paid by a Holder in respect of which the Company is not obliged to withhold as a result of the Holder's status as an authorized foreign bank or a registered non-resident insurer (each as defined in the *Income Tax Act* (Canada)) (or other entity exempt from withholding on a basis comparable to authorized foreign banks and registered non-resident insurers) where such Holder must itself pay Taxes imposed by a Canadian Taxing Authority in lieu of withholding taxes.

(b) Notwithstanding the provisions of paragraph (a) above, no Additional Amounts shall be payable to a Holder in respect of beneficial ownership of a Note (an "*Excluded Holder*"):

(1) with which the Company does not deal at arm's-length, within the meaning of the *Income Tax Act* (Canada), at the time of making such payment;

(2) which 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 or enforcement of rights thereunder; or

(3) if such Holder waives its right to receive Additional Amounts.

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 Company shall pay any present or future stamp, court, documentary or other similar taxes, charges or levies that arise in any jurisdiction from the execution, delivery or registration of, or enforcement of rights under, this Indenture or any related document.

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, is organized or any political subdivision or taxing authority or agency thereof or therein.

ARTICLE 5.

SUCCESSORS

Section 5.01. **Merger, Consolidation and Sale of Assets of the Company**.

(a) 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,

(1) 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;

(2) 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;

(3) immediately after giving effect to such transaction no Default or Event of Default exists; and

(4) 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(a) hereof.

(b) **[Reserved]**

(c) In addition, the Company shall not, directly or indirectly, lease all or substantially all of its properties or assets, in one or more related transactions, to any other Person. Clause (a)(4) 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 shall succeed to, and be substituted for, and may exercise every right and power of the Company under this Indenture; *provided, however,* that in the case of:

(a) 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, to a Person that is not (either before or after giving effect to such transactions) a Subsidiary of the Company), or

(b) 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.

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 or any Restricted Subsidiary for 45 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;

(v) 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;

(vi) 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;

(vii) **[Reserved]**;

(viii) 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

(ix) 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, dissolution or winding up 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(viii) or (ix)) 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(viii) or (ix) 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:

(a) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction;

(b) all existing Defaults and Events of Default have been cured or waived except nonpayment of principal of or interest on the Notes that has become due solely by such declaration of acceleration;

(c) 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;

(d) the Company has paid the Trustee its reasonable compensation and reimbursed the Trustee for its reasonable expenses, disbursements and advances; and

(e) in the event of the cure or waiver of an Event of Default of the type described in Section 6.01(viii) or (ix), 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(e) (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:

(a) such Holder has previously given to the Trustee written notice of a continuing Event of Default,

(b) 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

(c) 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 hold such money as mandatary in trust and pay out such money 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**.

(a) If an Event of Default of which the Trustee is deemed to have notice in accordance with Section 7.02(f) 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.

(b) Except during the continuance of an Event of Default:

(1) 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

(2) 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 on their face to the requirements of this Indenture (but need not confirm or investigate the accuracy of mathematical calculations or other facts or the correctness of opinions or conclusions stated therein).

(c) 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:

(1) this paragraph does not limit the effect of paragraph (b) of this Section;

(2) 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

(3) 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.

(d) Whether or not therein expressly so provided, every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b) and (c) of this Section 7.01.

(e) 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.

(f) The Trustee shall not be liable for interest on any money received or held 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.

(g) Neither the Trustee nor the Registrar shall have any duty to monitor, or have any responsibility with respect to, the Company's compliance with any U.S. or Canadian federal, state or provincial securities laws.

(h) The Trustee shall have no obligation to ascertain or inquire as to the observance or performance of any covenant, agreement or obligation on the part of the Company under this Indenture or any other agreement, instrument or document.

Section 7.02. **Rights of Trustee**.

(a) 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.

(b) 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 selected by it

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.

(c) 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.

(d) 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.

(e) 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 security or indemnity satisfactory to the Trustee in its sole discretion against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction.

(f) 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.

(g) The Trustee shall not be required to give any bond or surety in respect of the performance of its power and duties hereunder.

(h) **[Reserved.]**

(i) 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 Affiliate of the Company with the same rights it would have if it were not Trustee. Unless otherwise provided by law, the foregoing shall not by itself be deemed a conflicting interest. 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, including, if applicable, for its services as Paying Agent and Registrar. Compensation of the Trustee in accordance with its established fee schedule, as it may be amended from time to time, shall be deemed reasonable compensation to the Trustee for its services. 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 (including in-house 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 and any predecessor Trustee against any and all losses, claims, damages, penalties, fines, liabilities or expenses, including incidental and out-of-pocket expenses and reasonable attorneys fees and expenses (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 result from 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(viii) or (ix) 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:

(a) the Trustee fails to comply with Section 7.09 hereof;

(b) the Trustee is adjudged bankrupt or insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(c) a custodian or public officer takes charge of the Trustee or its property; or

(d) 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, 10.01, 10.02 and 10.03, 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.

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:

i. 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;

ii. 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;

iii. 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;

iv. 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;

v. 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;

vi. 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

vii. 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*"). 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 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 4.09 through 4.18 hereof, and the operation of Section 5.01(a)(4) 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 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 4.09, 4.10, 4.12 or 4.18 or Section 5.01(a)(4) hereof), (iv) (with respect to Sections 4.05, 4.11 and 4.13 through 4.17 hereof), (v), (vi), (vii), (viii) and (ix) of such Section 6.01 (but in the case of (viii) and (ix) of Section 6.01 hereof, with respect to Significant Subsidiaries only) or because of the Company's failure to comply with Section 5.01(a)(4) 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:

(a) 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, 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;

(b) in the case of Legal Defeasance, the Company shall deliver 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;

(c) in the case of Covenant Defeasance, 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;

(d) 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;

(e) 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;

(f) the Company shall deliver to the Trustee an Opinion of Counsel to the effect that, assuming no intervening bankruptcy of the Company 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;

(g) 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;

(h) 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

(i) 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(a) 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 three 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:

(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 to Holders in the case of a merger, consolidation, or amalgamation or sale of all or substantially all of the assets of the Company; *provided, however*, that the Company shall deliver to the Trustee 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 this Indenture of any such Holder; or

(e) provide for the issuance of Additional Notes in accordance with this Indenture.

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).

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):

(a) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver;

(b) reduce the principal of or change the Stated Maturity of any Note or alter the provisions with respect to the redemption of the Notes;

(c) reduce the rate of or change the time for payment of interest on any Note;

(d) 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;

(e) make any Note payable in money other than that stated in the Notes;

(f) 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;

(g) 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 in accordance with the provisions of Section 4.18 hereof after such Change of Control has occurred, including, in each case, amending, changing or modifying any definition relating thereto;

(h) except as otherwise permitted under the provisions of Section 5.01 hereof, consent to the assignment or transfer by the Company of any of their rights or obligations under this Indenture;

(i) subordinate the Notes to any other obligation of the Company;

(j) amend or modify the provisions of Section 4.20 hereof; or

(k) 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; 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.

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 enforceable against it in accordance with its terms, subject to customary exceptions and that such amended or supplemental indenture complies with the provisions hereof.

ARTICLE 10.

SATISFACTION AND DISCHARGE

Section 10.01. **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:

(a) 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 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, if any, and interest on the Notes to the date of deposit, in the case of Notes that have become due and payable, or to the Stated Maturity or redemption date, as the case may be;

(b) 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 is a party or by which the Company is bound;

(c) the Company has paid or caused to be paid all other sums payable by it under this Indenture;

(d) 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

(e) 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 10.02. **Deposited Cash and Government Securities to be Held in Trust, Other Miscellaneous Provisions**.

Subject to Section 10.03 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 10.02, the "*Trustee*") pursuant to Section 10.01 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 10.03. **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 three 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.

ARTICLE 11.

MISCELLANEOUS

Section 11.01. **Notices**.

Any notice or communication by the Company 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:

Quebecor Media Inc.
612 St-Jacques Street
Montréal, Québec, H3C 4M8
Canada
Attention: Vice President, Legal Affairs
Facsimile No.: (514) 985-8834

With a copy to:

Ogilvy Renault LLP
1 Place Ville-Marie
Suite 2500
Montréal, Québec, H3B 1R1
Canada
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 11.02. **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:

(a) an Officers' Certificate in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 11.03 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

(b) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 11.03 hereof) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been complied with.

Section 11.03. **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:

(a) a statement that the Person making such certificate or opinion has read such covenant or condition;

(b) 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;

(c) 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

(d) 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 11.04. **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 11.05. **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, as such, shall have any liability for any obligations of the Company under the Notes, this Indenture 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 11.06. **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 11.07. **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 11.08. **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 11.09. **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 11.10. **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.

(a)(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.

(b) 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 (b)) 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 (b), 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.

(c) The obligations contained in paragraph (a)(ii) and (b) of this Section 11.10 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 (b) 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 (b) 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.

(d) 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.

(e) The Trustee shall have no duty or liability with respect to monitoring or enforcing this Section 11.10.

Section 11.11. **Currency Equivalent**.

Except as provided in Section 11.10, 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 11.12. **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 11.13. **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 11.14. **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 11.15. **Trust Indenture Legislation**.

In this Article 11, 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.

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.

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 11.16. **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.*

ARTICLE 12.

MEETINGS OF HOLDERS OF NOTES

Section 12.01. **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 12.02. **Call, Notice and Place of Meetings**.

(a) The Trustee may and shall, at the request of the Company or the Holders pursuant to Section 12.02(b) at any time call a meeting of Holders of Notes for any purpose specified in Section 12.01, 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.

(b) 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 12.01, 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 paragraph (a) of this Section.

Section 12.03. **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 12.04. **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 12.02(a), 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 12 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 12.05. **Determination of Voting Rights, Conduct and Adjournment of Meetings**.

(a) 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.

(b) 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 12.02(a), 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.

(c) 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.

(d) Any meeting of Holders of Notes duly called pursuant to Section 12.02 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 12.06. **Counting Votes and Recording Actions 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 12.02 and, if applicable, Section 12.04. 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 12.07. **Distribution of Proxy Materials to Participants**.

(a) 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.

(b) Within five (5) 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.

(c) 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.

(d) 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.

(e) 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 January 5, 2011.

COMPANY:

QUEBECOR MEDIA INC.

By: *(signed)*
Name:
Title:

TRUSTEE:

COMPUTERSHARE TRUST COMPANY OF CANADA

By: *(signed)*
Name:
Title:

By: *(signed)*
Name:
Title:

EXHIBIT A

(Face of Note)

7 3/8% SENIOR NOTES DUE JANUARY 15, 2021

CUSIP __________
ISIN __________
$ __________

No.____

QUEBECOR MEDIA INC.

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 January 15, 2021.

Interest Payment Dates: June 15 and December 15, commencing June 15, 2011.

Record Dates: June 1 and December 1.

IN WITNESS WHEREOF, the Company has caused this Note to be signed by its duly authorized officer.

QUEBECOR MEDIA INC.

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 __________, ______

(Back of Note)

7 3/8% SENIOR NOTES DUE JANUARY 15, 2021

[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 THE COMPANY OR THE TRUSTEE 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.]

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) JANUARY 5, 2011, AND (II) THE DATE THAT THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY.

THIS SECURITY HAS 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 OFFERED, 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 ACCEPTANCE HEREOF AGREES 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 QUEBECOR MEDIA INC. (THE "COMPANY") OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY), ONLY (A) TO THE COMPANY 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 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 IN A MINIMUM PRINCIPAL AMOUNT OF THE SECURITIES OF $250,000 PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE 1933 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, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHT (I) PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER 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."

Capitalized terms used herein shall have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

1. ***Interest***. Quebecor Media Inc., a company incorporated under the laws of Québec (the "*Company*"), promises to pay interest (as defined in the Indenture) on the principal amount of this Note at 7 3/8% per annum until maturity. The Company shall pay interest semi-annually in arrears in equal installments (except as noted below) on June 15 and December 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 January 5, 2011; *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 June 15, 2011. 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 any 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 in that period. In addition, in the case of the first interest period (from the Issue Date, which is January 5, 2011, until the first interest payment date, which is June 15, 2011), interest will be calculated on the basis of the actual number of days elapsed from the Issue Date to (but excluding) June 15, 2011 divided by 365. 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 June 1 or December 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 January 5, 2011 (the "*Indenture*") between the Company 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***.

(a) Except as set forth in clauses (b) to (d) of this paragraph 5, the Notes shall not be redeemable at the option of the Company prior to January 15, 2016. Beginning on January 15, 2016, 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 the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest thereon on the Notes redeemed, to the applicable 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), if redeemed during the twelve-month period commencing on January 15 of the years indicated below:

Redemption Year	Percentage
2016	103.688%
2017	102.458%
2018	101.229%
2019 and thereafter	100.000%

(b) At any time and from time to time prior to January 15, 2014, the Company may on one or more occasions redeem up to 35% of the aggregate principal amount of the Notes issued under this Indenture at a redemption price (expressed as a percentage of principal amount) equal to 107.375% of the principal amount thereof, plus accrued and unpaid interest thereon to 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) with the net cash proceeds of one or more Equity Offerings; *provided, however*, that (i) at least 65% of the aggregate principal amount of the Notes issued under this Indenture (excluding Notes held by the Company and its Subsidiaries) remain outstanding immediately following such redemption and (ii) any such redemption shall be made within 90 days of the date of closing of any such Equity Offering.

(c) 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 30 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 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 (c).

(d) Prior to January 15, 2016, the Company may redeem the Notes, in whole or in part, at the make-whole price which is equal to the greater of (a) the Canada Yield Price and (b) 101% of the aggregate principal amount of Notes redeemed, plus, in each case, accrued and unpaid interest to and including the redemption date.

(e) 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. ***Offer to Repurchase at Option of Holder***.

(a) Upon the occurrence of a Change of Control, the Company shall make an offer to all Holders to repurchase all (equal to $1,000 or an integral multiple of $1,000) 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 the purchase date in accordance with the procedures set forth in Section 3.09 of the Indenture.

(b) 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 $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 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.

8. ***Notice of Redemption***. Notices of redemption shall be mailed at least 30 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, 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. 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 may be registered and Notes may 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 may be treated as its owner for all purposes, except with respect to withholding tax and the obligation under the Indenture to pay Additional Amounts.

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 to Holders in the case of a merger, consolidation, or amalgamation or sale of all or substantially all of the assets of the Company; *provided, however*, that the Company shall deliver to the Trustee 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 this Indenture of any such Holder; or (e) provide for the issuance of Additional Notes in accordance with the Indenture.

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, 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 or any Restricted Subsidiary for 45 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; (e) 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; (f) 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; and (g) 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, as such, shall have any liability for any obligations of the Company under the Indenture, the Notes 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: Quebecor Media Inc., 612 St-Jacques Street, Montréal, Québec H3C 4M8, Canada, Attention: Director, 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.

<u>Option of Holder to Elect to Accept Offer to Purchase</u>

If you want to elect to accept the offer 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 accept the offer in respect of only part of the Note 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

Quebecor Media Inc.
612 St-Jacques Street
Montréal, Québec H3C 4M8
Canada
Attention: Director, Legal Affairs

Computershare Trust Company of Canada
1500 University Street, 7th Floor
Montréal, Québec H3A 3S8
Attention: Manager, Corporate Trust Services
Facsimile No.: (514) 982-7677

Re: 7 3/8% Senior Notes due January 15, 2021

Reference is hereby made to the Indenture, dated as of January 5, 2011 (the "Indenture"), between Quebecor Media Inc., as issuer (the "Company"), 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, and (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). 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 $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.

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 ______), or

(ii) ☐ Canadian Placement Global Note (CUSIP ______); 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 ______), or

(ii) ☐ Canadian Placement Global Note (CUSIP ______), 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

Quebecor Media Inc.
612 St-Jacques Street
Montréal, Québec H3C 4M8
Canada
Attention: Director, Legal Affairs

Computershare Trust Company of Canada
1500 University Street, 7th Floor
Montréal, Québec H3A 3S8
Attention: Manager, Corporate Trust Services
Facsimile No.: (514) 982-7677

Re: 7 3/8% Senior Notes due January 15, 2021

Reference is hereby made to the Indenture, dated as of January 5, 2011 (the "*Indenture*"), between Quebecor Media Inc., as issuer (the "Company"), 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.

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

Quebecor Media Inc.
612 St-Jacques Street
Montréal, Québec H3C 4M8
Canada
Attention: Director, Legal Affairs

Computershare Trust Company of Canada
1500 University Street, 7th Floor
Montréal, Québec H3A 3S8
Attention: Manager, Corporate Trust Services
Facsimile No.: (514) 982-7677

Re: 7 3/8% Senior Notes due January 15, 2021

Reference is hereby made to the Indenture, dated as of January 5, 2011 (the "*Indenture*"), between Quebecor Media Inc., as issuer (the "*Company*"), 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 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 $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 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.

"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 January 5, 2011 (the "*Indenture*"), among Quebecor Media Inc. ("*Quebecor Media*") and Computershare Trust Company of Canada, as Trustee, including, without limitation, the "Notes," the "Additional Notes" and any "guarantee" of the Notes and/or the Additional Notes (in each case, as defined in the Indenture), (2) either of the respective indentures governing either series of Quebecor Media's issued and outstanding 7 3/4% Senior Notes due March 15, 2016 (initially issued on January 17, 2006 and on October 5, 2007, respectively) including, without limitation, the "Notes", the "Exchange Notes" and the "Additional Notes" (in each case, as defined in such indentures) and (3) any Credit Facilities (as defined in the Indenture) of Quebecor Media.

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) between Quebecor Media and the Trustee. Pursuant to the Indenture, Quebecor Media has issued 7 3/8% Senior Notes due January 15, 2021 of Quebecor Media.

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 Quebecor Media, 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:

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EXHIBIT E: FORM OF SUBORDINATION AGREEMENT

Exhibit 3.4

[TRANSLATION]

QUEBECOR MEDIA INC.
(the "Company")

WRITTEN RESOLUTIONS IN LIEU OF
AN ANNUAL MEETING OF THE SHAREHOLDERS

Dated : May 11, 2010

"**2)** **ELECTION OF DIRECTORS**

BE IT RESOLVED :

a) **THAT** the number of directors on the board of directors of the Company be reduced from 10 to 9 directors, five (5) of which to be designated by Quebecor Inc. and four (4) of which by CDP Capital D'Amérique Investissements Inc., the whole in accordance with the Shareholders' Agreement;"

Exhibit 4.11

SIXTH AMENDING AGREEMENT dated as of December 23, 2010 to the Credit Agreement dated as of February 7, 2003, entered into in Toronto, Ontario, as amended by a First Amending Agreement dated as of December 2, 2003, a Second Amending Agreement dated as of October 12, 2004, a Third Amending Agreement dated as of January 17, 2006, a Fourth Amending Agreement dated as of April 27, 2006, a Fifth Amending Agreement dated as of October 31, 2007

AMONG: **SUN MEDIA CORPORATION**, a corporation continued and existing under the laws of British Columbia, Canada, having its chief executive office at 333 King Street East, in the City of Toronto, Province of Ontario (hereinafter called the **"Borrower"**)

PARTY OF THE FIRST PART

AND: **THE FINANCIAL INSTITUTIONS NAMED ON THE SIGNATURE PAGES HEREOF OR FROM TIME TO TIME PARTIES TO THE CREDIT AGREEMENT** (the **"Lenders"**)

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 1455 Market Street, 5th floor, in the City of San Francisco, California, 94103, and at 200 Front Street West, Suite 2700, Toronto, Ontario, M5V 3L2 (hereinafter called the **"Administrative Agent"**)

PARTY OF THE THIRD PART

WHEREAS the parties hereto are parties to a Credit Agreement dated as of February 7, 2003, as amended by a First Amending Agreement dated as of December 2, 2003, a Second Amending Agreement dated as of October 12, 2004, a Third Amending Agreement dated as of January 17, 2006, a Fourth Amending Agreement dated as of April 27, 2006 and a Fifth Amending Agreement dated as of October 31, 2007 (collectively, the "**Credit Agreement**");

WHEREAS by letter dated December 1, 2010 (the "**6th Amendment Request**"), the Borrower has requested (1) the Lenders' consent to the transactions set out in Section 1 of the 6th Amendment Request, being, *inter alia*, the transfer by 3535991 Canada Inc. of the shares of Osprey Media Publishing Inc. ("**Osprey**") to the Borrower in exchange for shares of the Borrower and an amount in cash of up to $45,000,000, and (2) certain amendments to the Credit Agreement in connection with its acquisition of the assets of Osprey, including the shares of 1576626 Ontario Inc. ("**1576626**"), a wholly-owned subsidiary of Osprey in order to, *inter alia* permit the Borrower to (i)

refrain from providing mortgages over the real property it will acquire from Osprey, directly or indirectly through the acquisition of the shares of 1576626, and (ii) Dispose of Osprey's real property and tangible personal property at arm's length and for fair market value, without being obliged to use the Net Proceeds of same to make Mandatory Prepayments under the Credit Agreement;

WHEREAS each of the Facility A Lenders and the Term Facility C Lenders have agreed with the Borrower to the amendments contemplated hereby, and as such, the Lenders have complied with the provisions of Section 12.01 of the Credit Agreement, as evidenced by the signature of each Lender on this Agreement;

NOW THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:

I. INTERPRETATION

1. This Sixth Amending Agreement is declared to be supplemental to the Credit Agreement and is to form part thereof and shall have the same effect as though incorporated therein. The words and expressions starting by an upper case letter used herein, unless otherwise defined herein or unless there is something in the subject or the context inconsistent therewith, have the same meaning as that ascribed to them in the Credit Agreement and all of the provisions of the Credit Agreement, except only insofar as they may be inconsistent with the express provisions hereof, shall apply to and shall have effect in connection with this Sixth Amending Agreement.

2. Except as otherwise expressly amended hereby, the Credit Agreement remains unamended and in full force and effect. The amendments set forth herein shall not constitute novation of the obligations of the parties to the Credit Agreement and the other Credit Documents.

3. The preamble of this Sixth Amending Agreement shall form an integral part hereof as if recited at length herein.

4. The division of this Sixth Amending Agreement into articles, sections, subsections, paragraphs and subparagraphs and the insertion of titles are only meant to be for reference and do not affect the meaning or the interpretation of this Sixth Amending Agreement.

5. This Sixth Amending Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such separate counterparts shall together constitute but one and the same instrument.

6. This Sixth Amending Agreement and the interpretation and enforcement thereof shall be governed by and construed in accordance with the laws of the Province of Ontario.

7. This Sixth Amending Agreement shall become effective as of December 23, 2010.

II. AMENDMENTS

1. The following definitions are inserted in the appropriate alphabetical order in section 1.01 of the Credit Agreement:

"**1576626**" means 1576626 Ontario Inc."

"**Osprey**" means Osprey Media Publishing Inc."

"**Osprey Tangible Assets**" means the real property and tangible personal property (expressly excluding goodwill, accounts receivable and all other intangibles) of Osprey and of 1576626.".

2. Section 8.02(d) is amended by adding a reference to the Osprey Tangible Assets in the Dispositions permitted by clause (iv) thereof. Consequently, Section 8.02(d) now provides as follows:

"(d) **Disposal of Assets Generally.** Dispose of, or permit any of the Guarantors to Dispose of, any Assets to any Person, other than, (i) any disposition of Assets between the Loan Parties; (ii) pursuant to a transaction consummated in accordance with Section 8.02(c); (iii) Dispositions of inventory and other Assets in the ordinary course of business; (iv) so long as no Default has occurred and is continuing or would arise therefrom and no Event of Default has occurred, the Disposition of the Florida Sun or any of the Osprey Tangible Assets at arm's length and at fair market value; (v) 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 at fair market value, provided the proceeds thereof are dealt with in accordance with Section 2.05(2) hereof to the extent applicable, and in any event limited to an aggregate maximum amount during the Term of Facility A, Term Facility B or Term Facility C, whichever expires last, together with all sale and leaseback transactions referred to in clause (vii) below, of $50,000,000 (provided that for greater certainty, the aforesaid limit of $50,000,000 shall not apply in respect of proceeds of any Disposition that are reinvested in accordance with Section 2.05(2) hereof); (vi) Dispositions of Assets which are obsolete, worn out, surplus, damaged or of no material economic value in the Business; (vii) sale and leaseback transactions, subject to the limitations in clause (v) above, and (viii) so long as no Default has occurred and is continuing or would arise therefrom and no Event of Default has occurred, bona fide exchanges of similar Assets at fair market value.".

3. Schedule 5 is amended in order to provide that on the date Osprey becomes a Subsidiary of the Borrower (a) Osprey is not required to provide Security on any of its property provided that it is liquidated into the Borrower within 15 days from the date it becomes a Subsidiary of the Borrower, and (b) neither the Borrower nor 1576626 is required to provide Security on the real property comprised within the Osprey Tangible Assets, provided that the Borrower provides a pledge of the shares of 1576626 to the Administrative Agent in accordance with the provisions of the Credit Agreement, and that such pledge and the Security on all of the property of Osprey (having been transferred to the Borrower) and 1576626 (including the Osprey Tangible Assets other than real

property) becomes effective within such 15-day period. Schedule 5 is consequently deleted and replaced by the Schedule 5 attached hereto.

4. Schedule 7 is replaced by the attached Schedule 7. 1576626 shall be listed on Schedule 7 once it becomes a Guarantor.

III. CONSENT TO TRANSACTIONS

The Lenders hereby consent to the Transactions as described in Section 1 of the 6th Amendment Request.

IV. MISCELLANEOUS

1. The Borrower hereby represents and warrants to each Lender that no Default has occurred which is continuing, no Event of Default has occurred which has not been waived and that it is in compliance with the financial covenants set forth in section 8.03 of the Credit Agreement.

2. The Borrower shall pay upon demand all reasonable professional fees and out-of-pocket disbursements incurred from time to time by the Administrative Agent in connection with the negotiation, preparation and delivery of this Sixth Amending Agreement and all other documents accessory hereto as well as any amendments to be made to any of the foregoing at any time and from time to time.

3. This Sixth Amending Agreement replaces and supersedes all other verbal or written agreements among the Administrative Agent, the Lenders or anyone thereof and the Borrower relating to the amendments to the Credit Agreement contemplated herein or any other issues accessory to the transactions contemplated by this Sixth Amending Agreement.

4. 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.

SUN MEDIA CORPORATION

Per: *(signed)*
Authorized Signing Officer

Per: *(signed)*
Authorized Signing Officer

BANK OF AMERICA, N.A., as Administrative Agent

Per: *(signed)*
Authorized Signing Officer

SUN MEDIA CORPORATION SIXTH AMENDING AGREEMENT

LENDER SIGNATURE PAGE

[Lender Name]	*[Facility A or C]*

Per:______________________________
Authorized Signing Officer

Per:______________________________
Authorized Signing Officer

SCHEDULE 5

SECURITY AND SECURITY DOCUMENTS

1. Unconditional joint and several (solidary) guarantees (and, after the occurrence of a Default which is continuing or an Event of Default, a postponement of claims), by each of the Guarantors in favour of the Administrative Agent on behalf of the Lenders, of the obligations of the Borrower under the Credit Documents;
2. A first-ranking (subject only to Permitted Liens) pledge of all of the shares of each direct and indirect subsidiary of the Borrower, including a pledge of partnership and other similar ownership interests where applicable;
3. First-ranking security (subject only to Permitted Liens) in favour of the Administrative Agent on behalf of the Lenders, by way of a hypothec on the universality of all of the movable and immovable property of the Borrower and each of the Guarantors which property is or is deemed to be located in the Province of Quebec (and/or, at the option of the 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 10.10 of the Credit Agreement);
4. First-ranking (subject only to Permitted Liens) General Security Agreements and mortgages charging all of the property and assets, personal (movable) and real (immovable) of the Borrower and the Guarantors, which property is located anywhere in Canada (outside of Quebec) or in the USA (and/or, at the option of the Administrative Agent, by way of a debenture or other instrument creating the same Liens);
5. To the extent not already created in virtue of the Security conferred under the previous paragraphs of this schedule, first-ranking assignment by the Borrower and the Guarantors (other than such of same as are domiciled in Quebec) by way of collateral security, of the contracts governing or evidencing intellectual property rights (subject to Permitted Liens, and to the extent not prohibited by the terms of the agreements governing such rights) in favour of the Administrative Agent on behalf of the Lenders;
6. By way of collateral security, to the extent permitted by applicable Laws and to the extent not already created in virtue of the Security conferred under the previous paragraphs of this schedule, a transfer and assignment to the Administrative Agent (and/or the fondé de pouvoir) on behalf of the Lenders, as its interest may appear, of all of the right, title and interest of the Borrower and the Guarantors in and to all indemnities, proceeds, benefits and advantages arising under any insurance policy or contract protecting the Borrower and the Guarantors and their personal (movable) property and activities against any form of loss, including business interruption and third party liability, and cause the Administrative Agent (and/or the fondé de pouvoir) on behalf of the Lenders to be named in all such policies as a named insured as its interest may appear, and delivery to the

Administrative Agent of certificates of insurance in form and substance satisfactory to the Administrative Agent;

provided that no security shall be granted over (i) the Assets of Toronto Sun International, Inc., T.S. Printing Inc. and Florida Sun Publications, Inc., if the Assets in question or the shares of each of them are sold in accordance with the provisions of Section 8.02(d) of the Credit Agreement within 60 days from the Closing Date, or (ii) the shares or Assets of Le Courrier du Sud (1998) Inc. during such time as a Person who is not an Affiliate of the Borrower holds shares in such company, or (iii) the shares/partnership units of any Person who is not a wholly-owned direct or indirect subsidiary of the Borrower for so long as there is a prohibition against such security under any applicable partnership or shareholders' agreement, or (iv) any of Osprey's property, provided that it is liquidated into the Borrower within 15 days from the date it becomes a Subsidiary of the Borrower, that the Borrower provides a pledge of the shares of 1576626 and that the Security on all of the property of Osprey (having been transferred to the Borrower) and 1576626 (other than real property) becomes effective within such 15-day period, or (v) the real property comprised within the Osprey Tangible Assets, whether owned by 1576626 or by the Borrower.

In the event that the ability of any Guarantor to guarantee the obligations of the Borrower under the Credit Agreement is restricted under applicable Law, its Guarantee shall be structured in a manner to be determined by the Agent, acting reasonably and in accordance with applicable Law.

SCHEDULE 7

GUARANTORS

None.

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, 2010

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, 2010, (i) earnings consist of net income (loss) plus non-controlling interest in subsidiary, 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 capitalized expenses relating to indebtedness 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	51.4% / 99.9%
Groupe Archambault Inc. / Archambault Group Inc.	Canada	100% / 100%
Les Éditions CEC inc.	Québec	100% / 100%
Groupe Sogides Inc.	Canada	100% / 100%
Canoë inc. / Canoe inc.	Québec	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, Pierre Karl Péladeau, 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 21, 2011

/s/ Pierre Karl Péladeau
Name: Pierre Karl Péladeau
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, 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 21, 2011

/s/ Jean-François Pruneau
Name: Jean-François Pruneau
Title: 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, 2010, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Pierre Karl Péladeau, 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 21, 2011

/s/ Pierre Karl Péladeau
Name: Pierre Karl Péladeau
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, 2010, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jean-Francois Pruneau, 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 21, 2011

/s/ Jean-Francois Pruneau
Name: Jean-Francois Pruneau
Title: 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.