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

FORM 20-F

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

OR

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

For the fiscal year ended December 31, 2016

OR

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

For the transition period from to

OR

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

Date of event requiring this shell company report

For the transition period from to

Commission file number 033-51000

VIDEOTRON LTD. / VIDÉOTRON LTÉE

(Exact name of Registrant as specified in its charter)

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

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

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

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

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

None
(Title of Class)

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

5% Senior Notes due July 15, 2022
(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.

172,516,829 Class "A" Common Shares

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

TABLE OF CONTENTS

EXPLANATORY NOTES

All references in this annual report to “Videotron” or “our Corporation”, as well as the use of the terms “we”, “us”, “our” or similar terms, are references to Videotron Ltd. and, unless the context otherwise requires, its consolidated subsidiaries. All references in this annual report to “Quebecor Media” are to our parent corporation Quebecor Media Inc., all references to “TVA Group” are to TVA Group Inc., a public subsidiary of Quebecor Media, all references to “Quebecor” are to Quebecor Inc., the majority shareholder of Quebecor Media, all references to “4Degrees” are references to 4Degrees Colocations Inc., and all references to “Fibrenoire” are references to Fibrenoire Inc.

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

All references in this annual report to our “Senior Notes” are to, collectively, our issued and outstanding 6 7/8% Senior Notes due July 15, 2021, our 5% Senior Notes due July 15, 2022, our 5 3/8% Senior Notes due June 15, 2024, our 5 5/8% Senior Notes due June 15, 2025 and our 5 3/4% Senior Notes due January 15, 2026.

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 and Numeris. 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. Industry and company data is approximate and may reflect rounding in certain cases.

Information contained in this annual report concerning the telecommunication 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.

PRESENTATION OF FINANCIAL INFORMATION

IFRS and Functional Currency

Our audited consolidated financial statements for the years ended December 31, 2016, 2015, 2014, 2013 and 2012 have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board.

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

Non-IFRS Financial Measures and Key Performance Indicator

In this annual report, we use certain non-IFRS financial measures, including adjusted operating income, adjusted operating income margin and long-term debt, excluding QMI subordinated loans. These financial measures are not calculated in accordance with, or recognized by, IFRS. Our method of calculating these financial measures may differ from the methods used by other companies and, as a result, the non-IFRS financial measures presented in this annual report may not be comparable to other similarly titled measures disclosed by other companies.

We provide a definition of adjusted operating income, adjusted operating income margin and average monthly revenue per user (“**ARPU**”) under “Item 5. Operating and Financial Review and Prospects – Non-IFRS Financial Measures” and “Item 5. Operating and Financial Review and Prospects – Key Performance Indicator”. We also provide a definition of adjusted operating income, a reconciliation of adjusted operating income and a reconciliation of long-term debt, excluding QMI subordinated loans to the most directly comparable financial measures under IFRS in footnotes 3 and 4 to the tables under “Item 3. Key Information – A. Selected Financial Data”. We also provide a definition of ARPU in footnote 11 to the tables under “Item 3. Key Information – A. Selected Financial Data”.

Unless otherwise indicated, information provided in this annual report, including all operating data presented, is as of December 31, 2016.

EXCHANGE RATE INFORMATION

The following table sets forth, for the periods indicated, the average, high, low and end of period noon rates published by the Bank of Canada. Such rates are presented as U.S. dollars per CAN$1.00. On March 20, 2017, the noon rate was CAN$1.00 equals US$0.7487. 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, 2016	0.7548	0.7972	0.6854	0.7448
December 31, 2015	0.7820	0.8527	0.7148	0.7225
December 31, 2014	0.9054	0.9422	0.8589	0.8620
December 31, 2013	0.9710	1.0164	0.9348	0.9402
December 31, 2012	1.0004	1.0299	0.9599	1.0051

Month Ended:	Average[(2)]	High	Low	Period End
March 2017 (through March 20, 2017)	0.7453	0.7510	0.7405	0.7487
February 28, 2017	0.7628	0.7690	0.7548	0.7548
January 31, 2017	0.7581	0.7675	0.7442	0.7675
December 31, 2016	0.7502	0.7622	0.7377	0.7448
November 30, 2016	0.7442	0.7498	0.7363	0.7448
October 31, 2016	0.7546	0.7631	0.7461	0.7461
September 30, 2016	0.7629	0.7786	0.7548	0.7624

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

- our ability to successfully continue developing our network and facilities-based mobile services;
- general economic, financial or market conditions;
- the intensity of competitive activity in the industries in which we operate;
- new technologies that might change consumer behaviour towards our product suite;
- unanticipated higher capital spending required to deploy our network or to address the 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;
- disruptions to the network through which we provide our digital television, Internet access, telephony and over-the-top ("**OTT**") video services, and our ability to protect such services from piracy, unauthorized access or other security breaches;
- 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 with or furnish to the U.S. Securities and Exchange Commission ("**SEC**"), as described under "Item 10. Additional Information – Documents on Display" of this annual report.

ITEM 1 – IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2 – OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3 – KEY INFORMATION

A- Selected Financial Data

The following tables present selected consolidated financial information for our business presented in accordance with IFRS for each of the years ended December 31, 2016, 2015, 2014, 2013 and 2012. We derived this selected consolidated financial information from our audited consolidated financial statements, which are comprised of consolidated balance sheets as at December 31, 2016, 2015, 2014, 2013 and 2012 and the related consolidated statements of income, comprehensive income, equity and cash flows for each of the years in the five-year period ended December 31, 2016. The selected consolidated financial information presented below should be read in conjunction with the information contained in "Item 5. Operating and Financial Review and Prospects" and our audited consolidated financial statements as at December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014 and notes thereto contained in "Item 18. Financial Statements" of this annual report (beginning on page F-1). Our audited consolidated financial statements as at December 31, 2014, 2013 and 2012 and for the years ended December 31, 2013 and 2012 are not included in this annual report. Our consolidated financial statements as at December 31, 2016, 2015, 2014, 2013 and 2012 and for the years ended December 31, 2016, 2015, 2014, 2013 and 2012, prepared in accordance with IFRS, have been audited by Ernst & Young LLP, an independent registered public accounting firm. Ernst & Young LLP's report on our consolidated financial statements as at December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014 is included in this annual report.

The information presented below the caption "Other Financial Data and Ratios" is unaudited except for cash flows, capital expenditures and additions to spectrum licenses, which have been derived from our consolidated financial statements. The information presented below the caption "Operating Data" is not derived from our consolidated financial statements and is unaudited.

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

SELECTED FINANCIAL DATA

	2016	2015	2014	2013	2012
	Year ended December 31, (dollars in thousands, except percentages, ratios and Operating Data)				
Consolidated Statement of Income Data:					
Operating revenues:					
Cable television	$ 1,024,283	$ 1,053,797	$ 1,074,821	$ 1,090,261	$1,079,343
Internet	978,723	920,746	856,051	814,682	772,497
Mobile telephony	510,420	403,668	287,665	220,561	171,624
Cable telephony	424,795	458,028	475,143	473,798	454,861
Over-the-top video	31,443	23,596	12,213	3,718	—
Business solutions	111,181	69,134	65,632	63,525	64,945
Equipment sales	53,577	57,627	45,627	36,524	43,412
Other	9,917	11,383	9,613	8,754	11,162
Total operating revenues	3,144,339	2,997,979	2,826,765	2,711,823	2,597,844
Employee costs	376,757	356,503	342,399	347,097	338,591
Purchase of goods and services	1,320,568	1,259,179	1,136,055	1,079,919	1,055,549
Depreciation and amortization	596,065	625,366	601,381	561,743	485,385
Financial expenses[1]	161,452	167,429	169,177	174,145	179,498
Loss (gain) on valuation and translation of financial instruments	2,126	518	3,430	163,725	(75,738)
Loss (gain) on debt refinancing	7,346	12,153	21,403	18,912	(7,608)
Restructuration of operations, litigation and other items	15,880	(129,737)	39,445	684	478
Income taxes expense	116,910	120,665	93,283	29,449	115,855
Income from discontinued operations	—	—	—	40,706	8,145
Net income	$ 547,235	$ 585,903	$ 420,192	$ 376,855	$ 513,979
Consolidated Balance Sheet Data (at year end):					
Cash and cash equivalents	$ 961	$ 1,774	$ 342,802	$ 322,469	$ 163,231
Total assets	5,812,685	7,656,559	6,255,596	7,029,396	6,992,107
Long-term debt, excluding QMI subordinated loans[2][3]	3,163,108	3,266,642	2,924,540	2,399,105	2,127,057
QMI subordinated loans[2][3]	—	2,090,000	1,080,000	2,280,000	1,630,000
Capital stock	132,401	132,401	3,401	3,401	3,401
Equity attributable to shareholder	1,071,231	813,092	793,096	820,807	773,269
Cash dividends declared	282,000	665,000	410,000	361,880	760,000
Other Financial Data and Ratios:					
Adjusted operating income[4]	$ 1,447,014	$ 1,382,297	$ 1,348,311	$ 1,284,807	$1,203,704
Adjusted operating income margin[4]	46.0%	46.1%	47.7%	47.4%	46.3%
Cash flows provided by operating activities	1,244,093	1,207,964	1,106,452	1,058,340	1,147,847
Cash flows provided by (used in) investing activities	1,182,250	(1,975,082)	294,905	(1,174,875)	(708,810)
Cash flows (used in) provided by financing activities	(2,427,156)	426,090	(1,381,024)	272,601	(380,674)
Capital expenditures[5]	792,180	723,105	693,224	582,530	745,853
Additions to spectrum licenses[5]	—	219,033	217,364	15,964	—
Ratio of earnings to fixed charges[6]	5.0x	5.3x	3.8x	3.2x	4.3x
Operating Data (at year end, except ARPU):					
Homes passed[7]	2,839,293	2,806,001	2,777,264	2,742,476	2,701,242
Basic cable customers[8]	1,690,846	1,736,892	1,782,242	1,825,081	1,854,981
Basic cable penetration[9]	59.6%	61.9%	64.2%	66.5%	68.7%
Digital customers	1,587,039	1,570,622	1,553,593	1,527,363	1,480,894
Digital penetration[10]	93.9%	90.4%	87.2%	83.7%	79.8%
Cable Internet customers	1,612,827	1,568,165	1,537,532	1,505,992	1,443,992
Cable Internet penetration[9]	56.8%	55.9%	55.4%	54.9%	53.5%
Cable telephony lines	1,253,060	1,316,293	1,349,010	1,348,520	1,316,327
Cable telephony penetration[9]	44.1%	46.9%	48.6%	49.2%	48.7%
Mobile telephony lines	893,932	768,589	632,766	504,314	403,804

Over-the-top video customers		314,706		257,477		177,667		58,238		—
ARPU[11]	$	144.86	$	135.68	$	125.16	$	118.03	$	111.57

(1) We are party to a number of back-to-back transactions with Quebecor Media and 9101-0835 Québec inc., a subsidiary of Quebecor Media. With respect to these back-to-back transactions, we recorded interest expense of $202.6 million for the year ended December 31, 2016, $213.2 million for the year ended December 31, 2015, $218.6 million for the year ended December 31, 2014, $265.9 million for the year ended December 31, 2013, and $213.9 million for the year ended December 31, 2012, but we recorded $204.5 million, $216.3 million, $224.2 million, $272.5 million and $221.1 million in dividends from Quebecor Media in 2016, 2015, 2014, 2013 and 2012 respectively. See "Item 5. Operating and Financial Review and Prospects — Uses of Liquidity and Capital Resources — Purchase of Shares of Quebecor Media and Servicing of Subsidiary Subordinated Loan."

(2) For the years ended December 31, 2016, 2015, 2014, 2013 and 2012, the term “QMI subordinated loans” refers to the $1.0 billion subordinated loan due in 2022 we entered into in 2007 in favor of Quebecor Media (entirely redeemed for $670.0 million and $330.0 million in 2010 and 2014, respectively), the $1.3 billion subordinated loan due in 2025 we entered into in 2010 in favor of Quebecor Media (entirely redeemed for $870.0 million and $430.0 million in 2014 and 2016, respectively), the $3.25 billion subordinated loan due in 2043 we entered into in 2013 in favor of Quebecor Media (entirely redeemed for $2.6 billion and $650.0 million in 2013 and 2016, respectively), the $1.01 billion subordinated loan due in 2045 we entered into in 2015 in favor of Quebecor Media (entirely redeemed in 2016) and the $625.0 million loan due in 2046 we entered into in 2016 in favor of Quebecor Media (entirely redeemed in 2016). See “Item 5. Operating and Financial Review and Prospects — Uses of Liquidity and Capital Resources — Purchase of Shares of Quebecor Media and Servicing of Subsidiary Subordinated Loan.”

(3) We believe that long-term debt, excluding QMI subordinated loans, provides investors with a meaningful measure of our long-term debt because the QMI subordinated loans are subordinated in right of payment to the prior payment in full of our senior indebtedness, including our notes, and because the proceeds of our QMI subordinated loans due 2022, 2025, 2043, 2045 and 2046 were invested in retractable preferred shares of Quebecor Media or its subsidiaries as part of back-to-back transactions to reduce our income tax obligations. Consequently, we disclose long-term debt, excluding QMI subordinated loans, as a supplemental measure of our indebtedness in this annual report. Long-term debt, excluding QMI subordinated loans, is not intended to be, and should not be, regarded as an alternative to other financial reporting measures, and it should not be considered in isolation as a substitute for measures of liabilities prepared in accordance with IFRS. Long-term debt, excluding QMI subordinated loans, is calculated from and reconciled to long-term debt as follows:

	At December 31				
	2016	2015	2014	2013	2012
	(Canadian dollars in millions) (unaudited)				
Long-term debt	$3,163.1	$ 5,356.6	$ 4,004.5	$ 4,679.1	$ 3,757.1
QMI subordinated loans(2)	—	(2,090.0)	(1,080.0)	(2,280.0)	(1,630.0)
Long-term debt, excluding QMI subordinated loans, as defined	$3,163.1	$ 3,266.6	$ 2,924.5	$ 2,399.1	$ 2,127.1

(4) Adjusted operating income and ratios based on this measure are not calculated in accordance with, or recognized by, IFRS. We define adjusted operating income, as reconciled to net income under IFRS, as net income before depreciation and amortization, financial expenses, gain or loss on valuation and translation of financial instruments, gain or loss on debt refinancing, restructuring of operations, litigation and other items, income taxes and income from discontinued operations. We define adjusted operating income margin as adjusted operating income expressed as a percentage of revenues under IFRS. Adjusted operating income, and ratios using this measure, are not intended to be regarded as alternatives to other financial operating performance measures or to the consolidated statement of cash flows as a measure of liquidity and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. We use adjusted operating income because we believe that it is a meaningful measure in evaluating our consolidated results. 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 our investment activities. A limitation of this measure, however, is that it does not reflect the periodic costs of tangible and intangible assets used in generating revenues. Our definition of adjusted operating income may not be the same as similarly titled measures reported by other companies, therefore limiting its usefulness as a comparative measure. See “Presentation of Financial Information — Non-IFRS Measures”. Our adjusted operating income is calculated from and reconciled to net income under IFRS for the years ended December 31, 2016, 2015, 2014, 2013 and 2012 in the table below:

	Year ended December 31,				
	2016	2015	2014	2013	2012
	(dollars in millions) (unaudited)				
Net income	$ 547.2	$ 585.9	$ 420.2	$ 376.9	$ 514.0
Depreciation and amortization	596.1	625.4	601.4	561.7	485.4
Financial expenses[1]	161.5	167.4	169.2	174.1	179.4
Loss (gain) on valuation and translation of financial instruments	2.1	0.5	3.4	163.7	(75.7)
Loss (gain) on debt refinancing	7.3	12.2	21.4	18.9	(7.6)
Restructuring of operations, litigation and other items	15.9	(129.7)	39.4	0.7	0.5
Income taxes expense	116.9	120.7	93.3	29.4	115.8
Income from discontinued operations	—	—	—	(40.7)	(8.1)
Adjusted operating income, as defined	$1,447.0	$1,382.4	$1,348.3	$1,284.7	$1,203.7

(5) Capital expenditures are comprised of additions to fixed assets and intangible assets, excluding additions to spectrum licenses, which are presented separately in the table.

(6) For the purpose of calculating the ratio of earnings to fixed charges, (i) earnings consist of net income plus income taxes, fixed charges, amortized capitalized interest, less interest capitalized, and (ii) fixed charges consist of interest expensed and capitalized, excluding interest on QMI subordinated loans, plus premiums and discounts amortization, financing fees amortization and an estimate of the interest within rental expense.

(7) "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.

(8) "Basic cable customers" are customers who receive basic cable television service in either analog or digital mode.

(9) Represents customers as a percentage of total homes passed.

(10) Represents customers for the digital service as a percentage of basic cable customers.

(11) ARPU is not a measurement that is calculated in accordance with IFRS, and our definition and calculation of ARPU may not be the same as identically titled measurements reported by other companies. We calculate our ARPU by dividing our combined cable television, Internet access, over-the-top video and cable and mobile telephony revenues by the average number of basic cable customers during the applicable period, and then dividing the resulting amount by the number of months in the applicable period.

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 Senior Notes. The factors below should be considered in connection with any forward-looking statements in this document and with the cautionary statements contained in the section "Cautionary Statement Regarding Forward-Looking Statements" at the forepart of this annual report. The risks below are not the only ones that we face. Some risks may not yet be known to us and some that we do not currently believe to be material could later turn out to be material.

Risks Relating to Our Business

We operate in highly competitive industries that are experiencing rapid technological developments and fierce price competition, 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 business, we compete against incumbent local exchange carriers ("**ILECs**"), the primary one in our market holds a regional license to provide terrestrial broadcasting distribution in Montréal and several other communities in the Province of Québec. Such primary ILEC is rolling out its own Internet protocol television ("**IPTV**") service throughout the country but more specifically in Montréal (including a portion of the greater Montréal area), in Québec City, and in other locations in the Province of Québec. It has also secured licenses to launch video distribution services using video digital subscriber line ("**VDSL**") technology. We also compete against providers of direct broadcast satellite ("**DBS**", which in Canada are also referred to as "**DTH**" for "direct-to-home" satellite providers), multichannel multipoint distribution systems, and satellite master antenna television systems. The direct access to some broadcasters' websites that provide streaming in high-definition ("**HD**") of video-on-demand ("**VOD**") content is also available for some of the channels we offer in our television programming. In addition, some third-party Internet service providers ("**ISPs**") have launched Internet Protocol video services ("**IPVS**") in territories in which we provide services.

We also face competition from illegal providers of cable television services and illegal access to non-Canadian DBS (also called grey market piracy), as well as from signal theft of DBS that enables customers to access programming services from U.S. and Canadian DBS without paying any fees (also called black market piracy). Competitors in the video business also include emerging content delivery platforms. Furthermore, OTT content providers, such as Netflix, Apple TV and Amazon Prime Video, as well as Canadian services such as Crave TV, compete for viewership and a share of the monthly entertainment spending currently allocated to traditional cable television and cable service VOD offerings.

Unlike us, OTT service providers are not subject to CRTC's regulations and do not have to contribute financially to the Canadian traditional television business model or Internet infrastructure. Furthermore, foreign providers with no Canadian place of business are not required to charge federal and provincial sales tax. Consequently, this could place us at a competitive disadvantage, lead to increased operational costs and have an adverse effect on our business, prospects, revenues, financial conditions, and results of operations.

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

Our cable telephony business has numerous competitors, including ILECs, competitive local exchange carriers, mobile telephony service operators and other providers of telephony, Voice over Internet Protocol ("**VoIP**") and Internet communications, including competitors that are not facility-based and therefore have a much lower infrastructure cost. In addition, Internet protocol-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 operations.

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

Due to ongoing technological developments, the distinction between traditional platforms (broadcasting, Internet and telephony) is fading rapidly. For instance, emerging Go Platforms such as HBO Go, allow customers to view their traditional television content directly on their mobile devices or computers via Internet connection (although authentication as a broadcasting distribution undertaking's subscriber ("**BDU's subscriber**") is still required in Canada). Also, the Internet, through wired and mobile devices, is becoming an important broadcasting and distribution platform. In addition, mobile operators, with the development of their Long-Term Evolution (also known as "**LTE**") networks, are now offering wireless and fixed wireless Internet services. In addition, our VoIP telephony service also competes with Internet-based solutions.

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

Fierce price competition in all our businesses and across the industries in which we operate may affect our ability to raise the price of our products and services in line with increases in our operating costs, as we have done in the past. This could have an adverse effect on our business, revenues, financial condition, and results of operations.

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

The media industry is experiencing rapid and significant technological changes, which have resulted in alternative means of program and content transmission. The continued growth of the Internet has presented alternative content distribution options that compete with traditional media. Furthermore, in our video distribution markets, industry regulators have authorized DTH, microwave services and VDSL services and may authorize other alternative methods of transmitting television and other content with improved speed and quality.

We may not be able to successfully compete with existing or newly developed alternative technologies, such as IPTV, or we may be required to acquire, develop or integrate new technologies. The cost of the acquisition, development or implementation of new technologies could be significant and our ability to fund such implementation may be limited, which could have a material adverse effect on our ability to successfully compete in the future. Any such difficulty or inability to compete could have a material adverse effect on our business, reputation, prospects, financial condition, and results of operations.

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

We have entered into roaming agreements with multiple carriers around the world (including Canada, the United States and Europe), and have established worldwide coverage. Our inability to extend our worldwide coverage or to renew, or substitute for, these roaming agreements at their respective or better terms or on acceptable terms, may place us at a competitive disadvantage, which could adversely affect our ability to operate our mobile business successfully and profitably. In addition, if we are unable to renew, or substitute for, these roaming agreements on a timely basis and at an acceptable cost, our cost structure could materially increase, and, consequently, our business, financial condition and results of operations could be adversely affected.

Moreover, since 2015 in Canada, the CRTC has decided that each of the three national wireless incumbent carriers would be obliged to provide wholesale roaming services to regional (including Videotron) and new entrant carriers at cost-based rates. A tariff proceeding is currently underway to determine these rates. The result of the wholesale roaming tariff proceeding may have an impact on our roaming cost structure and on the types of retail packages we are able to offer our customers in this regard.

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

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

We could be adversely impacted by higher handset subsidies and increase in bring-your-own-device ("BYOD") customers.

Our mobile telephony business model is based substantially on subsidizing the cost of subscriber handsets, similar to other Canadian wireless carriers. This model attracts customers and in exchange they commit to a term contract with us. We also commit to a minimum subsidy per unit with the supplier of certain smartphone devices. If we are unable to recover the costs of the subsidies over the term of the customer contract this could negatively impact our business, financial condition and results of operations.

Also, with the CRTC's Wireless Code introduced in 2013 limiting wireless term contracts to two years from three years, the number of BYOD customers with no-term contracts has increased. Such customers are under no contractual obligation to remain with us, this could have a material adverse effect on our churn rate and, consequently, on our business, financial condition and results of operations.

Our inventory may become obsolete.

Our various products in inventory generally have a relatively short lifecycle due to frequent technological changes. If we cannot effectively manage inventory levels based on product demand, this could increase the risk of inventory obsolescence and could have an adverse effect on our business, financial condition and results of operations.

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

Our strategy of maintaining a leadership position in the suite of products and services we offer and of launching new products and services requires capital investments in our network and infrastructure to support growth in our customer base and its demands for increased bandwidth capacity and other services. In the past, we have required substantial capital for the upgrade, expansion and maintenance of our network and the launch and deployment of new or additional services. We expect that additional capital expenditures will continue to be required in the short-term, mid-term and long-term in order to expand and maintain our networks, systems and services, including expenditures relating to advancements in Internet access, HD television, ultra-high-definition ("**UHD**") television and television everywhere/every platform requiring Internet protocol delivery technology, the introduction of virtual reality, as well as the cost of our mobile services infrastructure deployment, maintenance and enhancement.

The demand for wireless data services has been growing at high rates and it is projected that this demand will further accelerate, driven by the following increases: levels of broadband penetration; need for personal connectivity and networking; affordability of smartphones and Internet-only devices (e.g., high-usage data devices such as mobile Internet keys, tablets and electronic book readers); multimedia-rich services and applications; and unlimited data plans. The anticipated levels of data traffic will represent a growing challenge to the current mobile network's ability to serve this traffic. We may have to acquire additional spectrum, if available and if economically reasonable, in order to address this increased demand. The ability to acquire additional spectrum (if needed) is dependent on the timing and the rules established by Innovation, Science and Economic Development Canada ("**ISED**"). If we are not successful in acquiring additional spectrum we may need on reasonable terms, or not at all, that could have a material adverse effect on our business, prospects and financial condition. See also "Item 4. Information on the Corporation — Regulation — Canadian Telecommunications Services — Regulatory Framework for Mobile Wireless Services."

Developing, maintaining and enhancing our LTE network requires capital expenditures to remain competitive and to comply with our obligations under the agreement with our partner governing the joint build-out of our LTE network. A geographical expansion or densification of our LTE network may require us to incur significant costs and to make significant capital expenditures. See also "Item 4. Information on the Corporation — Business Overview."

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

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

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

We require access to the support structures of hydroelectric and telephone utilities and need municipal rights of way to deploy our cable network. Where access to the structures of telephone utilities cannot be secured, we may apply to the CRTC to obtain a right of access under the *Telecommunications Act* (Canada) (the "**Telecommunications Act**"). We have entered into comprehensive support structure access agreements with all the major hydroelectric companies and all the major telecommunications companies in our service territory. In the event that we seek to renew or to renegotiate these agreements, we cannot guarantee that these agreements will continue to be available on their respective terms, on acceptable terms, or at all, which may place us at a competitive disadvantage.

We may not successfully implement our business and operating strategies.

Our strategies include strengthening our position as telecommunications leader, introducing new and enhanced products and services, maintaining our advanced broadband network, further integrating the operations of our subsidiaries, leveraging geographic clustering and maximizing customer satisfaction across our business. We may not be able to implement these strategies successfully or realize their anticipated results fully or at all, and their implementation may be more costly or challenging than initially planned. In addition, our ability to successfully implement these strategies could be adversely affected by a number of factors beyond our control, including operating difficulties, increased ongoing operating costs, regulatory developments, general or local economic conditions, increased competition, technological changes and other factors described in this “Risk Factors” section. While the centralization of certain business operations and processes has the advantage of standardizing our practices, thereby reducing costs and increasing effectiveness, it also represents a risk in itself should a business solution implemented by a centralized office throughout the organization fail to produce the intended results. We may also be required to make capital expenditures or other investments that may affect our ability to implement our business strategies if we are unable to secure additional financing on acceptable terms or to generate sufficient funds internally to cover those requirements. Any material failure to implement our strategies could have a material adverse effect on our reputation, business, financial condition, prospects and results of operations, as well as on our ability to meet our obligations, including our ability to service our indebtedness.

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

We could be adversely impacted by consumers’ trend to abandon cable telephony and television services.

The recent trend toward mobile substitution or “cord-cutting” (when users cancel their landline telephony services and opt for mobile telephony services only) is largely the result of the increasing mobile penetration rate in Canada and the various unlimited offers launched by mobile operators. In addition, there is also a consumer trend to abandon and substitute wire and cable television for Internet access services in order to stream directly from broadcasters and OTT content providers. We may not be successful in converting our existing cable telephony subscriber base to our mobile telephony services or in attracting customers to our OTT entertainment platforms, which could have a material adverse effect on our business, our results of operations and our financial condition.

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

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

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

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 over the years. We have sought in the past, and may, in the future, seek to further expand the types of businesses in which we participate, under appropriate conditions. We can provide no assurance that we will be successful in either developing or fulfilling the objectives of any such business expansion.

In addition, our expansion 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 our growth, or if we are required to incur significant or unforeseen costs, our business, results of operations and financial condition could be adversely affected.

The implementation of changes to the structure of our business may be more expensive than expected and we may not gain all the anticipated benefits.

We have and will continue to implement changes to the structure of our business due to many factors such as the necessity of a corporate restructuring, a system replacement and upgrade, a process redesign and the integration of business acquisitions or existing business units. These changes must be managed carefully to ensure that we capture the intended benefits. The implementation process may lead to greater-than-expected operational challenges and costs, expenses, customer loss and business disruption for us, which could adversely affect our business and our ability to gain our anticipated benefits.

We depend on key personnel and our inability to retain skilled employees may have an adverse effect on our financial condition and results of operations.

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

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

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

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

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

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

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

Cybersecurity breaches and other similar disruptions could expose us to liability, which would have an adverse effect on our business and reputation.

The ordinary course of our telecommunications and data-storage businesses involves the receipt, collection, storage and transmission of sensitive data, including our proprietary business information and that of our customers, and personally identifiable information of our customers and employees, whether in our data centres, systems, infrastructure, networks and processes, including those of our suppliers. The secure processing, maintenance and transmission of this information is critical to our operations and business strategy.

Although we have implemented and regularly review and update processes and procedures to protect against unauthorized access to or use of sensitive data, including data of our customers, and to prevent data loss, and, although ever-evolving cyber-threats require us to continually evaluate and adapt our data centres, systems, infrastructure, networks and processes, we cannot assure that our data centres, systems, infrastructure, networks and processes, as well as those of our suppliers, will be adequate to safeguard against all information security access by third-parties or errors by employees or by third party suppliers. If we are subject to a significant cyber-attack or breach, unauthorized access, errors of third-party suppliers or other security breaches, we may incur significant costs, be subject to investigations, sanctions and litigation, including under laws that protect the privacy of personal information, and we may suffer damage to our business, competitive position and reputation.

In addition, the preventive actions we take to reduce the risks associated with cyber-attacks, including protection of our data centres, systems, infrastructure, networks and processes, as well as efforts to improve the overall governance over information security and the controls within our IT systems, may be insufficient to repel or mitigate the effects of a major cyber-attack in the future.

We store and process increasingly large amounts of personally identifiable data of our clients, employees or our business partners, and the improper use or disclosure of such data would have an adverse effect on our business and reputation.

We store and process increasingly large amounts of personally identifiable information of our clients, employees or our business partners. We face risks inherent in protecting the security of such personal data. In particular, we face a number of challenges in protecting the data in and hosted on our systems, or those belonging to our suppliers, including from advertent or inadvertent actions or inactions by our employees, as well as in relation to compliance with applicable laws, rules and regulations relating to the collection, use, disclosure and security of personal information, including any requests from regulatory and government authorities relating to such data. Although we have developed systems, processes and security controls that are designed to protect personally identifiable information of our clients, employees or our business partners, we may be unable to prevent the improper disclosure, loss, misappropriation of, unauthorized access to, or other security breach relating to such data that we store or process, or that our suppliers store or process. As a result, we may incur significant costs, be subject to investigations, sanctions and litigation, including under laws that protect the privacy of personal information, and we may suffer damage to our business, competitive position and reputation.

We are dependent upon our information technology systems and those of certain third-parties. The inability to enhance our systems 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.

Malicious and abusive Internet practices could impair our cable data and mobile data services as well as our fibre-optic connectivity business.

Our cable data, mobile data and fibre-optic connectivity business customers utilize our network to access the Internet and, as a consequence, we or they may become a victim of common malicious and abusive Internet activities, such as unsolicited mass advertising (or spam) and dissemination of viruses, worms and other destructive or disruptive software. These activities could have adverse consequences on our network and our customers, including deterioration of service, excessive call volume to call centers, and damage to our customers' equipment and data or ours. Significant incidents could lead to customer dissatisfaction and, ultimately, to a loss of customers or revenues, in addition to increased costs to service our customers and protect our network. Any significant loss of cable data, mobile data or fibre-optic connectivity business customers, or a significant increase in the costs of serving those customers, could adversely affect 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 television, Internet access, OTT and telephony business, we may not be able to protect our services and data from piracy. We may be unable to prevent electronic attacks to gain unauthorized access to our network, analog and digital programming, and our Internet access services. We use encryption technology to protect our cable signals and OTT from unauthorized access and to control programming access based on subscription packages. We may not be able to develop or acquire adequate technology to prevent unauthorized access to our network, programming and data, which may have an adverse effect on our customer base and lead to a possible decline in our revenues, as well as to significant remediation costs and legal claims.

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

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

In addition, we obtain proprietary content critical to our operations through licensing arrangements with content providers. Some providers may seek to increase fees or impose technological requirements to protect their proprietary content. If we are unable to renegotiate commercially acceptable arrangements with these content providers, comply with their technological requirements or find alternative sources of equivalent content, our operations may be adversely affected.

We may be adversely affected by litigation and other claims.

In the normal course of business, we are involved in various legal proceedings and other claims relating to the conduct of our business, including class actions. 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 a said adverse effect. Moreover, the cost of defending against lawsuits and the diversion of management's attention could be significant. See also "Item 8. Financial Information – Legal Proceedings" in this annual report.

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

As of December 31, 2016, approximately 59% of our employees are unionized, and the terms of their employment are governed by one of our five regional collective bargaining agreements.

We are not currently subject to any labour dispute. Nevertheless, 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 future work stoppages, strikes or other forms of labour protests pending the outcome of any current or future negotiations. If our unionized workers engage in a strike or any other form of work stoppage, we could experience a significant disruption to our operations, damage to our property and/or interruption to our services, which could adversely affect our business, assets, financial position, results of operations and reputation. Even if we do not experience strikes or other forms of labour protests, the outcome of labour negotiations could adversely affect our business and results of operations. Such could be the case if current or future labour negotiations or contracts were to further restrict our ability to maximize the efficiency of our operations. In addition, our ability to make short-term adjustments to control compensation and benefit costs is limited by the terms of our collective bargaining agreements.

Our defined benefit pension plans are currently underfunded and our pension funding requirements could increase significantly due to a reduction in funded status as a result of a variety of factors.

The economic cycles, employee demographics and changes in regulations could have a negative impact on the funding of our defined benefit pension plans and related expenditures. There is no guarantee that the expenditures and contributions required to fund these pension plans will not increase in the future and therefore negatively impact our operating results and financial position. Risks related to the funding of defined benefit plans may materialize if total obligations with respect to a pension plan exceed the total value of its trust assets. Shortfalls may arise due to lower-than-expected returns on investments, changes in the assumptions used to assess the pension plan's obligations, and actuarial losses.

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, certain mobile devices and certain capital expenditures, including certain costs related to the development and maintenance of our mobile network, are paid in U.S. dollars. Those costs are partially hedged hence a significant increase in the U.S. dollar could have an adverse effect on our results of operations.

Also, a substantial portion of our debt is denominated in U.S. dollars, and interest, principal and premium, if any, are 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. We have entered into transactions to hedge the exchange rate risk with respect to our U.S. dollar-denominated debt outstanding at December 31, 2016, 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 in order 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 us include an option that allows each party to unwind the transaction on a specific date at the then settlement amount.

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, 2016, the net aggregate fair value of our cross-currency interest rate swaps and foreign-exchange forward contracts was in a net asset position of $417.8 million on a consolidated basis. See also "Item 11. Quantitative and Qualitative Disclosures About Market Risk" of this annual report.

Some of our suppliers source their products out of the U.S., therefore, although we pay those suppliers in Canadian dollars, the prices we pay for such products may be affected by fluctuations in the exchange rate. We may in the future enter into transactions to hedge our exposure to the exchange rate risk related to the prices of some of those products. However, fluctuations to the exchange rate for our purchases that are not hedged could affect the prices we pay for such purchases and could have an adverse effect on our results of operations.

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

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

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

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

A failure to adopt an ethical business conduct may adversely affect our reputation.

Any failure or perceived failure to adhere to our policies, the law or ethical business practices could significantly affect our reputation and brands and could therefore negatively impact our financial performance. Our framework for managing ethical business conduct includes the adoption of a Code of Ethics which our directors and employees are required to acknowledge and agree to on a regular basis and, as part of an independent audit and security function, maintenance of a whistle-blowing hotline. There can be no assurance that these measures will be effective to prevent violations or perceived violations of law or ethical business practices.

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

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

We undertake acquisitions, dispositions, business combinations, or joint ventures from time to time which may involve significant risks and uncertainties.

From time to time, we engage in discussions and activities with respect to possible acquisitions, dispositions, business combinations, or joint ventures intended to complement or expand our business, some of which may be significant transactions for us and involve significant risks and uncertainties. We may not realize the anticipated benefit from any of the transactions we pursue, and may have difficulty incorporating or integrating any acquired business. Regardless of whether we consummate any such transaction, the negotiation of a potential transaction (including associated litigation), as well as the integration of any acquired business, could require us to incur significant costs and cause diversion of management's time and resources and disrupt our business operations. We could face several challenges in the consolidation and integration of information technology, accounting systems, personnel and operations.

If we determine to sell individual properties or other assets or businesses, we will benefit from the net proceeds realized from such sales. However, our revenues may suffer in the long term due to the disposition of a revenue generating asset, or the timing of such dispositions may be poor, causing us to fail to realize the full value of the disposed asset, all of which may diminish our ability to repay our indebtedness at maturity.

Any of the foregoing could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects.

The competition for retail locations and the consolidation of independent retailers may adversely affect the customer reach of our telecommunications business' sale network.

The competition to offer products in the best available retail commercial spaces is fierce in the telecommunications business. Some of our telecommunications business' competitors have pursued a strategy of selling their products through independent retailers to extend their presence on the market and some of our competitors have also acquired certain independent retailers and created new distribution networks. This could result in limiting the customer reach of our retail network and may contribute to isolate us from our competitors, which could have an adverse effect on our business, prospects and results of operations.

Risks Relating to Regulation

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

Our operations are subject to extensive government regulation and policy-making in Canada. Laws and regulations govern the issuance, amendment, renewal, transfer, suspension, revocation and ownership of broadcast programming and distribution licenses. With respect to distribution, regulations govern, among other things, the distribution of Canadian and non-Canadian programming services and the maximum fees to be charged to the public in certain circumstances. Although the federal government eliminated the foreign ownership restrictions on telecommunications companies with less than 10 percent of total Canadian telecommunications market revenues, there are significant restrictions on the ability of non-Canadian entities to own or control broadcasting licenses and telecommunications carriers in Canada. Our broadcasting distribution and telecommunications operations (including Internet access service) are regulated respectively by the *Broadcasting Act* (Canada) (the "**Broadcasting Act**") and the Telecommunications Act and regulations thereunder. The CRTC, which administers the Broadcasting Act and the Telecommunications Act, has the power to grant, amend, suspend, revoke and renew broadcasting licenses, approve certain changes in corporate ownership and control, and make regulations and policies in accordance with the Broadcasting Act and the Telecommunications Act, subject to certain directions from the federal cabinet. For instance, the CRTC introduced recently some form of rate regulation following its commonly referred to as "Lets talk TV" public consultation on television broadcasting and distribution. Consequently, we must offer a reduced basic service at $25 since March 1, 2016 and offer all specialty services "à la carte", since December 1, 2016. Moreover, the CRTC adopted a Wireless Code which regulates numerous aspects of the provision of retail wireless services and, coming into effect September 1, 2017, a new Television Service Provider Code which will regulate numerous aspects of the provisions of retail television services. Our wireless and cable operations are also subject to technical requirements, license conditions and performance standards under the *Radiocommunication Act* (Canada) (the "**Radiocommunication Act**"), which is administered by ISED.

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. Furthermore, the CRTC and ISED have the power to impose monetary sanctions for failure to comply with current regulations. For a more extensive description of the regulatory environment affecting our business, see "Item 4. Information on the Corporation – Regulation".

Changes to the laws, regulations and policies governing our operations, the introduction of new laws, regulations, policies or terms of license, the issuance of new licenses, including additional spectrum licenses to our competitors or changes in the treatment of the tax deductibility of advertising expenditures could have an impact on our customer buying practices and/or a material adverse effect on our business (including how we provide products and services), financial condition, prospects and results of operations. In addition, we may incur increased costs in order to comply with existing and newly adopted laws and regulations or penalties for any failure to comply. 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.

ISED may not renew our mobile spectrum licenses on acceptable terms, or at all.

Our AWS-1 licenses were issued in December 2008 for a 10-year term. AWS-1 license renewal, including whether license fees should apply for a subsequent license term, will be the subject of a public consultation process expected to be initiated in the coming months.

Our other spectrum licenses, including in the AWS-3, 700MHz and 2500MHz bands, are issued for 20-year terms from their respective dates of issuance. At the end of those respective terms, applications may be made for new licenses for a subsequent term through a renewal process, unless a breach of license condition by us has occurred, a fundamental reallocation of spectrum to a new service is required, or in the event that an overriding policy need arises. The process for issuing or renewing licenses, including the terms and conditions of the new licenses and whether license fees should apply for a subsequent license term, are expected to be determined by ISED following public consultations.

If, at the end of their respective term, our licenses are not renewed on acceptable terms, or at all, our ability to continue to offer our wireless services, or to offer new services, may be negatively impacted and, consequently, it could have a material adverse effect on our business, financial condition, prospects, and results of operations.

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.

In a decision issued on July 22, 2015, the CRTC ordered substantial changes to the framework for the provision of wholesale services to third-party ISPs. The provision of aggregated services will no longer be mandated and will be phased out in conjunction with the implementation of a new mandatory disaggregated service which will involve third-party ISPs provisioning their own regional transport services. This disaggregated service will also include, for the first time, mandated access to high-speed services provided over fibre-access facilities, including the fibre-access facilities of the large incumbent telephone companies. A tariff proceeding is under way to set the rates for this new disaggregated wholesale service. In parallel, on October 6, 2016, the CRTC ordered a significant interim reduction to the tariff rates for the existing aggregated wholesale service. A second tariff proceeding is under way to set revised final rates for the aggregated service while work moves forward on implementing the disaggregated service. As a result of these proceedings, we may experience increased competition for retail cable Internet and telephony customers. In addition, because our third-party Internet access rates are regulated by the CRTC, we could be limited in our ability to recover our costs associated with providing this access.

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

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

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

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

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

All our cell sites comply with applicable laws and we rely on our suppliers to ensure that the network equipment and customer equipment supplied to us meets all applicable regulatory and safety requirements. Nevertheless, 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. 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 there is no certainty as to the results of any such future studies.

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 product liability lawsuits that might arise or have arisen. Any of these could have a material adverse effect on our business, prospects, revenues, financial condition and results of operations. Videotron is currently a defendant, along with all other major wireless providers in the Province of Québec, in an authorization demand for a class action on this particular concern.

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, 2016, we had $3.2 billion of consolidated long-term debt (excluding QMI subordinated loans). Our indebtedness could have significant consequences, including the following:

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

Although we have significant indebtedness, as at December 31, 2016, we had approximately $755.4 million available for additional borrowings under our existing credit facilities on a consolidated basis, and the indentures governing our outstanding Senior Notes would 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, refer to Note 18 to our audited consolidated financial statements for the year ended December 31, 2016 included under "Item 18. Financial Statements" of this annual report. See also the risk factor "— Restrictive covenants in our outstanding debt instruments may reduce our operating and financial flexibility, which may prevent us from capitalizing on certain business opportunities."

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

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

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

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

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

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

There is no public market for our Senior Notes.

There is currently no established trading market for our issued and outstanding Senior Notes and we do not intend to apply for listing of any of our Senior Notes on any securities exchange or to arrange for any quotation on any automated dealer quotation systems. No assurance can be given as to the prices or liquidity of, or trading markets for, any series of our Senior Notes. The liquidity of any market for our Senior Notes will depend upon the number of holders of our Senior Notes, applicable regulations, the interest of securities dealers in making a market in our Senior Notes, prevailing interest rates, the market for similar securities and other factors, including general economic conditions, our financial condition and performance and our prospects. The absence of an active market for our Senior Notes could adversely affect their market price and liquidity.

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

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

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

In addition, a change of control would be an event of default under our credit facilities. Any future credit agreement or other agreements relating to our indebtedness to which we become a party may contain similar provisions. Our failure to repurchase our Senior Notes if required upon a change of control would, pursuant to the terms of the respective indentures governing our outstanding Senior Notes, constitute an event of default under such indentures. Any such default could, in turn, constitute an event of default under future 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) (the "**BIA**") and the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") contain provisions enabling an insolvent person to obtain a stay of proceedings against its creditors and to file a proposal to be voted on by the various classes of its affected creditors. A restructuring proposal, if accepted by the requisite majorities of each affected class of creditors, and if approved by the relevant Canadian court, would be binding on all creditors within each affected class, including those creditors that did not vote to accept the proposal. Moreover, this legislation, in certain instances, permits the insolvent debtor to retain possession and administration of its property, subject to court oversight, even though it may be in default under the applicable debt instrument, during the period that the stay against proceedings remains in place. In addition, it may be possible in certain circumstances to restructure certain debt obligations under the corporate governing statute applicable to the debtor.

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

Non-U.S. holders of our Senior Notes are subject to restrictions on the transfer or resale of our Senior 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 Senior Notes by prospectus in Canada, and, accordingly, the Senior Notes remain subject to restrictions on resale and transfer in Canada. In addition, non-U.S. holders remain subject to restrictions imposed by the jurisdiction in which the holder is resident.

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

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

Although our Senior Notes are referred to as "senior notes," they are effectively subordinated to our secured indebtedness and structurally subordinated to the liabilities of our subsidiaries that do not guarantee the Senior Notes.

Our Senior Notes are unsecured and, therefore, are effectively subordinated to any secured indebtedness that we may incur to the extent of the assets securing such indebtedness. In the event of a bankruptcy or similar proceeding involving us, the assets that serve as collateral for any secured indebtedness will be available to satisfy the obligations under the secured indebtedness before any payments are made on the Senior Notes. The Senior Notes are effectively subordinated to any borrowings under our secured credit facilities and structurally subordinated to the liabilities of our subsidiaries that do not guarantee the Senior Notes. In addition, our credit facilities and the respective indentures governing our Senior Notes permit us to incur additional secured indebtedness in the future, which could be significant.

We are controlled by Quebecor Media and its interests may differ from those of holders of the Senior Notes.

All of our issued and outstanding common shares are held by Quebecor Media. As a result, Quebecor Media controls our policies and operations. The interests of Quebecor Media, as our sole common shareholder, may conflict with the interests of the holders of our outstanding Senior Notes. In addition, actions taken by Quebecor Media, as well as its financial condition, matters over which we have no control, may affect us.

Also, Quebecor Media is a holding company with no significant assets other than its equity interests in its subsidiaries. Its principal source of cash needed to pay its own obligations is the cash that we and other subsidiaries generate from operations and borrowings. We have the ability to pay significant distributions under the terms of our indebtedness and applicable law and currently expect to make distributions to our shareholder in the future, subject to the terms of our indebtedness and applicable law. See "Item 8. Financial Information — Dividend Policy" elsewhere in this annual report.

ITEM 4 – INFORMATION ON THE CORPORATION

A- History and Development of the Corporation

Our legal and commercial name is Videotron Ltd. We were founded on September 1, 1989 and are governed by the *Business Corporations Act* (Québec). On October 23, 2000, we were acquired by Quebecor Media.

Our registered office is located at 612 St-Jacques Street, Montréal, Québec, Canada H3C 4M8, and our telephone number is (514) 281-1232. Our corporate website may be accessed through the URL *http://www.videotron.com*. The information found on our corporate website or on any other website to which we refer in this annual report does not, however, form part of this annual report and is not incorporated by reference herein. Our agent for service of process in the United States with respect to our Senior Notes (other than our Canadian-dollar denominated Senior Notes due 2021, 2025 and 2026) is CT Corporation System, 111 Eighth Avenue, New York, New York 10011.

Since December 31, 2013, we have undertaken and/or completed several business acquisitions, capital expenditures, business development projects and financing transactions, including, among others, the following:

- We have continued to actively pursue the roll-out of Videotron's mobile network. As of December 31, 2016, Videotron's mobile telephony services covered the Province of Québec (7.6 million persons) and Eastern Ontario. During 2016, we activated 125,300 net new lines on our advanced mobile network at a pace of approximately 10,400 net new lines per month, bringing our total mobile customer base to 893,900 activated lines.
- On January 12, 2017, 4Degrees reached an agreement with Megaport (USA), Inc., a global leader in secured interconnectivity. The partnership will allow 4Degrees' customers to link directly to the world's largest providers of public cloud services. Customers may benefit from fast, secure, redundant access to business applications from three leading information and communications technology (ICT) providers: Microsoft Corporation (Azure, Office365, Exchange), Amazon Web Services, Inc. and Google.
- On December 2, 2016, we issued a notice for the redemption of an aggregate principal amount of $175.0 million of our outstanding 6.875% Senior Notes issued on July 5, 2011 and due July 15, 2021. On January 5, 2017, the Senior Notes were redeemed at a redemption price of 103.438% of their principal amount for a cash consideration of $181.0 million.
- On November 15, 2016, we announced that we had begun implementing Data over Cable Service Interface Specification ("**DOCSIS**") 3.1 technology on our network. This new-generation technology developed by the CableLabs consortium, of which we are a member, may eventually deliver lightning speeds of up to 10 Gbps for downloads and up to 1 Gbps for uploads. We are now deploying DOCSIS 3.1 modems on our network and adapting our equipment and working protocols to the new technology.
- On September 20, 2016, we, together with Ericsson Canada Inc., École de technologie supérieure and Société du Quartier de l'innovation de Montréal, announced a partnership to create Canada's first open-air smart living laboratory in order to test all aspects of new fifth-generation telecommunication technologies.
- On September 13, 2016, 4Degrees officially opened its new data centre in Montréal. The $40.0 million, 46,000-square-feet facility boasts one the largest server rooms in the Province of Québec and is purpose-designed for data hosting. The Montréal and the now-expanded Québec City data centres are linked by Videotron's fibre-optic network.
- On July 13, 2016, we launched our new Hybrid Fibre Giga Internet service, which offers connection speeds of up to 940 Mbps.
- In June 2016, we amended our secured revolving credit facility and unsecured revolving credit facility to extend their maturity to July 2021. Some of the terms and conditions related to these credit facilities were also amended.
- On January 7, 2016, we announced the closing of a transaction whereby we acquired Fibrenoire, a company that provides businesses with fibre-optic connectivity services, for a purchase price of $125.0 million, subject to certain adjustments.
- On October 27, 2015, we announced a multi-year $35.0 million expansion of the 4Degrees data hosting centre located in Québec City, which we acquired in March 2015 for cash consideration of $35.5 million.

The project will add two new server rooms to the facility. 4Degrees is one of the few data centres in the Province of Québec to be Tier III certified by the Uptime Institute, an international standard that recognizes maximum reliability and operational sustainability.

- On September 15, 2015, we issued $375.0 million aggregate principal amount of 5 3/4% Senior Notes, maturing on January 15, 2026, for net proceeds of $370.1 million (net of financing expenses). The proceeds of this offering were used to (i) partially repay the amounts outstanding under our senior credit facilities, and (ii) pay transaction fees and expenses.
- On July 16, 2015, we redeemed and retired (i) the entire principal amount outstanding of our 9 1/8% Senior Notes issued on April 15, 2008, and due April 15, 2018, representing an aggregate principal amount of US$75.0 million, and unwound the related hedges in an asset position, and (ii) the entire principal amount outstanding of our 7 1/8% Senior Notes issued on January 13, 2010, and due January 15, 2020, representing an aggregate principal amount of $300.0 million.
- On June 16, 2015, we amended our senior credit facilities to (i) increase the amount available under our secured revolving credit facility from $575.0 million to $615.0 million, (ii) extend the maturity of our secured revolving credit facility from July 19, 2018 to July 20, 2020, and (iii) create a new $350.0 million unsecured revolving credit facility maturing on July 20, 2020.
- On May 12, 2015, the predecessor to ISED announced that we were the successful bidder for eighteen 20 MHz licenses in its 2500 MHz spectrum auction. The operating licenses, acquired for $187.0 million, cover all of the Province of Québec and the largest urban centres in other provinces of Canada, namely Toronto, Ottawa, Calgary, Edmonton and Vancouver, for a total covered population of more than 21 million, representing approximatively 65% of Canada’s population.
- On April 10, 2015, we redeemed and retired the entire principal amount outstanding of our 6 3/8% Senior Notes due December 15, 2015, representing an aggregate principal amount of US$175.0 million, and unwound the related hedges in an asset position.
- On March 6, 2015, the predecessor to ISED announced that we were the successful bidder for four 30 MHz licenses in its AWS-3 commercial mobile spectrum auction. We obtained the 30 MHz licenses for Eastern Québec, Southern Québec, Northern Québec and Eastern Ontario / Outaouais, covering 100% of the population of the Province of Québec and the Ottawa region, for a total price of $31.8 million.
- On September 10, 2014, we launched our LTE mobile network, which supports speed of up to 150 Mbps.
- On April 9, 2014, we issued US$600.0 million aggregate principal amount of 5 3/8% Senior Notes, maturing on June 15, 2024, for net proceeds of $654.5 million (net of financing expenses). The proceeds of this offering were used on April 24, 2014 to (i) finance the early redemption and withdrawal of US$260.0 million aggregate principal amount of our outstanding 9 1/8% Senior Notes, issued on March 5, 2009 and maturing on April 15, 2018, (ii) repay borrowings under our revolving credit facility, (iii) pay related fees and expenses, and (iv) the remainder for general corporate purposes.
- On April 3, 2014, after final payment was made on the spectrum awarded in the auction ended February 19, 2014, the predecessor to ISED issued us seven 10 MHz licenses in the 700 MHz band. The operating licenses, acquired for $233.3 million, cover the entire provinces of Québec, Ontario (except Northern Ontario), Alberta and British Columbia, for a total covered population of more than 28 million, representing approximately 80% of Canada’s population.

B- Business Overview

Overview

We are the largest cable operator in the Province of Québec and the third largest in Canada, in each case based on the number of cable customers, as well as an Internet service provider and a provider of cable and mobile telephony and OTT video services in the Province of Québec. Our cable network is the largest broadband network in the Province of Québec covering approximately 79% of an estimated 3.6 million premises. The deployment of our LTE 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, as well as an entertainment leader. Products and services are supported by extensive coaxial, fibre-optic and LTE wireless networks. Since May 13, 2015, the coverage of our LTE network was expanded coast-to-coast through roaming agreements with other wireless service providers.

Videotron Business Solutions is a premier full-service telecommunications provider serving small-, medium- and large-sized businesses, as well as telecommunications carriers. In recent years, we have significantly grown our customer base and have become a leader in the Province of Québec's business telecommunication segment. According to our estimates, our fibre-optic network is covering approximately 81% of the business customers located in the Province of Québec. Products and services include cable television, Internet access, telephony, mobile services and business solutions products such as hosting, private network connectivity, Wi-Fi, audio and video transmission. Through 4Degrees, we operate data centres in Québec City and Montréal which are among the few data centres in the Province of Québec to be Tier III certified by the Uptime Institute, an international standard that recognizes maximum reliability and operational sustainability.

Since January 7, 2016, we own Fibrenoire, a company that provides fibre-optic connectivity services. This enables Videotron Business Solutions and Fibrenoire to join forces to meet the growing demand from business customers for fibre-optic connectivity.

Competitive Strengths

Leading Market Positions

We are the largest cable operator in the Province of Québec and the third largest in Canada, in each case based on the number of cable customers. We believe that our strong market position has enabled us to launch and deploy new products and services more effectively. For example, since the introduction of our cable Internet access service, we estimate that we have become the largest provider of such service in the areas we serve. Our extensive proprietary and third-party retail distribution network of stores and points of sale, including our Videotron-branded stores and kiosks, assists us in marketing and distributing our advanced telecommunications services, such as cable Internet access, digital television and cable and mobile telephony, on a large scale basis.

Differentiated Bundled Services

Through our technologically advanced wireline and wireless network, we offer a differentiated, bundled suite of entertainment, information and communication services and products, including digital television, cable Internet access, VOD, subscription-based OTT entertainment service ("**Club illico**") and other interactive television services, as well as residential and commercial cable telephony services using VoIP technology, and mobile telephony services. In addition, we deliver high-quality services and products, including, for example, our standard cable Internet access service which is offered across our footprint and enables our customers to download data at a higher speed than currently offered by standard DSL technology. We also offer one of the widest range of French-language programming in Canada including content from our illico-on-Demand and Club illico services available on illico Digital TV, illico.tv or illico app (for Android and iOS). Customers can interrupt and resume programming at will on any of these four illico platforms.

Advanced Broadband Network

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

Focused and Highly Reliable Network Cluster

Our single hybrid fibre coaxial clustered network covers approximately 79% of the Province of Québec's total addressable market and nine of the province's top ten urban areas. We believe that our single cluster and network architecture provides many benefits, including a higher quality and more reliable network, the ability to launch and deploy new products and services such as Club illico and the illico 4K UHD set-top box, 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 and technology. Under the leadership of our senior management team, we have, among other things, improved penetration of our High Speed Internet Access offering, our VoIP telephony services, our cable products and our mobile telephony services, including through the successful build-out and launch of our mobile telephony network.

Products and Services

We currently offer to our customers cable services, mobile telephony services, OTT video services and business telecommunications services.

Cable Services

Advanced Cable-Based Products and Services

Our cable network'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 multiplatform television, residential telephony and selected interactive services. In 2015, we introduced the illico 4K set-top box on the market. This high-tech personal video recorder has a processor 12 times more powerful than the previous generation, thus allowing customers to program up to eight simultaneous recordings and keep up to 115 hours of UHD recording. We intend to continue to develop and deploy additional value-added services to further broaden our service offering.

- *Cable Internet Access*. Leveraging our advanced cable infrastructure, we offer cable Internet access to our customers primarily via cable modems. We provide this service at download speeds of up to 200 Mbps to more than 97% of our homes passed. As of December 31, 2016, we had 1,612,800 cable Internet access customers, representing 95.4% of our basic customers and 56.8% 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 52% as of December 31, 2016.
- *Digital Television.* We have installed headend equipment through an hybrid fibre-optic and coax network capable of delivering digitally encoded transmissions to a two-way digital set-top box in the customers' home and premises. This digital connection provides significant advantages. In particular, it increases channel capacity, which allows us to increase both programming and service offerings while providing increased flexibility in packaging our services and a HD quality. The basic package includes 23 basic television channels, access to VOD and interactive programming guide. All of our custom packages include the basic package, 52 audio channels providing digital-quality music, 22 FM radio channels and an interactive programming guide. Our extended digital television offering allows customers to customize their choices with the ability to choose between custom or pre-assembled packages with a selection of more than 300 additional channels, including U.S. super-stations and other special entertainment programs. This also offers customers significant programming flexibility including the option of French-language only, English-language only or a combination of French- and English-language programming, as well as many foreign-language channels. As of December 31, 2016, we had 1,587,000 customers for our digital television service, representing 93.9% of our total basic customers and 55.9% of our total homes passed.

- *Cable Telephony.* We offer cable telephony service using VoIP technology. We offer discounts to customers who subscribe to more than one of our services. As of December 31, 2016, we had 1,253,100 subscribers to our cable telephony service, representing a penetration rate of 74.1% of our basic cable subscribers and 44.1% of our homes passed.
- *Video-On-Demand*. VOD service enables digital cable customers to rent content from a library of movies, documentaries and other programming through their digital set-top box, computer, tablet or mobile phone respectively through illico Digital TV, illico.tv and our illico app. Our digital cable customers are able to rent their VOD selections for a period of up to 48 hours, which they are then able to watch at their convenience with full stop, rewind, fast forward, pause and replay functionality during their rental period. In addition, customers can resume viewing on-demand programming that was paused on either the television, illico.tv or the illico app offered on the iOS and Android platforms. These applications feature a customizable, intuitive interface that brings up selections of content based on the customer's individual settings and enhances the experience by suggesting personalized themed content. These applications smartly and swiftly highlight any content available from the illico catalog, including VOD titles, live television broadcasts or recorded shows, and allow the customer to transfer it directly and seamlessly from their mobile devices to their television.
- *Pay-Per-View and pay television channels*. Pay-Per-View is a group of channels that allows our digital customers to order live events and movies based on a pre-determined schedule. In addition, we offer pay television channels on a subscription basis that permits our customers to access and watch most of the movies available on the linear pay TV channels these customers subscribe to.

Traditional Cable Television Services

Customers subscribing to our traditional analog "basic" and analog "extended basic" services generally receive a line-up of 40 channels of television programming, depending on the bandwidth capacity of their local cable system. We are no longer offering this service to new customers.

As of December 31, 2016, we had 103,800 customers for our analog television service, representing 6.1% of our total basic customers.

Mobile Services

On September 9, 2010, we launched our High Speed Packet Access ("**HSPA**") mobile communication network (3G) which was upgraded to HSPA+ (4G), on June 30, 2011.

In 2013, we signed a 20-year agreement with Rogers Communications Partnership ("**Rogers**") for the cooperation and collaboration in the build-out and operation of a shared LTE wireless network in the Province of Québec and the Ottawa region (the "**Rogers LTE Agreement**"). In September 2014, we launched our shared LTE wireless network, with Rogers. This shared network delivers an optimal user experience for consumers and businesses. We maintain our business independence throughout this agreement, including our product and service portfolios, billing systems and customer data.

In April 2014, we added Apple's mobile devices, including the iPhone, to our extensive line-up of mobile handsets, thus enabling us to reach a significantly untapped segment of our addressable market, in particular the young mobile users. Subsequently, we launched new illico applications for iPhone and iPad.

In August 2015, we launched the Unlimited Music service, which allows some mobile customers to stream music through the most popular online platforms without using data from their mobile plan.

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

In the ISED auction for AWS-3 commercial mobile spectrum held on March 3, 2015, we acquired four 30 MHz licenses for Eastern Québec, Southern Québec, Northern Québec and Eastern Ontario / Outaouais, covering 100% of the population of the Province of Québec and the Ottawa region. This spectrum, which supports LTE technology, will further enhance our ability to maintain a leading-edge, high performance wireless network in the Province of Québec and in the Ottawa region.

On May 12, 2015, after the closing of ISED's auction for 2500 MHz commercial mobile spectrum, we were declared the successful bidder for eighteen licenses covering all of the Province of Québec as well as the major urban centres in the rest of Canada, including Toronto, Ottawa, Calgary, Edmonton and Vancouver.

Since May 13, 2015, the coverage of our LTE network was expanded coast-to-coast through roaming agreements with other wireless service providers.

As of December 31, 2016, most households and businesses on our cable footprint had access to our advanced mobile services. As of December 31, 2016, there were 893,900 lines activated on our wireless network, representing a year-over-year increase of 125,300 lines (16.3%).

Club illico

Our clients can also benefit from Club illico, our subscription based OTT entertainment service, offering a rich and varied selection of unlimited, on-demand French language content (movies, television shows, children's shows, documentaries, comedy performances and concerts). In late 2013, Club illico started funding the production of television series and offering them in their first broadcast window, prior to their linear broadcast. On December 31, 2016, the Club illico service had 314,700 subscribers.

Business Telecommunications Services

Videotron Business Solutions is a premier telecommunications service provider, offering reliable and state-of-the-art mobile telephony, Internet access, cable telephony, data and cable television solutions to all business segments: small and medium-sized companies, large corporations and other telecommunications carriers.

Through 4Degrees, we operate data centres in Québec City and Montréal which are among the few data centres in the Province of Québec to be Tier III certified by the Uptime Institute, an international standard that recognizes maximum reliability and operational sustainability. The data centre in Montréal is 46,000 square feet and the one in Québec City is 91,000 square feet. Our data centres are interconnected via our fibre optic network. The connectivity makes us the only supplier in Québec able to offer Tier III certified intraprovincial redundancy. Furthermore, in partnership with Megaport (USA), Inc., a global leader in secure interconnectivity, our customers can benefit a fast, secure, redundant access to business applications from three leading information and communications technology (ICT) providers.

In 2016, with the acquisition of Fibrenoire, we increased our presence in the growing market of fibre-optic connectivity.

We serve customers through a dedicated salesforce and customer service teams with solid expertise in business market. Videotron Business Solutions relies on its extensive coaxial, fibre-optic, LTE wireless networks and data centres to provide the best possible customized solutions to all of its customers.

Customer Statistics Summary

The following table summarizes our customer statistics for our suite of advanced products and services:

	As of December 31,				
	2016	2015	2014	2013	2012
	(in thousands of customers)				
Revenue-generating units (RGUs)	**5,765.4**	**5,647.5**	**5,479.3**	**5,242.1**	**5,019.1**
Mobile Telephony					
Mobile telephony lines	893.9	768.6	632.8	504.3	403.8
Cable Internet					
Cable Internet customers	1,612.8	1,568.2	1,537.5	1,506.0	1,444.0
Penetration(1)	56.8%	55.9%	55.4%	54.9%	53.5%
Cable Television					
Basic customers(2)	1,690.9	1,736.9	1,782.3	1,825.1	1,855.0
Penetration(1)	59.6%	61.9%	64.2%	66.5%	68.7%
Digital customers	1,587.1	1,570.6	1,553.6	1,527.4	1,480.9
Penetration(3)	93.9%	90.4%	87.2%	83.7%	79.8%
Cable Telephony					
Cable telephony lines	1,253.1	1,316.3	1,349.0	1,348.5	1,316.3
Penetration(1)	44.1%	46.9%	48.6%	49.2%	48.7%
Club illico					
over-the-top video customers	314.7	257.5	177.7	58.2	—
Homes passed(4)	2,839.3	2,806.0	2,777.3	2,742.5	2,701.2

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

Pricing of our Products and Services

Our revenues are derived from the monthly fees our customers pay for cable television, Internet access and telephony and mobile services as well as Club illico. The rates we charge vary based on the market served and the level of service selected. Rates are usually adjusted annually. We also offer discounts to our customers who subscribe to more than one of our services, when compared to the sum of the prices of the individual services provided to these customers. As of December 31, 2016, the average monthly invoice on recurring subscription fees per residential customer was $117.23 (representing a 4% year-over-year increase) and approximately 81% 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 or Wi-Fi routers, can be charged depending on the promotional offer.

Our Network Technology

Cable

As of December 31, 2016, our cable network consisted of fibre-optic cable and of coaxial cable, covering approximately 2.8 million homes and serving approximately 2.2 million customers in the Province of Québec. Our network is the largest broadband network in the Province of Québec covering approximately 79% of premises and, according to our estimates, our fibre-optic network is covering approximately 81% of the business customers located in the Province of Québec. Our extensive network supports direct connectivity with networks in Ontario, the Maritimes and the United States.

Our cable television network is 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 fibre-optic relay systems. Each main headend processes, modulates, scrambles and combines the signals in order to distribute them throughout the network. Each main headend is connected to the primary headend in order to receive the digital MPEG2/MPEG4 signals and the IP backbone for the Internet services. The first stage of this distribution consists of a fibre-optic link which distributes the signals to distribution or secondary headends. After that, the signal uses the hybrid fibre coaxial cable network made of wide-band optical nodes, amplifiers and coaxial cables capable of serving up to 30 km in radius from the distribution or secondary headends to the subscriber drops. The subscriber drop brings the signal into the customer's television set directly or, depending on the area or the services selected, through various types of customer equipment including set-top boxes and cable modems.

We have adopted the hybrid fibre coaxial ("**HFC**") network architecture as the standard for our ongoing system upgrades. HFC network architecture combines the use of both fibre-optic and coaxial cables. Fibre-optic cable has good broadband frequency characteristics, noise immunity and physical durability and can carry hundreds of video and data channels over extended distances. Coaxial cable is less expensive and requires greater signal amplification in order to obtain the desired transmission levels for delivering channels. In most systems, we deliver our signals via fibre-optic cable from the headend to a group of optical nodes and then via coax to the homes passed served by the nodes. We currently build our network by implementing cells of 125 homes (which can evolve to 64 homes). As a result of the modernization of our network in recent years, our network design now provides for average cells of 171 homes throughout our footprint. To allow for this configuration, secondary headends were put into operation in the Greater Montréal Area, in the Greater Québec City Area and in the Greater Gatineau City Area. Remote secondary headends must also be connected with fibre-optic links. From the secondary headends to the homes, the customer services are provided through the transmission of a radiofrequency ("**RF**") signal which contains both downstream and upstream information (two-way). The loop structure of the two-way HFC networks brings reliability through redundancy, the cell size improves flexibility and capacity, while the reduced number of amplifiers separating the home from the headend improves signal quality and reliability. The HFC network design provided us with significant flexibility to offer customized programming to individual cells, which is critical to our advanced services, such as VOD, Switched Digital Video Broadcast and the continued expansion of our interactive services.

Starting in 2008, we began an extensive network modernization effort in the Greater Montréal Area in order to meet the ever expanding service needs of the customer in terms of video, telephony and Internet access services. This ongoing modernization implies an extension of the upper limit of the RF spectrum available for service offerings and a deep fibre deployment, which significantly extends the fibre portion in the HFC network (thereby reducing the coax portion). Additional optical nodes were systematically deployed to increase the segmentation of customer cells, both for upstream and downstream traffic. This modernization initiative results in (i) a network architecture where the segmentation for the upstream traffic is for 125 homes while that for the downstream traffic is set to 250 (which can evolve to 125 homes), and (ii) the availability of a 1 GHz spectrum for service offerings. The robustness of the network is greatly enhanced (much less active equipment in the network such as RF amplifiers for the coax portion), the service offering potential and customization to the customer base is significantly improved (through the extension of the spectrum to 1 GHz and the increased segmentation) and allows much greater speeds of transmission for Internet services which are presently unrivalled. The overall architecture employs Division Wavelength Multiplexing, which allows us to limit the amount of fibre required, while providing an effective customization potential. As such, in addition to the broadcast information, up to 12 wavelengths can be combined on a transport fibre from the secondary headend to a 3,000 homes aggregation point. Each of these wavelengths is dedicated to the specific requirements of 250 homes. The RF spectrum is set with analog content (being phased out by the end of 2017) and digital information using quadrature amplitude modulation. MPEG video compression techniques and the DOCSIS protocol allow us to provide a great service offering of standard definition, HD and now UHD video, as well as complete voice and Internet services. This modernization project gives us flexibility to meet customer needs and future network evolution requirements. The modernization of the Greater Montréal Area network is scheduled to be completed by 2020.

DOCSIS 3.0 is currently deployed to provide data service at speeds of up to 940 Mbps. We are now deploying DOCSIS 3.1 modems on our network and adapting our equipment and working protocols to the new technology. DOCSIS 3.1 is a new-generation technology developed by the CableLabs consortium, of which we are a member, which may eventually deliver lightning speeds of up to 10 Gbps for downloads and up to 1 Gbps for uploads. DOCSIS 3.1 uses Orthogonal Frequency-Division Multiplexing (OFDM) modulation and Low-Density Parity Check (LDPC) correction algorithm that provide better resiliency to RF interference and increase throughput for the same spectrum, i.e. increase Mbps/MHz. The maximum theoretical gain is 50% in the downstream direction (from the network to the user) and 100% in the upstream direction (from the user to the network), and upcoming live deployments will indicate which proportion of these theoretical limits can be achieved.

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 78% of our network in the Province of Québec has been upgraded to a bandwidth of 1002 MHz, the remaining of our network being at 750 MHz. Also, in light of the greater availability of HD television and UHD television programming and the ever increasing speed of Internet access, further investment in our network will be required.

Mobile Telephony

As of December 31, 2016, our shared LTE network reached more than 90% of the population of the Province of Québec and the Greater Ottawa Area, allowing the vast majority of our potential clients to have access to the latest mobile services. The vast majority of our towers and transmission equipment are linked through our fibre-optic network using a multiple label switching – or MPLS – protocol. Our network is designed to support important customer growth in coming years as well as rapidly evolving mobile technologies.

Our strategy in the coming years is to build on our position as a telecommunication leader with our LTE mobile services and to keep the technology at the cutting edge as it continues to evolve rapidly and new market standards such as LTE-Advanced and heterogeneous networks are being deployed. We are exploring 4.5G and 5G technologies. In doing so, we have created a partnership with Ericsson, L'École de technologie supérieure and Société du Quartier de l'innovation de Montréal. Together with our partners, we have established the first open-air smart living laboratory in Canada. This laboratory will test the many facets of innovations associated with the emerging industry revolving around fifth-generation telecommunications. The Rogers LTE Agreement provides and allows Rogers and us to continue the evolution of the shared LTE network. Our and Rogers' spectrum contribution will allow us to continue to exploit LTE evolutive technologies and to provide our subscribers with high throughput data connections.

During 2016, we maintained our HSPA+ network throughout the Province of Québec and over the Greater Ottawa Area.

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 revenue and operating margin growth per customer. We believe that customers will come to view our cable connection as the best distribution channel to their home for a multitude of services. To achieve this objective, we are pursuing the following strategies:

- develop attractive bundle offers to encourage our customers to subscribe to two or more products, which increases average revenue per user – or ARPU – customer retention and operating margins;
- continue to rapidly deploy advanced products on all our services – cable, Internet access, telephony, Club illico and mobile – to maintain and increase our leadership and consequently, to gain additional market share;
- design product offers that provide greater opportunities for customer entertainment and information;
- deploy strong retention strategies aiming to maintain our existing customer base and to increase our ARPU;
- develop targeted marketing programs to attract former customers and households that have never subscribed to certain of our services and customers of alternative or competitive services as well as target specific market segments;
- 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 our Videotron-branded stores and kiosks, and third-party commercial retailers;
- maintain and promote our leadership in content and entertainment by leveraging the wide variety of services offered within the Quebecor Media group to our existing and future customers;

- introduce new value added packages of products and services, which we believe will increase ARPU and improve customer retention; and
- leverage our business market, using our network and expertise with our commercial customer base, to offer additional bundled services to our customers.

We continue to invest time, effort and financial resources in marketing new and existing services. To increase both customer penetration and the number of services used by our customers, we use integrated marketing techniques, including door-to-door solicitation, telemarketing, drive-to-store, media advertising, e-marketing and direct mail solicitation. Those initiatives are also strongly supported by business intelligence tools such as predictive churn models.

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

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 all major Canadian media groups.

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

Competition

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

- *Providers of Other Entertainment.* Cable systems face competition from alternative methods of distributing and receiving television signals and from other sources of entertainment such as live sporting events, movie theatres and home video products, including digital recorders, OTT content providers, such as Netflix and Apple TV, Blu-ray 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 that are available through competitive alternative delivery sources. The introduction of Club illico, our subscription based OTT platform offering a rich and varied selection of unlimited on-demand content, aims to reduce the effect of competition from alternative delivery sources.

- *DSL.* The deployment of DSL technology provides customers with Internet access at data transmission speeds greater than that available over conventional telephone lines. DSL service provides access speeds that are comparable to low-to-medium speeds of cable-modem Internet access but that decreases with the distance between the DSL modem and the line card.
- *FTTN and FTTH.* Fibre to the neighborhood ("**FTTN**") technology addresses the distance limitation by bringing the fibre closer to the end user. The last mile is provided by the DSL technology. Fibre to the home ("**FTTH**") brings the fibre up to the end user location. The speed is then limited by the end equipment rather than the medium (fibre) itself. It provides speeds comparable to high speeds of cable-modem Internet access. Because of the cost involved with FTTH and FTTN, deployment of these technologies is progressive. The main competition for cable-modem Internet access comes from a provider of DSL and Fibre to the x (FTTx) services.
- *Internet Video Streaming.* The continuous technology improvement of the Internet, combined with higher download speeds and its affordability, favors the development and deployment of alternative technologies such as digital content offered by OTT service providers through various Internet streaming platforms. While having a positive impact on the demand for our Internet access services, this model could adversely impact the demand for our cable television services.
- *VDSL.* VDSL technology increases the available capacity of DSL lines, thereby allowing the distribution of digital video. Multi-system operators are now facing competition from ILECs, which have been granted licenses to launch video distribution services using this technology, which operates over copper phone lines. The transmission capabilities of VDSL will be significantly boosted with the deployment of technologies such as vectoring (the reduction or elimination of the effects of far-end crosstalk) and twisted pair bonding (use of additional twisted pairs to increase data carriage capacity). Certain ILECs have already started replacing many of their main feeds with fibre-optic cable and positioning VDSL transceivers, a VDSL gateway, in larger multiple-dwelling units, in order to overcome the initial distance limitations of VDSL. With this added capacity, along with the evolution of compression technology, VDSL-2 will offer significant opportunities for services and increase its competitive threat against other multi-system operators.
- *Direct Broadcast Satellite*. DBS is also a competitor to cable systems. DBS delivers programming via signals sent directly to receiving dishes from medium and high-powered satellites, as opposed to cable delivery transmissions. This form of distribution generally provides more channels than some of our television systems and is fully digital. DBS service can be received virtually anywhere in Canada through the installation of a small rooftop or side-mounted antenna. Like digital cable distribution, DBS systems use video compression technology to increase channel capacity and digital technology to improve the quality of the signals transmitted to their customers.
- *Mobile Telephony Services.* With our mobile network, we compete against a mix of participants, some of them being active in some or all the products we offer, while others only offer mobile telephony services in our market. The Canadian incumbents have deployed their LTE networks and this technology has become an industry standard.
- *Private Cable.* Additional competition is posed by satellite master antenna television systems known as "SMATV systems" serving multi dwelling units, such as condominiums, apartment complexes, and private residential communities.

- *Wireless Distribution.* Cable television systems also compete with wireless program distribution services such as MMDS. 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 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 ILECs and other telephony service providers, VoIP telephony service providers and mobile telephony service providers.
- *Other Internet Service Providers.* In the Internet access business, cable operators compete against other Internet service providers offering residential and commercial Internet access services. The CRTC requires the large Canadian incumbent cable operators to offer access to their high-speed Internet network to competitive Internet service providers at mandated rates.

C- Regulation

Ownership and Control of Canadian Broadcast Undertakings

The Canadian Government 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 to the CRTC (Inegibility of Non-Canadians) (the "**Direction to CRTC**"), means, among other things, a citizen or a permanent resident of Canada or a qualified corporation. A qualified corporation is one incorporated or continued in Canada, of which the chief executive officer and not less than 80% of the directors are Canadian, and not less than 80% of the issued and outstanding voting shares and not less than 80% of the votes are beneficially owned and controlled, directly or indirectly, by Canadians. In addition to the above requirements, Canadians must beneficially own and control, directly or indirectly, not less than 66.6% of the issued and outstanding voting shares and not less than 66.6% of the votes of the parent corporation that controls the subsidiary, and neither the parent corporation nor its directors may exercise control or influence over any programming decisions of the subsidiary if Canadians beneficially own and control less than 80% of the issued and outstanding shares and votes of the parent corporation, if the chief executive officer of the parent corporation is a non-Canadian or if less than 80% of the parent corporation's directors are Canadian. There are no specific restrictions on the number of non-voting shares which may be owned by non-Canadians. Finally, an applicant seeking to acquire, amend or renew a broadcasting license must not otherwise be controlled in fact by non-Canadians, a question of fact which may be determined by the CRTC in its discretion. Control is defined broadly 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. We are a qualified Canadian corporation.

Regulations made under the Broadcasting Act require the prior approval of the CRTC for any transaction that directly or indirectly results in a change in effective control of the licensee of a broadcasting distribution undertaking ("**BDUs**") or a television programming undertaking (such as a conventional television station, network or pay or specialty undertaking service), or the acquisition of a voting interest above certain specified thresholds.

Diversity of Voices

The CRTC's Broadcasting Public Notice CRTC 2008-4, entitled "Diversity of Voices," sets forth the CRTC's policies with respect to cross-media ownership; the common ownership of television services, including pay and specialty services; the common ownership of BDUs; and the common ownership of over-the-air television and radio undertakings. Pursuant to these policies, the CRTC will generally permit ownership by one person of no more than one conventional television station in one language in a given market. The CRTC, as a general rule, will not approve applications for a change in the effective control of broadcasting undertakings that would result in the ownership or control, by one person, of a local radio station, a local television station and a local newspaper serving the same market. 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

Our cable distribution undertakings 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 our undertakings are also subject to the Radiocommunication Act, which empowers ISED to establish and administer the technical standards that networks and transmitters 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.

Broadcasting License Fees

Programming and BDU 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 (Part I fee). The other fee, also called the Part II license fee, is to be paid on a pro rata basis by all broadcasting undertakings with licensed activity that exceeds $1,500,000. The total annual amount to be assessed by the CRTC is the lower of: (i) $100,000,000, and (ii) 1.365% multiplied by the aggregate fee revenues for the return year terminating during the previous calendar year of all licensees whose fee revenues exceed the applicable exemption levels, less the aggregate exemption level for all those licensees for that return year.

Canadian Broadcasting Distribution (Cable Television)

Licensing of Canadian Broadcasting Distribution Undertakings

A cable distribution undertaking, such as ours, 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. We operate 53 cable systems pursuant either to the issuance of a license or of an order that exempts certain network operations from the obligation to hold a license.

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

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

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, local television stations are subject to "must carry" rules which require terrestrial distributors, such as cable and MMDS operators, to carry these signals and, in some instances, those of 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. Furthermore, cable operators, DTH operators and MMDS 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, Category A specialty channels and pay television channels, and a pay-per-view service, but does not include Category B and mainstream sports Category C digital services. Pursuant to the Let's Talk TV Policy, CRTC 2015-96, distribution access requirements for Category A specialty services no longer have effect as of September 1, 2017.

Broadcasting Distribution Regulations

The Broadcasting Distribution Regulations promote competition among BDUs and the development of new technologies for the distribution of such services while ensuring that quality Canadian programs are broadcast. The Broadcasting Distribution Regulations introduced important new rules, including the following:

- *Competition and Carriage Rules*. The Broadcasting Distribution Regulations provide equitable opportunities for all distributors of broadcasting services and 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 carriage and substitution requirements are imposed on all cable television systems.
- *Contribution to local expression, Canadian programming and community television*. All distributors, except systems with fewer than 2,000 customers, are required to contribute at least 5% of their gross annual broadcast revenues to the creation and presentation of Canadian programming including community programming.
- *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. Moreover, the CRTC found that it was appropriate to amend the Broadcasting Distribution Regulations to permit access by subscribers and competing BDUs to inside wire in commercial and institutional properties. Therefore, the CRTC directed all licensees to negotiate appropriate terms and conditions, including a just and reasonable rate, for the use by competitors of the inside wire such licensees own in commercial and institutional properties.

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 VOD; and (c) installation and additional outlets charges.

Pursuant to Broadcasting Regulatory Policy CRTC 2015-96, as of March 1, 2016, the CRTC regulates the fees charged by cable or non-cable BDUs for the basic service. The price of the entry-level basic service offering will be limited to $25 or less per month.

Vertical Integration

In September 2011, the CRTC released Broadcasting Regulatory Policy CRTC 2011-601 (the "**Policy**") setting out its decisions on the regulatory framework for vertical integration. Vertical integration refers to the ownership or control by one entity of both programming services, such as conventional television stations or pay and specialty services, as well as distribution services, such as cable systems or DTH satellite services. The Policy: (i) prohibits companies from offering television programs on an exclusive basis to their mobile or Internet subscribers in a manner that they are dependent on the subscription to a specific mobile or retail Internet access service. Any program broadcast on television, including hockey games and other live events, must be made available to competitors under fair and reasonable terms; (ii) allows companies to offer exclusive programming to their Internet or mobile customers provided that it is produced specifically for an Internet portal or a mobile device; and (iii) adopts a code of conduct to prevent anti-competitive behaviour and ensure all distributors, broadcasters and online programming services negotiate in good faith. In Broadcasting Regulatory Policy CRTC 2015-438, the code of conduct was replaced by the Wholesale Code.

Hybrid VOD License

In Broadcasting Regulatory Policy CRTC 2015-86 issued on March 12, 2015, the CRTC considered appropriate to authorize a third category of VOD services based on a hybrid regulatory approach. In Broadcasting Order CRTC 2015-356, the CRTC has authorized these hybrid services to operate with the same flexibility as those services operating under the Digital Media Exemption Order (DMEO), provided that the service is delivered and accessed over the Internet without authentication to a BDU or mobile subscription. Club illico qualifies as a hybrid VOD service.

The hybrid VOD services benefit from the following incentives:

- the ability to offer exclusive programming in the same manner as services operating under the DMEO; and
- the ability to offer their service on a closed BDU network in the same manner as traditional VOD services without the regulatory requirements relating to financial contributions to and shelf space for Canadian programming that would normally be imposed on those traditional VOD services.

New Media Broadcasting Undertakings

Since 2009, the description of a "new media broadcasting undertaking" encompasses all Internet-based and mobile point-to-point broadcasting services, (Broadcasting Order CRTC 2009-660). In 2012, the Supreme Court of Canada upheld the Federal Court of Appeal's decision to the effect that Internet access providers play a "content-neutral role" in the transmission of data and do not carry on broadcasting activities.

On July 26, 2012, the CRTC amended the Exemption Order for digital media broadcasting undertakings, Broadcasting Order CRTC 2012-409. These amendments implement determinations made by the CRTC in regulatory framework relating to vertical integration (Broadcasting Regulatory Policy CRTC 2011-601). As such, the CRTC implemented the following:

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

Copyrights Royalties Payment Obligations

We have the obligation to pay copyright royalties set by Tariffs of the Copyright Board of Canada (the "**Copyright Board**"). The Copyright Board establishes the royalties to be paid for the use of certain copyright tariff royalties that Canadian broadcasting undertakings, including cable, television and specialty services, pay to copyright societies (being the organization that administers the rights of several copyright owner). Tariffs certified 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.

The *Copyright Act* (Canada) (the "**Copyright Act**") provides for the payment of various royalties, including in respect of the communication to the public of musical works (either through traditional cable services or over the Internet), the retransmission of distant television and radio signals. Distant signal is defined for that purpose in regulations adopted under the authority of the Copyright Act.

The Government of Canada may from time to time make amendments to the Copyright Act to implement Canada's international treaty obligations and for other purposes. Any such amendments could result in our broadcasting undertakings being required to pay additional tariff royalties.

ISP Liability

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

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, we operate as a CLEC and a Broadcast Carrier. We also operate our own 4G mobile wireless network and offer 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 ISED 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-1 licenses were issued on December 23, 2008, for a term of ten years. AWS-1 license renewal, including whether license fees should apply for a subsequent license term, will be the subject of a public consultation process expected to be initiated in the coming months.

Our 700 MHz licenses were issued on April 3, 2014, for a term of 20 years. At the end of this term, we will have a high expectation that new licenses will be issued for a subsequent term through a renewal process unless a breach of license condition has occurred, a fundamental reallocation of spectrum to a new service is required, or an overriding policy need arises. The process for issuing licenses after this term and any issues relating to renewal, including the terms and conditions of the new licenses, will be determined by ISED following a public consultation.

Our AWS-3 licenses were issued on April 21, 2015, for a term of 20 years. License renewal at the end of this term will be governed by conditions identical to those just described for our 700 MHz licenses.

Our 2500 MHz licences were issued on June 24, 2015, for a term of 20 years. License renewal at the end of this term will be governed by conditions identical to those just described for our 700 MHz and AWS-3 licenses.

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 we are 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 we provide service; and the payment of contribution on VoIP revenues for the purposes of the revenue-based contribution regime established by the CRTC to subsidize residential telephone services in rural and remote parts of Canada.

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

In a decision issued on December 21, 2016, the CRTC established a new universal service objective under which all Canadians, in urban areas as well as rural and remote areas, are to have access to voice services and broadband Internet access services, on both fixed and mobile wireless networks. To help attain this universal service objective, the CRTC will begin to shift the focus of its regulatory frameworks from wireline voice services to broadband Internet access services. Most notably, the CRTC will phase out the existing revenue-based contribution regime that subsidizes local telephone service and replace it with a new regime that will subsidize broadband Internet access services in underserved areas. The new regime will ultimately distribute funds of approximately $200 million per year, compared to approximately $100 million per year under the existing regime. The contribution base for the new regime will also be broader than that of the existing regime, and will include retail Internet revenues for the first time. As a result of these changes, we will incur increased revenue-based contribution payments in future years. We will also be eligible to apply for subsidies to help finance broadband Internet expansion projects in underserved areas.

Right to Access to Telecommunications and Support Structures

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

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 its service territory.

Right to Access to Municipal Rights-of-Way

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

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

Access by Third Parties to Cable Networks

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

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

The CRTC also requires the large cable carriers, such as us, to allow third party ISPs to provide telephony and networking (LAS/VPN) applications services in addition to retail Internet access services.

In a decision issued on July 22, 2015, the CRTC ordered substantial changes to the framework for the provision of wholesale services to third-party ISPs. The provision of aggregated services will no longer be mandated and will be phased out in conjunction with the implementation of a new mandatory disaggregated service which will involve third-party ISPs provisioning their own regional transport services. This disaggregated service will also include, for the first time, mandated access to high-speed services provided over fibre-access facilities, including the fibre-access facilities of the large incumbent telephone companies. On September 20, 2016, the CRTC released a follow-up decision addressing the technical implementation of this new service. This decision, while requiring adjustments to our proposed disaggregated architecture, is generally consistent with the positions submitted in our filings. Proposed tariffs and supporting cost studies for the new service have been filed on January 9, 2017.

In parallel, on October 6, 2016, the CRTC ordered a significant interim reduction to the aggregated wholesale high-speed access service tariffs of the large cable carriers and telephone companies, pending approval of revised final rates. The interim rate reduction took effect immediately. A tariff proceeding is ongoing to determine the revised final aggregated service rates. As part of this proceeding, the CRTC will assess the extent to which, if at all, retroactivity will apply to these revised final rates.

As a result of the two abovementioned tariff proceedings, we may experience increased competition for retail cable Internet and telephony customers. In addition, because our third-party Internet access rates are regulated by the CRTC, we could be limited in our ability to recover our costs associated with providing wholesale access.

Regulatory Framework for Mobile Wireless Services

In June 2013, the predecessor to ISED published its new framework relating to transfers, divisions and subordinate licensing of spectrum licenses for commercial mobile spectrum. The framework sets out a series of considerations and criteria for reviewing license transfers and prospective transfers, while refraining from imposing specific quantitative or other approval thresholds. Among the considerations and criteria are: the current license holdings of the applicants in the licensed area, the overall distribution of holdings in the band and other commercial mobile bands in the licensed area, the availability of alternative spectrum, and the degree to which the applicants have deployed networks. The framework also sets out review procedures and timelines (normally 12 weeks from the time of receipt of all required information) and establishes a definition of “deemed transfers” subject to review. The new framework applies to license transfers and prospective transfers on or after the date of publication, and therefore will apply if and when we exercise our option to sell our Toronto AWS-1 license to Rogers under the Rogers LTE Agreement.

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

The Wireless Code was published on June 3, 2013 and came into force on December 2, 2013. It includes, among other things, a limit on early cancellation fees to ensure customers can take advantage of competitive offers at least every two years, as well as measures requiring service providers to unlock wireless devices, to offer a trial period for wireless contracts, and to set default caps on data overage charges and data roaming charges. On July 28, 2016, the CRTC initiated a proceeding to review the Wireless Code. As a result of this proceeding, we may face new regulatory obligations related to the provision of retail mobile wireless services.

On July 31, 2014, after an investigation that confirmed instances of unjust discrimination and undue preference by one incumbent wireless carrier, the CRTC took action to prohibit exclusivity provisions in wholesale mobile wireless roaming agreements between Canadian carriers for service in Canada. Subsequently, on May 5, 2015, after a broader follow-up proceeding, the CRTC issued a comprehensive policy framework for the provision of wholesale wireless services, including roaming, tower sharing and mobile virtual network operator (MVNO) access services. Most notably, the CRTC decided that each of the three national wireless incumbent carriers would be obliged to provide wholesale roaming services to regional and new entrant carriers at cost-based rates. A tariff proceeding is currently underway to determine these rates. The CRTC elected not to order cost-based rates for either tower sharing or MVNO access services. The result of the wholesale roaming tariff proceeding may have an impact on Videotron’s roaming cost structure and on the types of retail packages it is able to offer its customers in this regard.

On December 17, 2014, the Government of Canada’s second omnibus budget implementation bill for 2014 (C-43) received Royal Assent. This bill amends both the Telecommunications Act and the Radiocommunication Act to give the CRTC and ISED the option to impose monetary penalties on companies that violate established rules such as the Wireless Code and those related to the deployment of spectrum, services to rural areas and tower sharing.

On May 18, 2016, the CRTC initiated a proceeding to examine the policy issues surrounding the use of differential pricing practices by Internet service providers related to Internet data plans. This proceeding stems from an application made by several parties concerning our pricing practices used when offering its Unlimited Music service to its mobile wireless customers. The record of this proceeding is now closed and a decision is expected shortly. This decision may have an impact on our flexibility in the design and marketing of its wireless and wireline data services.

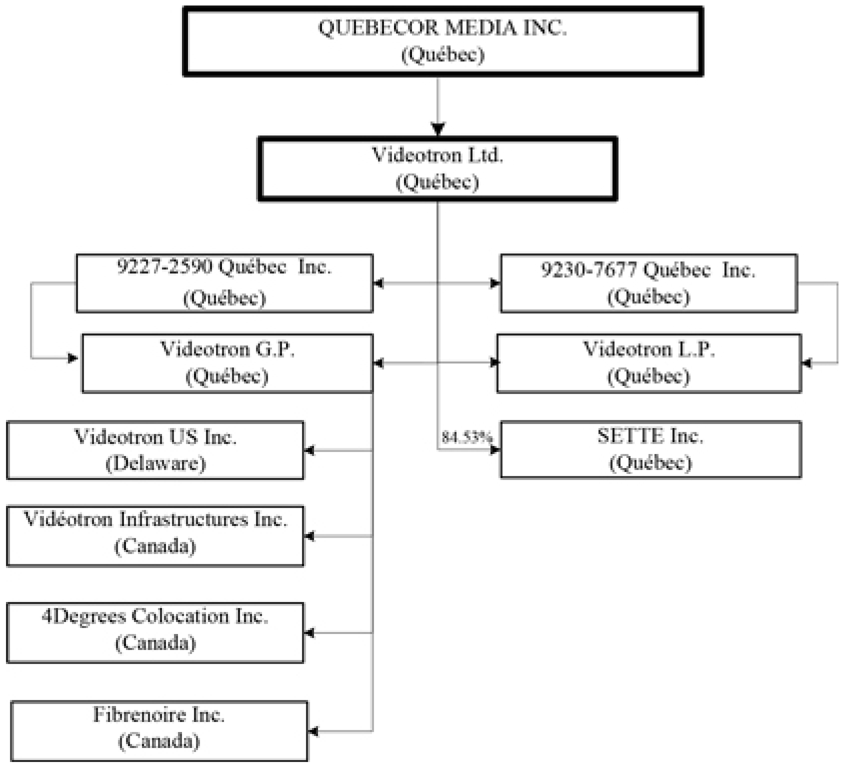
Municipal Siting Processes for Wireless Antenna Systems

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

On June 26, 2014, the predecessor to ISED announced changes to the policy guiding the installation of new antenna towers, most notably to require companies to consult communities on all commercial tower installations regardless of height and to ensure residents are well informed of upcoming consultations. These changes are largely consistent with the joint protocol cited above.

D- Organizational Structure

We are a wholly-owned subsidiary of Quebecor Media. Quebecor Media is a 81.07% owned subsidiary of Quebecor. The remaining 18.93% of Quebecor Media is owned by a subsidiary of CDPQ, one of Canada's largest pension fund managers. The following chart illustrates our corporate structure as of March 13, 2017, including our significant subsidiaries, together with the jurisdiction of incorporation or organization of each entity. In each case, unless otherwise indicated, we own a 100% equity and voting interest in our subsidiaries.



E- Property, Plants and Equipment

Our corporate offices are located in leased space at 612 St-Jacques Street, Montréal, Québec, Canada H3C 4M8 (187,592 square feet), in the same building as Quebecor Media's head office.

We also own or lease several buildings in Montréal and in Québec City, as indicated in the following table which presents, for each building, the address, the leased or owned status of the property, the primary use of the main facilities and the approximate square footage. In addition to the buildings indicated in the following table, we own or lease a significant number of smaller locations for signal reception sites, customer service and business offices.

Address	Owned/Leased Property	Use of Property	Floor Space Occupied (approximate sq. ft.)
Montréal, Québec 2155 Pie IX Street	Owned property	Office and Technical spaces, Headend	128,000
Montréal, Québec 150 Beaubien Street	Owned property	Office and Technical spaces, Headend	72,000
Montréal, Québec 800 de la Gauchetière Street	Leased property	Office space	52,000

Address	Owned/Leased Property	Use of Property	Floor Space Occupied (approximate sq. ft.)
Montréal, Québec 4545 Frontenac Street	Leased property	Office space, Warehouse, Headend	54,000
Montréal, Québec 888 De Maisonneuve Street	Leased property	Office space	49,000
Québec City, Québec 2200 Jean-Perrin Street	Owned property	Regional Headend for the Québec City region and Office space	40,000
Québec City, Québec 2675 Parc Technologique Blvd.	Owned property	Data Centre and Office space	91,000
Montréal, Québec 2900 Marie-Curie Avenue	Owned property	Data Centre and Office space	46,000

Liens and Charges

Our senior secured credit facilities are secured by charges over all of our assets and those of most of our subsidiaries.

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.

Environment

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

Compliance with these laws has not had, and management does not expect it to have, a material effect upon our capital expenditures, net income or competitive position. Environmental laws and regulations and the interpretation of such laws and regulations, however, have changed rapidly in recent years and may continue to do so in the future. We have monitored the changes closely and have modified our practices where necessary or appropriate.

Our past and current 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.

ITEM 4A – UNRESOLVED STAFF COMMENTS

None.

ITEM 5 - OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

All amounts are 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".

Due to rounding, minor differences may exist between amounts shown in this MD&A and the consolidated financial statements.

CORPORATE PROFILE

We are a wholly owned subsidiary of Quebecor Media Inc. ("Quebecor Media"), incorporated under the Business Corporations Act (Québec). We are the largest cable operator in the Province of Québec and the third-largest in Canada, based on the number of cable customers, as well as being a major cable Internet service and telephony services provider in the Province of Québec. Our cable network covers approximately 79% of the Province of Québec's approximately 3.6 million residential and commercial premises. The deployment of our LTE network and our enhanced offering of mobile communication services for residential and business customers allow us to consolidate our position as a provider of integrated telecommunication services.

Videotron Business Solutions is a premier full-service telecommunications provider serving small and medium-sized and large-sized businesses, telecommunications carriers as well as a data center operator. Products and services for small and medium-sized businesses are supported by extensive coaxial, fibre optic and LTE wireless networks.

Videotron's primary sources of revenue include: subscriptions for cable television, Internet access, cable and mobile telephony services, over-the-top video services ("Club illico") and business solutions services.

TREND INFORMATION

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

The Corporation requires substantial capital for the upgrade, expansion and maintenance of its wireline and wireless networks, the launch and expansion of new and additional services to support growth in its customer base and demand for increased bandwidth capacity and other services. The Corporation expects that additional capital expenditures will be required in the short, medium and long term in order to expand and upgrade systems and services, including expenditures relating to the cost of its mobile services` infrastructure deployment, maintenance and enhancement, advancements in Internet access, the introduction of virtual reality and TV everywhere requiring IP technology.

Moreover, the demand for wireless data services has been growing at high rates and it is projected that this demand will further increase in the future. The anticipated levels of data traffic will represent a growing challenge to the current wireless network's ability to serve this traffic. The Corporation may have to acquire additional spectrum, if available, in order to address this increased demand.

HIGHLIGHTS SINCE DECEMBER 31, 2015

- In 2016, revenues and ARPU grew 4.9% and 6.8%, respectively, compared to 2015.
- Net growth of 117,900 revenue-generating units ("RGUs") in 2016 (representing the total of our cable television, cable Internet and Club illico subscribers as well as cable and mobile telephony lines), compared with 168,200 net RGUs added in 2015. Total RGUs were 5,765,400 as of December 31, 2016.
- We activated 125,300 net new lines on our mobile telephony service, bringing our total mobile customer base to 893,900 lines.
- On January 12, 2017, we announced an agreement between 4Degrees Colocation inc. ("4Degrees") and Megaport(USA), Inc., a global leader in secure interconnectivity. This partnership allows 4Degrees' customers to link directly to the world's largest providers of public cloud services. Companies may benefit from fast, secure and redundant access to business applications from Microsoft Corporation (Azure, Office 365, Exchange), Amazon Web, Inc. and Google.
- Videotron received many honourable distinctions in 2016:
  - For the eleventh consecutive year, according to market research firm Léger, Videotron was ranked Québec's most admired company in the telecommunication industry.
  - For the fifth time, according to a Léger survey published in Les Affaires, Videotron ranks as the best telecommunications service providers in Québec.
  - For the third consecutive year, according to an Ipsos-Infopresse study, Videotron was ranked Québec's most influential brand in the industry.
  - According to leading market research firm Forrester, Videotron was ranked First in Customer Experience among Canadian Wireless, TV and Internet Service Providers.
- On December 2, 2016, we issued a notice for the redemption of an aggregate principal amount of $175.0 million of our outstanding 6.875% Senior Notes issued on July 5, 2011 and due July 15, 2021. On January 5, 2017, the Senior Notes were redeemed at a redemption price of 103.438% of their principal amount for a cash consideration of $181.0 million.
- On November 28, 2016, Videotron introduced five new Custom theme television packages tailored to meet its customers' changing needs and make it easier for them to customize and select television channels. Customers are free to assemble their own television plan within the five new Custom theme packages which are: Custom Discovery, Custom Show Time, Custom Game Time, Custom Total and Custom Big Picture. Customers can further customize and enhance their plans by adding blocks of 5, 10 or 20 channels to these Custom packages.
- On November 15, 2016, Videotron announced that it has begun implementing Docsis 3.1 technology on its network. This new-generation technology developed by the CableLabs consortium, of which Videotron is a member, will eventually deliver Internet speeds of up to 10 Gbps for downloads and 1 Gbps for uploads. In order to attain the anticipated Internet speeds, Videotron is now deploying Docsis 3.1 modems on its network and adapting its equipment and working protocols to the new technology.
- On September 20, 2016, Videotron, Ericsson, École de technologie supérieure and the Société du quartier de l'innovation announced the creation of Canada's first open-air smart living laboratory. For Videotron, this laboratory is another tool for identifying the applications and services that can best improve and simplify consumers' daily lives, and those that can create the most value for businesses.
- On September 13, 2016, 4Degrees officially opened its new data center in Montreal. Designed and built specifically for the purpose of data hosting, the new data center meets the highest international standards.
- On July 16, 2016, Videotron announced that customers who have a Desjardins Visa card can use their mobile phones to make mobile payments, quickly and securely, at any store equipped with a contactless payment terminal. This new solution for Desjardins customers complements the existing selection of mobile payment options supported by Videotron.
- On July 13, 2016, we launched the new Hybrid Fibre Giga Internet service, which offers connection speeds of up to 940 Mbps. This reaffirms Videotron as a technological leader in high-speed Internet services and the tremendous potential of its wireline network.
- In June 2016, we amended our secured revolving credit facility and unsecured revolving credit facility to extend their maturity date to July 2021. Some of the terms and conditions related to these credit facilities were also amended.

- On April 5, 2016, NBCUniversal Television & New Media Distribution Canada and Quebecor Content announced an agreement which allows Club illico to offer its subscribers the most recent programming from one of the world's largest content producers and distributors in the world.

- On January 7, 2016, we announced the acquisition of Fibrenoire inc. ("Fibrenoire"), which provides fibre-optic connectivity services to businesses, for a $125.0 million cash consideration, of which the net amount of $119.1 million was paid at closing (net of acquired cash in the amount of $1.8 million). A subsequent $0.2 million adjustment was received in the second quarter of 2016. The $5.9 million balance, including interest charges, was paid on February 7, 2017. Combining the capabilities of Videotron Business Solutions and Fibrenoire will make it possible to continue meeting the growing demand from business customers for fibre-optic connectivity and will strengthen our leadership in business telecommunications services.

NON-IFRS FINANCIAL MEASURES

The non-IFRS financial measures used by the Corporation to assess its financial performance, such as adjusted operating income and adjusted operating income margin are not calculated in accordance with, or recognized by IFRS. The Corporation's method of calculating these non-IFRS financial measures may differ from methods used by other companies and, as a result, the non-IFRS financial measures presented in this document may not be comparable to other similarly titled measures disclosed by other companies.

Adjusted Operating Income

The Corporation defines adjusted operating income, as reconciled to net income under IFRS, as net income before depreciation and amortization, financial expenses, loss on valuation and translation of financial instruments, loss on debt refinancing, restructuring of operations, litigation and others items and income tax expense. Adjusted operating income as defined above is not a measure of results that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the consolidated statement of cash flows as a measure of liquidity and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Our management and Board of Directors use this measure in evaluating our consolidated results. As such, this measure eliminates the effect of significant levels of non-cash charges related to the depreciation of tangible assets and amortization of certain intangible assets and is unaffected by the capital structure or investment activities of the Corporation. Adjusted operating income is also relevant because it is a significant component of our annual incentive compensation programs. A limitation of this measure, however, is that it does not reflect the periodic costs of tangible and intangible assets used in generating revenues. Our definition of adjusted operating income may not be the same as similarly titled measures reported by other companies.

Adjusted Operating Income Margin

The Corporation defines adjusted operating income margin as the adjusted operating income expressed as a percentage of revenues under IFRS.

KEY PERFORMANCE INDICATOR

Average Monthly Revenue per User

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

Table 1 below presents a reconciliation of adjusted operating income to net income as disclosed in our consolidated financial statements. The consolidated income statement data for the three-month periods ended December 31, 2016 and 2015 is derived from the unaudited consolidated statements and are not included in this annual report.

Table 1
Reconciliation of the adjusted operating income measure used in this report to the net income measure used in the consolidated financial statements
(in millions of dollars)

	Three - month period ended December 31		Twelve - month period ended December 31		
	2016	2015	**2016**	2015	2014
Adjusted operating income	**$ 363.8**	$ 347.8	**$1,447.0**	$1,382.4	$1,348.3
Depreciation and amortization	**(151.7)**	(158.3)	**(596.1)**	(625.4)	(601.4)
Financial expenses	**(41.0)**	(43.0)	**(161.5)**	(167.4)	(169.2)
Loss on valuation and translation of financial instruments	**(1.7)**	(3.8)	**(2.1)**	(0.5)	(3.4)
Loss on debt refinancing	**(7.3)**	—	**(7.3)**	(12.2)	(21.4)
Restructuring of operations, litigation and other items	**(4.6)**	(3.5)	**(15.9)**	129.7	(39.4)
Income tax expense	**(29.1)**	(22.6)	**(116.9)**	(120.7)	(93.3)
Net income	**$ 128.4**	$ 116.6	**$ 547.2**	$ 585.9	$ 420.2

Analysis of Consolidated Results of Videotron

2016/2015 Year Comparison

Customer Statistics

Revenue-generating units – As of December 31, 2016, the total number of revenue-generating units stood at 5,765,400, an increase of 117,900 (2.1%) in 2016, compared with an increase of 168,200 (3.1%) in 2015.

Mobile telephony services – As of December 31, 2016, 893,900 lines were activated on our wireless telephony network, an increase of 125,300 (16.3%) in 2016, compared with an increase of 135,800 (21.5%) in 2015.

Cable Internet access services – The number of subscribers to cable Internet access services stood at 1,612,800 as at the end of 2016, an increase of 44,600 (2.8 %) in 2016, compared with an increase of 30,700 (2.0%) in 2015. Our cable Internet access services household penetration rate (number of subscribers as a proportion of the 2,839,300 total homes passed) was 56.8% as of December 31, 2016, compared with 55.9% as of December 31, 2015.

Cable television services – Our combined customer base for cable television services decreased by 46,000 (2.6%) in 2016, compared with a decrease of 45,400 (2.5%) in 2015. As of December 31, 2016, our cable network household penetration rate was 59.6%, compared with 61.9% a year earlier.

- The number of subscribers to illico Digital TV stood at 1,587,100 as at the end of 2016, an increase of 16,500 (1.1%) in 2016, compared with an increase of 17,000 (1.1%) in 2015. As of December 31, 2016, 93.9% of our cable television customers were subscribers to our illico Digital TV services, compared with 90.4% as of December 31, 2015. Our illico Digital TV household penetration rate was 55.9% as of December 31, 2016, compared with 56.0% as of December 31, 2015.

- The customer base for analog cable television services decreased by 62,500 (37.6%) in 2016, compared with a decrease of 62,400 customers (27.3%) in 2015.

Cable telephony services – The number of cable telephony lines stood at 1,253,100 as at the end of 2016, a decrease of 63,200 (4.8%) in 2016, compared with a decrease of 32,700 (2.4%) in 2015. Our cable telephony services household penetration rate was 44.1% as of December 31, 2016, compared with 46.9% as of December 31, 2015.

Club illico – The number of subscribers to Club illico stood at 314,700 as at the end of 2016, an increase of 57,200 (22.2%) in 2016, compared with an increase of 79,800 (44.9%) in 2015.

Table 2
End-of-year customer numbers
(in thousands of customers)

	2016	2015	2014	2013	2012
Mobile telephony[1]	**893.9**	768.6	632.8	504.3	403.8
Cable Internet	**1,612.8**	1,568.2	1,537.5	1,506.0	1,444.0
Cable television:					
Analog	**103.8**	166.3	228.7	297.7	374.1
Digital	**1,587.1**	1,570.6	1,553.6	1,527.4	1,480.9
	1,690.9	1,736.9	1,782.3	1,825.1	1,855.0
Cable telephony[1]	**1,253.1**	1,316.3	1,349.0	1,348.5	1,316.3
Club illico	**314.7**	257.5	177.7	58.2	—
Revenue-generating units (RGUs)	**5,765.4**	5,647.5	5,479.3	5,242.1	5,019.1

1 In thousands of lines.

2016/2015 Analysis of Results

Revenues: $3,144.3 million, an increase of $146.3 million (4.9%) compared with 2015.

Revenues from mobile telephony services increased by $106.7 million (26.4%) to $510.4 million, essentially due to customer growth and higher revenues per line.

Revenues from Internet access services increased by $58.0 million (6.3%) to $978.7 million. The favourable variance was mainly due to subscriber plans mix, rate increases, higher revenues from the leasing of Wi-Fi routers, subscriber growth and increased usage.

Revenues from cable television services decreased by $29.5 million (2.8%) to $1,024.3 million. This decrease was primarily due to the net customer base erosion, higher discounts and lower video-on-demand revenues, however partially offset by rate increases on some packages and higher revenues from the leasing of digital set-top boxes.

Revenues from cable telephony services decreased by $33.2 million (7.2%) to $424.8 million, mainly due to lower revenues per line due to higher discounts, the net customer base erosion and lower long-distance revenues.

Revenues from Club illico increased by $7.8 million (33.1%) to $31.4 million, essentially due to customer growth.

Revenues from business solutions increased by $42.1 million (60.9%) to $111.2 million, mainly due to the new revenues generated from the acquisition and integration of Fibrenoire and revenue growth from 4Degrees.

Revenues from equipment sales decreased by $4.0 million (6.9%) to $53.6 million, mainly due to lower sales of digital set-top boxes.

Other revenues decreased by $1.5 million (13.2%) in 2016 to $9.9 million.

Monthly ARPU: $144.86 in 2016, compared with $135.68 in 2015, an increase of $9.18 (6.8%). This growth is mainly explained by an increase in revenues from mobile telephony and internet access services, as detailed above.

Adjusted operating income: $1,447.0 million in 2016, an increase of $64.6 million (4.7%).

- This increase was primarily due to:
  - revenue increase, as detailed above;
  - the favourable impact from the acquisition and integration of Fibrenoire, on January 7, 2016; and
  - favourable variances of $8.6 million related to non-recurring items, including a $10.6 million charge related to provisions on litigation incurred in 2015.

  Partially offset by:
  - increase in losses on sale of mobile devices mitigated by the impact from the favourable variance in our "bring your own device" plans.

Purchase of goods and services, expressed as a percentage of revenues: Stable at 42.0% year-over-year.

Employee costs, expressed as a percentage of revenues: Stable at 12.0% year-over-year.

Depreciation and amortization charge: $596.1 million, a decrease of $29.3 million (4.7%) over 2015.

- The decrease was mainly due to:
  - the end of the accounting useful life of network assets for which the useful lives were reassessed in October 2000, when the Corporation was acquired by Quebecor Media; and
  - a change in the assessment of the useful life of our spectrum licences, resulting in the cessation of the amortization of those assets during the second quarter of 2015.

  Partially offset by:
  - an increase in fixed assets and intangible assets, including through the acquisition of Fibrenoire.

Financial expenses (primarily comprised of interest on long-term debt): $161.5 million, a decrease of $5.9 million (3.5%) over 2015.

- The decrease was mainly due to:
  - $6.2 million decrease in loss on foreign currency translation of short-term monetary items; and
  - $1.0 million favourable variance in other interest.

  Partially offset by:
  - $1.0 million unfavourable variance due to changes in tax consolidation arrangements; and
  - $0.5 million increase in interest on defined benefit plans.
- Interest on long-term debt remained stable year-over-year. The impact of our higher average indebtedness was offset by debt refinancing at lower interest rates.

Gain or loss on valuation and translation of financial instruments: Loss of $2.1 million in 2016, compared with a loss of $0.5 million in 2015, an unfavourable variance of $1.6 million.

- The variance was mainly due to:
  - a $4.7 million unfavourable fluctuation in the fair value of financial instruments under fair value and cash flow hedging relationships.

  Partially offset by:
  - a $3.1 million favourable variance in the fair value of early settlement options, caused by fluctuations in valuation assumptions, including interest rates and credit premiums implicit in the adjusted prices of the underlying instruments.

Loss on debt refinancing: $7.3 million in 2016, compared with $12.2 million in 2015, a favourable variance of $4.9 million.

- In accordance with a notice issued on December 2, 2016, the Corporation redeemed, on January 5, 2017, $175.0 million aggregate principal amount of its outstanding 6.875% Senior Notes issued on July 5, 2011 and maturing on July 15, 2021, at a redemption price of 103.438% of their principal amount. A $7.3 million loss was recorded in the consolidated statement of income of 2016 in connection with this redemption.
- In accordance with a notice issued on June 16, 2015, the Corporation redeemed, on July 16, 2015, the entirety of its outstanding 9.125% Senior Notes issued on April 15, 2008 and maturing on April 15, 2018, in the aggregate principal amount of US$75.0 million, at a redemption price of 101.521% of their principal amount, and unwound the related hedges in an asset position. A $0.2 million loss was recorded in the consolidated statement of income of 2015 in connection with this redemption, including a $2.1 million net gain previously recorded in "Other comprehensive income."
- In accordance with a notice issued on June 16, 2015, the Corporation redeemed, on July 16, 2015, the entirety of its outstanding 7.125% Senior Notes issued on January 13, 2010 and maturing on January 15, 2020, in the aggregate principal amount of $300.0 million, at a redemption price of 103.563% of their principal amount. A $13.6 million loss was recorded in the consolidated statement of income of 2015 in connection with this redemption.
- In accordance with a notice issued on March 11, 2015, the Corporation redeemed, on April 10, 2015, the entirety of its 6.375% Senior Notes maturing on December 15, 2015, in the aggregate principal amount of US$175.0 million, at a redemption price of 100% of their principal amount, and unwound the hedges in an asset position. A $1.7 million net gain was recorded in the consolidated statement of income of 2015 in connection with this redemption.

Restructuring of operations, litigation and other items: Loss of $15.9 million recorded in 2016, compared with a $129.7 million gain in 2015, an unfavourable variance of $145.6 million mainly due to the gain on litigation of $138.4 million recorded in the third quarter of 2015, and an increase in charges related to various restructuring initiatives.

Income tax expense: $116.9 million (effective tax rate of 17.6%) in 2016, compared with $120.7 million (effective tax rate of 17.1%) in 2015.

- The decrease of $3.8 million was mainly due to:
  - $11.4 million related to a decrease in taxable income;
  - $6.4 million related to a reduction in deferred tax balances due to a change in substantively enacted tax rates; and
  - $5.3 million related to non-taxable, non-deductible and other items.

  Partially offset by:
  - $16.1 million adjustment in 2015 in light of developments in tax audits, jurisprudence and tax legislation; and
  - $3.2 million increase due to changes in tax consolidation arrangements with our parent corporation.

Net income attributable to shareholder: $547.2 million, a decrease of $38.6 million (6.6%).

- The decrease was mainly due to:
  - $145.6 million unfavourable variance in restructuring of operations, litigation and other items; and
  - $1.6 million unfavourable variance in gain or loss on valuation and translation of financial instruments.

  Partially offset by:
  - $64.6 million increase in adjusted operating income;
  - $29.3 million decrease in depreciation and amortization charges;
  - $5.9 million decrease in financial expenses;
  - $4.9 million favourable variance in gain or loss on debt refinancing; and
  - $3.8 million decrease in income taxes.

2016/2015 Fourth Quarter Comparison

Customer statistics

Revenue-generating units – 62,300 (1.1%) increase in the fourth quarter of 2016, compared with an increase of 41,600 (0.7%) in the same period of 2015.

Mobile telephony services – As of December 31, 2016, 893,900 lines were activated on our mobile telephony services, an increase of 26,200 (3.0%) in the quarter, compared with an increase of 26,100 (3.5%) in the same period of 2015.

Cable Internet access services – The number of subscribers to cable Internet access services stood at 1,612,800 as at the end of the fourth quarter of 2016, an increase of 16,700 (1.0%) in the quarter, compared with an increase of 8,700 (0.6%) in the same period of 2015.

Cable television services – The combined customer base for cable television services decreased by 4,800 (0.3%) in the fourth quarter of 2016, compared with a decrease of 9,000 (0.5%) in the same period of 2015.

- The number of subscribers to illico Digital TV stood at 1,587,100 as at the end of the fourth quarter of 2016, an increase of 16,300 (1.0%) during the quarter, compared with an increase of 6,000 (0.4%) in the same period of 2015.
- The customer base for analog cable television services decreased by 21,100 (16.9%) in the fourth quarter of 2016, compared with a decrease of 15,000 customers (8.3%) in the same period of 2015.

Cable telephony services – The number of cable telephony lines stood at 1,253,100 as at the end of the fourth quarter of 2016, a decrease of 12,000 (0.9%) in the quarter, compared with a decrease of 13,200 (1.0%) in the same period of 2015.

Club illico – The number of subscribers to Club illico stood at 314,700 as at the end of the fourth quarter of 2016, an increase of 36,200 (13.0%) in the quarter, compared with an increase of 29,000 (12.7%) during the same period of 2015.

2016/2015 Fourth Quarter Analysis of Results

Revenues: $803.0 million, an increase of $28.2 million (3.6%) compared with the fourth quarter of 2015.

Revenues from mobile telephony services increased by $25.6 million (23.0%) to $137.1 million, essentially due to customer growth and higher revenues per line.

Revenues from Internet access services increased by $9.0 million (3.8%) to $248.5 million. The favourable variance was mainly due to subscriber plans mix, rate increases, subscriber growth and higher revenues from the leasing of Wi-Fi routers.

Revenues from cable television services decreased by $7.3 million (2.8%) to $256.2 million. This decrease was primarily due to the net customer base erosion, higher discounts, however partially offset by higher revenues from the leasing of digital set-top boxes and rate increases on some packages.

Revenues from cable telephony service decreased by $6.7 million (6.0%) to $104.8 million, mainly due to the net customer base erosion and lower revenues per line due to higher discounts.

Revenues from Club illico increased by $1.6 million (22.9%) to $8.6 million, essentially due to customer growth.

Revenues from business solutions increased by $12.1 million (66.9%) to $30.2 million, mainly due to the new revenues generated through the acquisition and integration of Fibrenoire and revenue growth from 4Degrees.

Revenues from equipment sales decreased by $5.5 million (26.8%) to $15.0 million, mainly due to lower sales of digital set-top boxes.

Other revenues decreased by $0.6 million (19.4%) in the fourth quarter to $2.5 million.

Monthly ARPU: $148.56 in the fourth quarter of 2016, compared with $140.19 in the same period of 2015, an increase of $8.37 (6.0%). This growth is mainly explained by an increase in revenues from mobile telephony and Internet access services, as detailed above.

Adjusted operating income: $363.8 million in the fourth quarter of 2016, an increase of $16.0 million (4.6%) compared to the same quarter of 2015.

- This increase was primarily due to:
  - revenue increase, as detailed above; and
  - the favourable impact from the acquisition and integration of Fibrenoire, on January 7, 2016.

  Partially offset by:
  - increase in losses on sale of mobile devices mitigated by the impact from the favourable variance in our "bring your own device" plans.

Purchase of goods and services, expressed as a percentage of revenues: 42.8% in 2016, compared with 43.3% in 2015.

- Purchase of goods and services expenses as a proportion of revenues decreased, primarily due to fixed-cost base, which does not fluctuate in sync with revenue growth.

Employee costs, expressed as a percentage of revenues: Stable at 11.9% year-over-year.

Depreciation and amortization charge: $151.7 million, a decrease of $6.6 million (4.2%), compared with 2015, mainly due to the end of the accounting useful life of network assets for which the useful lives were reassessed in October 2000, when the Corporation was acquired by Quebecor Media.

Financial expenses (primarily comprised of interest on long-term debt): $41.0 million in 2016, a decrease of $2.0 million (4.7%) compared with 2015.

- The decrease was mainly due to:
  - $2.9 million favourable variance in other financial expenses.

  Partially offset by:
  - $0.6 million unfavourable variance due to changes in tax consolidation arrangements.

Gain or loss on valuation and translation of financial instruments: $1.7 million loss in the fourth quarter of 2016, compared with a $3.8 million loss in the same quarter of 2015, a favourable variance of $2.1 million.

- The variance was mainly due to:
  - $3.5 million favourable variance in the fair value of early settlement options, caused by fluctuations in valuation assumptions, including interest rates and credit premiums implicit in the adjusted prices of the underlying instruments.

  Partially offset by:
  - $1.4 million unfavourable fluctuation in the fair value of financial instruments under fair value hedging relationships.

Loss on debt refinancing: $7.3 million in the fourth quarter of 2016, compared to nil in the same period of 2015.

- In accordance with a notice issued on December 2, 2016, the Corporation redeemed, on January 5, 2017, $175.0 million aggregate principal amount of its outstanding 6.875% Senior Notes issued on July 5, 2011 and maturing on July 15, 2021, at a redemption price of 103.438% of their principal amount. A $7.3 million loss was recorded in the consolidated statement of income of the fourth quarter of 2016 in connection with this redemption.

Restructuring of operations, litigation and other items: $4.6 million loss recorded in the fourth quarter of 2016, compared with a $3.5 million loss in the same quarter of 2015, an unfavourable variance of 1.1 million mainly due to an increase in charges related to various restructuring initiatives.

Income tax expense: $29.1 million (effective tax rate of 18.5%) in the fourth quarter of 2016, compared with $22.6 million (effective tax rate of 16.3%) in the same quarter of 2015.

- The increase of $6.5 million was mainly due to:
  - $9.6 million related to changes in tax consolidation arrangements with our parent corporation; and
  - $4.9 million related to an increase in taxable income.

  Partially offset by:
  - $6.4 million related to a reduction in deferred tax balances due to a change in substantively enacted tax rates; and
  - $1.6 million related to non-taxable, non-deductible items and other items.

Net income attributable to shareholder: $128.4 million, an increase of $11.8 million (10.1%).

- The increase was mainly due to:
  - $16.0 million increase in adjusted operating income;
  - $6.6 million decrease in depreciation and amortization charges;
  - $2.1 million favourable variance in gain or loss on valuation and translation of financial instruments; and
  - $2.0 million decrease in financial expenses.

  Partially offset by:
  - $7.3 million unfavourable variance in gain or loss on debt refinancing;
  - $6.5 million increase in income taxes expense; and
  - $1.1 million unfavourable variance in restructuring of operations, litigation and other items.

2015/2014 Year Comparison

Customer Statistics

Revenue-generating units – As of December 31, 2015, the total number of revenue-generating units stood at 5,647,500, an increase of 168,200 (3.1%) in 2015, compared with an increase of 237,200 (4.5%) in 2014.

Mobile telephony services – As of December 31, 2015, 768,600 lines were activated on our wireless telephony network, an increase of 135,800 (21.5%) in 2015, compared with an increase of 128,500 (25.5%) in 2014.

Cable Internet access services – The number of subscribers to cable Internet access services stood at 1,568,200 as at the end of 2015, an increase of 30,700 (2.0%) in 2015, compared with an increase of 31,500 (2.1%) in 2014. Our cable Internet access services household penetration rate (number of subscribers as a proportion of the 2,806,000 total homes passed) was 55.9% as of December 31, 2015, compared with 55.4% as of December 31, 2014.

Cable television services – Our combined customer base for cable television services decreased by 45,400 (2.5%) in 2015, compared with a decrease of 42,800 (2.3%) in 2014. As of December 31, 2015, our cable network household penetration rate was 61.9%, compared with 64.2% a year earlier.

- The number of subscribers to illico Digital TV stood at 1,570,600 as at the end of 2015, an increase of 17,000 (1.1%) in 2015, compared with an increase of 26,400 (1.7%) in 2014. As of December 31, 2015, 90.4% of our cable television customers were subscribers to our illico Digital TV services, compared with 87.2% as of December 31, 2014. Our illico Digital TV household penetration rate was 56.0% as of December 31, 2015, compared with 55.9% as of December 31, 2014.

- The customer base for analog cable television services decreased by 62,400 (27.3%) in 2015, compared with a decrease of 69,000 customers (23.2%) in 2014.

Cable telephony services – The number of cable telephony lines stood at 1,316,300 as at the end of 2015, a decrease of 32,700 (2.4%) in 2015, compared with an increase of 500 (0.1%) in 2014. Our cable telephony services household penetration rate was 46.9% as of December 31, 2015, compared with 48.6% as of December 31, 2014.

Club illico – The number of subscribers to Club illico stood at 257,500 as at the end of 2015, an increase of 79,800 (44.9%) in 2015, compared with an increase of 119,500 (205.3%) in 2014.

2015/2014 Analysis of Results

Revenues: $2,998.0 million, an increase of $171.2 million (6.1%) compared with 2014.

Revenues from mobile telephony services increased by $116.0 million (40.3%) to $403.7 million, essentially due to customer growth and higher revenues per line.

Revenues from Internet access services increased by $64.6 million (7.5%) to $920.7 million. The favourable variance was mainly due to subscriber plans mix, increased usage, higher revenues from Internet access resellers and subscriber growth.

Revenues from cable television services decreased by $21.0 million (2.0%) to $1,053.8 million, primarily due to net customer base erosion, higher discounts and lower video-on-demand orders, however partially offset by higher revenues per customer and higher revenues from the leasing of digital set-top-boxes.

Revenues from cable telephony services decreased by $17.1 million (3.6%) to $458.0 million. This decrease was mainly due to net customer base erosion, lower revenues per residential line and lower long distance call revenues, partially offset by higher revenues from business customers.

Revenues from Club illico services increased by $11.4 million (93.4%) to $23.6 million, essentially due to customer growth.

Revenues from business solutions increased by $3.5 million (5.3%) to $69.1 million, mainly due to the new revenues generated through the acquisition and integration of 4Degrees Colocation.

Revenues from equipment sales increased by $12.0 million (26.3%) to $57.6 million, mainly due to higher sales of mobile devices.

Other revenues increased by $1.8 million (18.7%) in 2015 to $11.4 million.

Monthly ARPU: $135.68 in 2015, compared with $125.16 in 2014, an increase of $10.52 (8.4%). This growth is mainly explained by an increase in revenues from mobile telephony and internet access services, as detailed above.

Adjusted operating income: $1,382.4 million in 2015, an increase of $34.1 million (2.5%).

- This increase was primarily due to:
  - revenue increase, as detailed above.

  Partially offset by:
  - increase in operating expenses such as professional fees, engineering costs, call centre costs and marketing costs;
  - increase in losses on sale of mobile devices;
  - increase in programming fees, including the impact from a non-recurring adjustment of $7.2 million recorded in 2014; and
  - unfavourable variances of $13.9 million related to other non-recurring items, including provisions for litigations of $10.6 million.

Purchase of goods and services, expressed as a percentage of revenues: 42.0% in 2015, compared with 40.2% in 2014.

- Purchase of goods and services expenses as a proportion of revenues increased, primarily due to:
  - increase in losses on sale of mobile devices; and
  - unfavourable variance of $21.1 million related to non-recurring items.

Employee costs, expressed as a percentage of revenues: 11.9% in 2015, compared with 12.1% in 2014.

- Employee costs as a proportion of revenues decreased slightly as revenues grew more rapidly.

Depreciation and amortization charge: $625.4 million, an increase of $24.0 million (4.0%) over 2014.

- The increase was mainly due to:
  - increase in assets related to our wireless LTE network launched in September 2014; and
  - increase in illico Digital TV set-top boxes related to our rental program.

  Partially offset by:
  - a change in the assessment of the useful life of our spectrum licences, resulting in the cessation of the amortization of those assets during the second quarter of 2015.

Financial expenses (primarily comprised of interest on long-term debt): $167.4 million, a decrease of $1.8 million (1.1%) over 2014.

- The decrease was mainly due to:
  - $14.2 million decrease in interest on long-term debt, mainly due to lower interest rates on our indebtedness.

  Partially offset by:
  - $5.7 million unfavourable variance in other financial expenses, mainly due to interest charges on legal provisions recorded during the year, and lower interest revenues on cash and cash equivalents;
  - $3.0 million increase in loss on foreign currency translation of short-term monetary items, due to a weaker Canadian currency;
  - $2.5 million unfavourable variance due to changes in tax consolidations arrangements; and
  - $1.9 million increase in interest costs on defined benefit plans.

Gain or loss on valuation and translation of financial instruments: Loss of $0.5 million in 2015, compared with a loss of $3.4 million in 2014, a favourable variance of $2.9 million.

- The change was mainly due to a $3.1 million loss financial instruments for which hedge accounting was not used recorded in 2014 and a favourable variance in the fair value of early settlement options, caused by fluctuations in valuation assumptions, including interest rates and credit premiums implicit in the adjusted prices of the underlying instruments.

Loss on debt refinancing: $12.2 million in 2015, compared with $21.4 million in 2014, a favourable variance of $9.2 million.

- In accordance with a notice issued on June 16, 2015, the Corporation redeemed, on July 16, 2015, the entirety of its outstanding 9.125% Senior Notes issued on April 15, 2008 and maturing on April 15, 2018, in the aggregate principal amount of US$75.0 million, at a redemption price of 101.521% of their principal amount, and unwound the related hedges in an asset position. A $0.2 million loss was recorded in the consolidated statement of income of 2015 in connection with this redemption, including a $2.1 million net gain previously recorded in "Other comprehensive income."
- In accordance with a notice issued on June 16, 2015, the Corporation redeemed, on July 16, 2015, the entirety of its outstanding 7.125% Senior Notes issued on January 13, 2010 and maturing on January 15, 2020, in the aggregate principal amount of $300.0 million, at a redemption price of 103.563% of their principal amount. A $13.6 million loss was recorded in the consolidated statement of income of 2015 in connection with this redemption.
- In accordance with a notice issued on March 11, 2015, the Corporation redeemed, on April 10, 2015, the entirety of its 6.375% Senior Notes maturing on December 15, 2015, in the aggregate principal amount of US$175.0 million, at a redemption price of 100% of their principal amount, and unwound the hedges in an asset position. A $1.7 million net gain was recorded in the consolidated statement of income of 2015 in connection with this redemption.
- In accordance with a notice issued on March 26, 2014, the Corporation redeemed, on April 24, 2014, US$260.0 million aggregate principal amount of its outstanding 9.125% Senior Notes issued on March 5, 2009 and maturing on April 15, 2018 at a redemption price of 103.042% of their principal amount. A $21.4 million net loss was recorded in the consolidated statement of income in 2014 in connection with this redemption, including a $1.7 million loss previously recorded in "Other comprehensive income."

Restructuring of operations, litigation and other items: $129.7 million gain recorded in 2015, compared with a $39.4 million loss in 2014, a favourable variance of $169.1 million. This variation mainly reflects the gain on litigation of $138.4 million recorded in 2015, the loss on litigation of $34.3 million recorded in 2014, and an increase in charges related to the gradual decommissioning of our analog cable television network infrastructure.

Income tax expense: $120.7 million (effective tax rate of 17.1%) in 2015, compared with $93.3 million (effective tax rate of 18.2%) in 2014.

- The increase of $27.4 million was mainly due to:
  - $51.9 million related to an increase in taxable income.

  Partially offset by:
  - $16.1 million in light of developments in tax audits, jurisprudence and tax legislation; and
  - $11.1 million related to other non-taxable or non-deductible items and other items.

Net income attributable to shareholder: $585.9 million, an increase of $165.7 million (39.4%).

- The increase was mainly due to:
  - $169.1 million favourable variance in restructuring of operations, litigation and other items;
  - $34.1 million increase in adjusted operating income;
  - $9.2 million favourable variance in gain or loss on debt refinancing;
  - $2.9 million favourable variance in gain or loss on valuation and translation of financial instruments; and
  - $1.8 million decrease in financial expenses.

  Partially offset by:
  - $27.4 million increase in income taxes; and
  - $24.0 million increase in depreciation and amortization charges.

CASH FLOW AND FINANCIAL POSITION

This section provides an analysis of sources and uses of cash flows, as well as a financial position analysis as of the balance sheet date. This section should be read in conjunction with the discussions on trends under “Trend Information” above and on the Corporation’s risks under “Item 3. Key Information – B. Risk Factors” below, and on the Corporation’s financial risks under “Financial Instruments and Financial Risk Management” below.

Operating activities

2016 Financial Year

Cash flows provided by operating activities: $1,244.1 million in 2016, compared with $1,208.0 million in 2015, an increase of $36.1 million (3.0%).

- The increase was mainly due to:
  - $210.1 million favourable variance in non-cash balances related to operations, mainly due to a $64.1 million favourable variation in inventories and a $140.0 million favourable variation related to income taxes payable;
  - $64.6 million increase in adjusted operating income; and
  - $7.1 million favourable variance on cash interest expenses.

  Partially offset by:
  - $145.6 million unfavourable variance in restructuring of operations, litigation and other items; and
  - $99.6 million increase in current income tax expenses.

Working capital: Negative $490.4 million as of December 31, 2016, compared with negative $380.9 million as of December 31, 2015. The difference mainly reflects the increase in income taxes payable, a decrease in inventories and an increase in trade payables and accruals.

2015 Financial Year

Cash flows provided by operating activities: $1,208.0 million in 2015, compared with $1,106.5 million in 2014, an increase of $101.5 million (9.2%).

- The increase was mainly due to:
  - $169.1 million favourable variance in restructuring of operations, litigation and other items;
  - $53.4 million decrease in current income tax expenses;
  - $34.1 million increase in adjusted operating income; and
  - $2.7 million favourable variance on cash interest expenses.

  Partially offset by:
  - $158.2 million unfavourable variance in non-cash balances related to operations, mainly due to an increase in inventories, payment of outstanding income tax balances and a decrease in current income taxes.

Working capital: Negative $380.9 million as of December 31, 2015, compared with negative $332.0 million as of December 31, 2014. The difference mainly reflects the payment of $218.8 million for 2500 MHz and AWS-3 spectrum licences acquired during the year, cash outflows from debt redemption transactions and distributions paid to the parent corporation; partially offset by the net cash inflow from share capital issuance, the cash inflow from the gain on the litigation with Bell ExpressVu Limited Partnership, the decrease in income taxes payable and the cash inflows from debt issuance and revolving credit facility drawings.

Investing Activities

2016 Financial Year

Additions to fixed assets: $666.7 million in 2016, compared with $630.1 million in 2015. The increase is mainly explained by investments in our data centers and our wireless and wireline networks, partially offset by a decrease related to our illico Digital set-top boxes rental program.

Additions to intangible assets: $125.5 million in 2016, compared with $312.1 million in 2015. Excluding the disbursement of $218.8 million in 2015 for the acquisition of spectrum licences, the increase of $32.2 million is explained by the acquisition of licences related to various IT platforms and LTE wireless capacity.

Business acquisition: $118.9 million in 2016, compared with $35.2 million in 2015.

- In January 2016, the Corporation acquired Fibrenoire, a company that provides fibre-optic connectivity services, for a cash consideration of $118.9 million, net of cash acquired and a balance payable of $5.6 million. The transaction will enable Videotron Business Solutions and Fibrenoire to join forces to continue to meet the growing demand from business customers for fibre-optic connectivity.

- In March 2015, the Corporation acquired 4Degrees Colocation and its data center for a total consideration of $35.2 million, net of cash acquired and working capital adjustments. This acquisition will enable the Corporation to continue to meet its business customers' growing technological and hosting needs.

2015 Financial Year

Additions to fixed assets: $630.1 million in 2015, compared with $606.0 million in 2014. The increase is mainly explained by our illico Digital set-top boxes rental program and investments in our data centers following the acquisition of 4Degrees Colocation, as well as investments related to our wireless LTE network.

Additions to intangible assets: $312.1 million in 2015, compared with $304.5 million in 2014. The variance is due to higher investments in various software upgrade projects. In 2015, the Corporation disbursed $218.8 million for the acquisition of spectrum licences ($217.4 million in 2014).

Business acquisition: In March 2015, the Corporation acquired 4Degrees Colocation and its data center for a total consideration of $35.2 million, net of cash acquired and working capital adjustments.

Business disposal: In 2015, $7.8 million net proceeds from the sale to our parent corporation of the specialized web site reseaucontact.com that occurred in November 2013.

Financing Activities

2016 Financial Year

Consolidated debt (long-term debt plus bank indebtedness): $105.1 million decrease in 2016.

- Summary of debt decreases in 2016:
  - $57.7 million favourable impact of exchange rate fluctuations. This decrease in long-term debt is offset by a decrease in the asset (or an increase in the liability) related to cross-currency interest rate swaps, recorded under "Derivative financial instruments";
  - $37.4 million decrease in drawings under our secured revolving credit facilities; and
  - repayment of $10.7 million of borrowings under our bank credit facility.

Assets and liabilities related to derivative financial instruments: Net asset of $417.8 million as of December 31, 2016, compared with a net asset of $494.2 million as of December 31, 2015, a $76.4 million unfavourable variance. The variance was mainly due to the unfavourable impact of exchange rate and interest rate fluctuations on the value of derivative financial instruments.

In June 2016, the Corporation amended its secured revolving credit facility and unsecured revolving credit facility to extend their maturity to July 2021. Some of the terms and conditions related to these credit facilities were also amended.

Dividends: Net decrease of $383.0 million in cash distributions to our parent corporation in 2016 compared with 2015.

2015 Financial Year

Consolidated debt (long-term debt plus bank indebtedness): $353.8 million increase in 2015.

- Summary of debt increases in 2015:
  - issuance, on September 15, 2015, of $375.0 million aggregate principal amount of Senior Notes for net proceeds of $370.1 million, net of financing fees of $4.9 million. The Notes bear interest at 5.75% per annum and mature on January 15, 2026;
  - $337.8 million unfavourable impact of exchange rate fluctuations. This increase in long-term debt is offset by an increase in the asset (or a decrease in the liability) related to cross-currency interest rate swaps, recorded under "Derivative financial instruments";
  - $246.7 million drawings on our secured revolving credit facilities; and
  - $11.7 million net change in bank indebtedness.
- Summary of debt reductions during the same period:
  - redemption and retirement, on April 10, 2015, of all of our outstanding 6.375% Senior Notes due in December 2015, for a total aggregate notional amount of US$175.0 million;
  - redemption and retirement, on July 16, 2015, of all of our outstanding 9.125% Senior Notes due in April 2018, for a total aggregate notional amount of US$75.0 million;
  - redemption and retirement, on July 16, 2015, of all of our outstanding 7.125% Senior Notes due in January 2020, for a total aggregate notional amount of $300.0 million; and
  - repayment of $10.7 million of borrowings under our bank credit facility.

Assets and liabilities related to derivative financial instruments: Net asset of $494.2 million as of December 31, 2015, compared with a net asset of $111.2 million as of December 31, 2014, a $383.0 million favourable variance.

- The variance was mainly due to:
  - favourable net impact from exchange rate and interest rate fluctuations on the value of derivative financial instruments; and
  - early settlement of an offsetting foreign exchange forward contract used in conjunction with cross-currency interest rate swaps to hedge the foreign exchange risk exposure on US$441.4 million of notional amount on our 5.375% Senior Notes maturing on June 15, 2024.

  Partially offset by:
  - settlement, on April 10, 2015, of hedging contracts in an asset position related to the redemption of our 6.375% Senior Notes; and
  - settlement, on July 16, 2015, of hedging contracts in an asset position related to the redemption of our 9.125% Senior Notes.

Dividends: Net increase of $255.0 million in cash distributions to our parent corporation in 2015 compared with 2014.

Financial Position as of December 31, 2016

Net available liquid assets: $745.3 million for the Corporation and its wholly owned subsidiaries, consisting of $755.4 million in unused availabilities under credit facilities, less $10.1 million in bank indebtedness. Pro forma the incremental drawings under our secured revolving credit facility to finance the partial redemption, on January 5, 2017, of our 6.875% Senior Notes maturing in July 2021, the Corporation has $570.3 million in net available liquid assets, consisting of $580.4 million in unused availabilities under credit facilities, less $10.1 million in bank indebtedness.

Uses of Liquidity and Capital Resources

Our principal liquidity and capital resource requirements consist of:

- capital expenditures to maintain and upgrade our network in order to support the growth in our customer base and the launch and expansion of new or additional services, including the expansion and upgrade of our wireless network;
- servicing and repayment of debt;
- tax consolidation arrangements; and
- distributions to our shareholder.

Capital expenditures: $792.2 million in 2016, a decrease of $149.9 million (15.9%) compared with 2015.

- The decrease was mainly due to:
  - the acquisition of spectrum licences of $218.8 million in 2015.

  Partially offset by:
  - the investments made on our data centers, our wireless and wireline networks and some IT investment programs.

Table 3
Additions to fixed and intangible assets
(in millions of dollars)

	2016	2015	2014
Customer premises equipment	**$231.7**	$239.1	$220.5
Scalable infrastructure	**238.5**	253.5	233.2
Line extensions	**62.3**	58.7	59.1
Upgrade/rebuild	**67.4**	62.9	74.6
Support capital and other	**192.3**	327.9	323.1
Total additions to fixed and intangible assets	**$792.2**	$942.1	$910.5

Consolidated long-term debt (long-term debt plus bank indebtedness): $3,173.2 million as of December 31, 2016, a decrease of $105.1 million; $76.4 million unfavourable net variance in assets and liabilities related to derivative financial instruments (see "Financing Activities" above).

As of December 31, 2016, mandatory debt repayments on the Corporation's long-term debt in the coming years are as follows:

Table 4
Minimum principal payments on Videotron's long-term debt
12 months ending December 31
(in millions of dollars)

2017	$ 10.7
2018	5.4
2019	–
2020	–
2021	509.4
2022 and thereafter	2,654.8
Total	**$3,180.3**

The weighted average term of Videotron's consolidated debt was approximately 6.8 years as of December 31, 2016 (6.8 years pro forma for the partial redemption on January 5, 2017), compared to 7.6 years as of December 31, 2015. The debt consisted of approximately 85.5% fixed-rate debt (79.2% pro forma for the partial redemption on January 5, 2017), compared to 84.0% as of December 31, 2015, and 14.5% floating-rate debt (20.8% pro forma for the partial redemption on January 5, 2017), compared to 16.0% as of December 31, 2015.

Videotron's management believes that cash flows from continuing operations and available sources of financing should be sufficient to cover committed cash requirements for capital investments, including investments required for our wireline and wireless networks, working capital, interest payments, debt repayments, pension plan contributions, and dividends and distributions in the future. Videotron has access to cash flows generated by its subsidiaries through dividends and cash advances paid by its wholly owned subsidiaries. The Corporation believes it will be able to meet future debt maturities, which are fairly staggered over the coming years.

We may (but are under no obligation to) from time to time seek to retire or purchase our outstanding senior notes in open market purchases, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on our liquidity position and requirements, prevailing market conditions, contractual restrictions and other factors. The amounts involved may be material.

Pursuant to its financing agreements, the Corporation is required to maintain certain financial ratios. The key indicators listed in these financing agreements include debt service coverage ratio and debt ratio (long-term debt over adjusted operating income). As of December 31, 2016, the Corporation was in compliance with all required financial ratios.

Servicing and Repayment of Debt: Cash interest payments of $154.4 million in 2016, a decrease of $4.3 million compared with 2015.

Purchase of Shares of Quebecor Media and Servicing of Subsidiary Subordinated Loan: Unlike corporations in the United States, corporations in Canada are not permitted to file consolidated tax returns. As a result, we have entered into certain transactions described below that have the effect of using tax losses within the Quebecor Media group.

Tax Consolidation Arrangements with the Parent Corporation: On October 28, 2014, 9101-0835 Québec Inc. redeemed 1,200,000 preferred shares, Series B, for a total cash consideration of $1.2 billion, and settled cumulative unpaid dividends of $46.4 million. On the same day, the Corporation used the total proceeds of $1.2 billion to repay part of its subordinated loan contracted from Quebecor Media Inc.

On February 5, 2015, the Corporation contracted a subordinated loan of $1.01 billion from Quebecor Media Inc., bearing interest at a rate of 10.75%, payable every six months on June 20 and December 20, and maturing on February 5, 2045. On the same day, the Corporation invested the total proceeds of $1.01 billion into 1,010,000 preferred shares, Series B, of 9101-0835 Québec Inc. These shares carry the right to receive an annual dividend of 10.85%, payable semi-annually.

On February 12, 2016, 9101-0835 Québec Inc., a subsidiary of Quebecor Media Inc., redeemed 430,000 preferred shares, Series B, for a total cash consideration of $430.0 million, and settled cumulative unpaid dividends of $6.9 million. On the same day, the Corporation used the total proceeds of $430.0 million to repay part of its subordinated loan contracted from Quebecor Media Inc.

On March 1, 2016, the Corporation contracted a subordinated loan of $625.0 million from Quebecor Media Inc., bearing interest at a rate of 11.5%, payable every six months on June 20 and December 20, and maturing on March 1st, 2046. On the same day, the Corporation invested the total proceeds of $625.0 million into 625,000 preferred shares, Series D, of 9101-0835 Québec Inc., a subsidiary of Quebecor Media Inc. These shares carry the right to receive an annual dividend of 11.6%, payable semi-annually.

On November 1, 2016, 9101-0835 Québec Inc., a subsidiary of Quebecor Media Inc., redeemed 1,660,000 preferred shares, Series B and 625,000 preferred shares, Series D for a total cash consideration of $2.29 billion, and settled cumulative unpaid dividends of $92.7 million. On the same day, the Corporation used the total proceeds of $2.29 billion to repay its subordinated loans contracted from Quebecor Media Inc.

The above transactions were carried out for tax consolidation purposes of Quebecor Media Inc. and its subsidiaries, on terms equivalent to those that prevail on an arm's length basis and accounted for at the consideration agreed between parties.

Distributions to our shareholder: We paid $83.0 million in common dividends to our shareholder, Quebecor Media, in the fourth quarter of 2016 ($85.0 million in the fourth quarter of 2015). For the year ended December 31, 2016, we paid $282.0 million in common dividends to our shareholder, compared with $665.0 million in 2015. We expect to make cash distributions to our shareholder in the future, as determined by our Board of Directors, and within the limits set by the terms of our indebtedness and applicable laws.

Analysis of Consolidated Balance Sheets as of December 31, 2016

Table 5
Consolidated Balance Sheets of Videotron
Analysis of significant variances between December 31, 2016 and December 31, 2015
(in millions of dollars)

	December 31, 2016	December 31, 2015	Variance	Variance detail
Assets				
Accounts receivable	**$ 329.0**	$ 272.6	$ 56.4	Timing of weekly billing cycles
Inventories	**86.1**	114.2	(28.1)	Sale and rental of illico set-top boxes
Investments	**–**	2,090.0	(2,090.0)	Redemption of preferred shares of an affiliated corporation for tax consolidation arrangements
Fixed assets	**3,261.9**	3,080.7	181.2	Investments from the acquisition of Fibrenoire, on our data centers, our wireless and wireline networks and acquisition of Fibrenoire.
Intangible assets	**1,123.3**	1,071.4	51.9	Development of various IT platforms and acquisition of LTE wireless capacity
Goodwill	**535.9**	448.9	87.0	Acquisition of Fibrenoire
Derivative financial instruments	**417.8**	494.2	(76.4)	See “Financing Activities” above
Liabilities				
Accounts payable and accrued charges	**456.4**	422.8	33.6	Impact of current variances in activity
Deferred revenues	**309.9**	267.3	42.6	Timing of weekly billing cycles
Income taxes (receivables) payable	**33.4**	(17.9)	51.3	Impact of income tax payments and expenses
Long-term debt, including short-term portion and bank indebtedness	**3,173.2**	3,278.3	(105.1)	See “Financing Activities” above
Subordinated loan from parent corporation	**–**	2,090.0	(2,090.0)	Repayment of loan payable to the parent corporation for tax consolidation arrangements
Deferred income taxes	**525.5**	561.3	(35.8)	Decrease in temporary differences, mainly related to a general partnership, offset by an increase in differences related to fixed assets and intangible assets

ADDITIONAL INFORMATION

Contractual Obligations and Other Commercial Commitments

As of December 31, 2016, material contractual obligations included: capital repayment and interest payments on long-term debt, obligations related to derivative financial instruments, less estimated future receipts on derivative financial instruments, operating lease arrangements and capital asset purchases and other commitments. Table 6 below shows a summary of our contractual obligations.

Table 6
Contractual obligations of the Corporation as of December 31, 2016
(in millions of dollars)

	Total	Less than 1 year	1-3 years	3-5 years	5 years or more
Contractual obligations[1]					
Accounts payable and accrued charges	**$ 456.4**	$ 456.4	$ –	$ –	$ –
Amounts payable to affiliated corporations	**66.5**	66.5	–	–	–
Bank credit facility	**16.1**	10.7	5.4	–	–
Revolving credit facilities	**209.4**	–	–	209.4	–
6 7/8% Senior Notes due July 15, 2021	**300.0**	–	–	300.0	–
5% Senior Notes due July 15, 2022	**1,074.2**	–	–	–	1,074.2
5 3/8% Senior Notes due June 15, 2024	**805.6**	–	–	–	805.6
5 5/8% Senior Notes due June 15, 2025	**400.0**	–	–	–	400.0
5 3/4% Senior Notes due January 15, 2026	**375.0**	–	–	–	375.0
Interest payments[2]	**1,022.3**	115.1	304.9	294.7	307.6
Derivative financial instruments[3]	**(436.4)**	(18.3)	–	–	(418.1)
Operating lease commitments	**176.4**	41.2	63.0	30.6	41.6
Services and capital equipment commitments	**334.4**	66.0	70.6	56.3	141.5
Total contractual cash obligations	**$4,799.9**	**$ 737.6**	**$443.9**	**$891.0**	**$2,727.4**

[1] *Excludes obligations under subordinated loans due to Quebecor Media, our parent corporation; the proceeds of which are used to invest in preferred shares of an affiliated corporation for tax consolidation purposes for the Quebecor Media group.*

[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, 2016.*

[3] *Estimated future receipts, net of disbursements, related to foreign exchange hedging using derivative financial instruments.*

Material commitments included in Table 6

The Corporation leases sites for its LTE wireless network under operating lease contracts, and has contracted long-term commitments to acquire equipment for a total future disbursement of $85.1 million.

In May 2013, the Corporation and Rogers Communications signed a set of service sharing and exchange agreements, including a 20-year agreement to build out and operate a shared LTE wireless network in the Province of Québec and in the Ottawa Region. As of December 31, 2016, a total commitment of $273.5 million was outstanding under this agreement.

Pension plan contributions

The expected employer contributions to the Corporation's defined benefit pension plans and postretirement benefits plans will be $19.5 million in 2017 based on the most recent financial actuarial reports filed (contributions of $21.1 million were paid in 2016).

Related Party Transactions

In addition to the related party transactions disclosed elsewhere in this annual report, the Corporation entered into the following transactions with affiliated corporations and the parent corporation. These transactions were accounted for at the consideration agreed between parties:

Table 7
Related party transactions
(in millions of dollars)

	2016	2015	2014
Ultimate parent and parent corporation :			
Revenues	**$ 0.5**	$ 0.7	$ 0.7
Purchase of goods and services	**8.0**	8.6	7.6
Operating expenses recovered	**(0.8)**	(0.6)	(0.7)
Affiliated corporations :			
Revenues	**5.9**	8.1	10.3
Purchase of goods and services	**104.2**	103.4	81.1
Operating expenses recovered	**(1.3)**	(1.4)	(0.7)

Off-Balance Sheet Arrangements

Guarantees

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

- *Operating Leases*

  The Corporation has guaranteed a portion of the residual values of certain assets under operating leases for the benefit of the lessor. Should the Corporation terminate these leases prior to term (or at the end of the lease terms) and should the fair value of the assets be less than the guaranteed residual value, then the Corporation must, under certain conditions, compensate the lessor for a portion of the shortfall. As of December 31, 2016, the maximum exposure with respect to the guarantees was $14.0 million and no liability has been recorded in the consolidated balance sheet.

- *Business and asset disposals*

  In the sale of all or part of a business or an asset, in addition to possible indemnification relating to failure to perform covenants and breach of representations or warranties, the Corporation may agree to indemnify against claims related to the past conduct of the business. Typically, the term and amount of such indemnification will be limited by the agreement. The nature of these indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay to guaranteed parties. The Corporation has not accrued any amount with respect of these items in the consolidated balance sheets.

- *Outsourcing Companies and Suppliers*

  In the normal course of its operations, the Corporation enters into contractual agreements with outsourcing companies and suppliers. In some cases, the Corporation agrees to provide indemnifications in the event of legal procedures initiated against them. In other cases, the Corporation provides indemnification to counterparties for damages resulting from the outsourcing companies and suppliers. The nature of the indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay. No amount has been accrued in the consolidated balance sheet with respect to these indemnifications.

- *Guarantees Related to our Bank Credit Facilities*

  The bank credit facilities provide for a $630.0 million secured revolving credit facility that matures in July 2021, a $335.0 million unsecured revolving credit facility that matures in July 2021, and a $75.0 million secured export financing facility providing for a term loan that matures in June 2018. The revolving credit facilities bear interest at Bankers' acceptance rate, LIBOR, Canadian prime rate or U.S. prime rate, plus a margin, depending on the Corporation's leverage ratio. Advances under the export financing facility bear interest at Bankers' acceptance rate plus a margin. The secured bank credit facilities are secured by a first ranking hypothec on the universality of all tangible and intangible assets, current and future, of the Corporation and most of its wholly owned subsidiaries. As of December 31, 2016, the secured bank credit facilities were secured by assets with a carrying value of $5,804.3 million ($7,646.3 million in 2015). The bank credit facilities contain covenants such as maintaining certain financial ratios, limitations on the Corporation's ability to incur additional indebtedness, pay dividends and make other distributions. As of December 31, 2016, $209.4 million was drawn on the secured revolving credit facilities ($246.7 million in 2015), $16.1 million was outstanding on the export financing facility ($26.8 million in 2015) and no amount was drawn on the unsecured revolving credit facility.

Financial instruments and financial risk management

The Corporation's financial risk management policies have been established in order to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and in the Corporation's activities.

The Corporation uses a number of financial instruments, mainly cash and cash equivalents, accounts receivable, accounts payable and accrued charges, provisions, long-term debt, and derivative financial instruments. As a result of its use of financial instruments, the Corporation is exposed to credit risk, liquidity risk and market risks relating to foreign exchange fluctuations and interest rate fluctuations.

In order to manage its foreign exchange and interest rate risks, the Corporation uses derivative financial instruments (i) to set in Canadian dollars future payments on debts denominated in U.S. dollars (interest and principal) and certain purchases of inventories and other capital expenditures denominated in a foreign currency, (ii) to achieve a targeted balance of fixed- and floating-rate debts and (iii) to lock-in the value of certain derivative financial instruments through offsetting transactions. The Corporation does not intend to settle its derivative financial instruments prior to their maturity as none of these instruments is held or issued for speculative purposes.

<u>Description of Derivative Financial Instruments</u>

Table 8
Foreign exchange forward contracts as of December 31, 2016
(in millions of dollars)

Maturity	Canadian dollar average exchange rate per one U.S. dollar	Notional amount sold	Notional amount bought
Less than 1 year	1.3249	$ 220.2	US$ 166.2
Less than 1 year[1]	1.3849	US$ 260.0	$ 360.1

Table 9
Cross-currency interest rate swaps as of December 31, 2016
(in millions of dollars)

Hedged item	Hedging instrument			
	Period covered	Notional amount	Annual interest rate on notional amount in Canadian dollars	Canadian dollar exchange rate on interest and capital payments per one U.S. dollar
5.000% Senior Notes due 2022	2014 to 2022	US$543.1	6.01%	0.9983
5.000% Senior Notes due 2022	2012 to 2022	US$256.9	5.81%	1.0016
5.375% Senior Notes due 2024[1]	2008 to 2017	US$260.0	9.21%	1.2965
5.375% Senior Notes due 2024	2014 to 2024	US$158.6	Bankers' acceptances 3 months + 2.67%	1.1034
5.375% Senior Notes due 2024	2017 to 2024	US$441.4	5.62%	1.1039

[1] *The Corporation initially entered into these cross-currency interest rate swaps to hedge the foreign currency risk exposure under its 9.125% Senior Notes due in 2018 redeemed in 2014. These swaps are now used to set in CAN dollars all coupon payments through 2017 on US$441.4 million of notional amount under its 5.375% Senior Notes due in 2024 and issued in 2014. In conjunction with the repurposing of these swaps, the Corporation has entered into US$260.0 million offsetting foreign exchange forward contracts to lock-in the value of its hedging position related to the December 15, 2017 notional exchange.*

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

The losses on valuation and translation of financial instruments for the years ended December 31, 2016, 2015 and 2014 are summarized in the following table.

Table 10
Loss on valuation and translation of financial instruments
(in millions of dollars)

	2016	2015	2014
Loss (gain) on the ineffective portion of fair value hedges	**$ 2.0**	$(3.5)	$(3.2)
(Gain) loss on embedded derivatives related to long-term debt	**(0.1)**	3.6	4.9
Loss (Gain) on reversal of embedded derivatives upon debt redemption	**0.2**	(0.3)	(0.6)
Loss on derivative financial instruments for which hedge accounting is not used	**–**	–	3.1
Loss (gain) on the ineffective portion of cash flow hedges	**–**	0.7	(0.8)
	$ 2.1	$ 0.5	$ 3.4

A loss of $18.3 million was recorded under "Other comprehensive income" in 2016 in relation to cash flow hedging relationships (gain of $2.1 million in 2015 and loss of $7.2 million in 2014).

Fair value of financial instruments

The fair value of long-term debt in Table 11 is estimated based on quoted market prices when available or on valuation models. When the Corporation uses valuation models, the fair value is estimated using discounted cash flows using year-end market yields or the market value of similar instruments with the same maturity.

The fair value of cash equivalents classified as held for trading and accounted for at their fair value on the consolidated balance sheets, is determined using inputs that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

The fair value of derivative financial instruments recognized on the consolidated balance sheet is estimated as per the Corporation's valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative instrument and factors observable in external markets data, such as period-end swap rates and foreign exchange rates. An adjustment is also included to reflect non-performance risk impacted by the financial and economic environment prevailing at the date of the valuation, in the recognized measure of the fair value of the derivative instruments by applying a credit default premium estimated using a combination of observable and unobservable inputs in the market to the net exposure of the counterparty or the Corporation.

The fair value of early settlement options recognized as embedded derivatives is determined by option pricing models using market inputs, including volatility, discount factors and underlying instruments adjusted implicit interest rate and credit premium.

The carrying value and fair value of long-term debt and derivative financial instruments as of December 31, 2016 and 2015 are as follows:

Table 11
Fair value of long-term debt and derivative financial instruments
(in millions of dollars)

	2016		2015	
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1, 2]	**$(3,180.3)**	**$(3,266.4)**	$(3,286.1)	$(3,289.6)
Derivative financial instruments[3]				
Early settlement options	**0.4**	**0.4**	1.0	1.0
Foreign exchange forward contracts[4]	**2.5**	**2.5**	9.3	9.3
Cross-currency interest rate swaps[4]	**415.3**	**415.3**	484.9	484.9

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 rate risk, embedded derivatives and financing fees.*

2 *The fair value of long-term debt excludes the fair value of early settlement options, which is presented separately in the table.*

3 *The fair value of the derivative financial instruments designated as hedges is an asset position of $417.8 million as of December 31, 2016 ($494.2 million as of December 31, 2015).*

4 *The value of foreign exchange forward contracts entered into to lock-in the value of existing hedging positions is netted from the value of the offset financial instruments.*

Due to the judgment used in applying a wide range of acceptable techniques and estimates in calculating fair value amounts, fair values are not necessarily comparable among financial institutions or other market participants and may not be realized in an actual sale or on the immediate settlement of the instrument.

Credit Risk Management

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

In the normal course of business, the Corporation continuously monitors the financial condition of its customers and reviews the credit history of each new customer. As of December 31, 2016, no customer balance represented a significant portion of the Corporation's consolidated accounts receivable. The Corporation establishes an allowance for doubtful accounts based on the specific credit risk of its customers and historical trends. The allowance for doubtful accounts amounted to $19.3 million as of December 31, 2016 ($16.6 million as of December 31, 2015). As of December 31, 2016, 7.7% of accounts receivable were 90 days past their billing date (7.4% as of December 31, 2015), of which 58.9% had an allowance for doubtful accounts (63.3% as of December 31, 2015).

The following table shows changes to the allowance for doubtful accounts for the years ended December 31, 2016 and 2015:

Table 12
Changes in Allowance for Doubtful Accounts
(in millions of dollars)

	2016	2015
Balance as of beginning of year	**$ 16.6**	$ 15.4
Charged to income	**33.8**	30.2
Utilization	**(31.2)**	(29.0)
Business acquisition	**0.1**	–
Balance as of end of year	**$ 19.3**	$ 16.6

The Corporation 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 Corporation does not believe that it is exposed to an unusual level of customer credit risk.

As a result of its use of derivative financial instruments, the Corporation is exposed to the risk of non-performance by a third party. When the Corporation enters into derivative contracts, the counterparties (either foreign or Canadian) must have credit ratings at least in accordance with the Corporation's risk management policy and are subject to concentration limits. These credit ratings and concentration limits are monitored on an ongoing basis but at least quarterly.

Liquidity risk management

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due or the risk that those financial obligations will have to be met at excessive cost. The Corporation manages this exposure through staggered debt maturities. The weighted average term of the Corporation's consolidated debt was approximately 6.8 years as of December 31, 2016 (6.8 years pro forma for the partial redemption on January 5, 2017), compared to 7.6 years as of December 31, 2015. (see also "Contractual obligations" above).

Market Risk

Market risk is the risk that changes in market prices due to foreign exchange rates and/or interest rates will affect the value of the Corporation's financial instruments. The objective of market risk management is to mitigate and control exposures within acceptable parameters while optimizing the return on risk.

Foreign Currency Risk

Most of the Corporation's consolidated revenues and expenses, other than interest expense on U.S.-dollar-denominated debt, purchases of set-top boxes, handsets and cable modems and certain capital expenditures, are received or denominated in Canadian dollars. A significant portion of the interest, principal and premium, if any, payable on its debt is payable in U.S. dollars. The Corporation has entered into transactions to hedge the foreign currency risk exposure on its U.S.-dollar-denominated debt obligations outstanding as of December 31, 2016, to hedge its exposure on certain purchases of set-top boxes, handsets, cable modems and capital expenditures and to lock-in the value of certain derivative financial instruments through offsetting transactions. Accordingly, the Corporation's sensitivity to variations in foreign exchange rates is economically limited.

The following table summarizes the estimated sensitivity on income and other comprehensive income, before income tax, of a variance of $0.10 in the year-end exchange rate of a Canadian dollar per one U.S. dollar:

Table 13
Estimated Sensitivity of Variances in Year-end Exchange Rate
(in millions of dollars)

Increase (decrease)	Income	Other comprehensive income
Increase of $0.10		
Gain on valuation and translation of financial instruments and derivative financial instruments	**$ 2.0**	**$ 27.6**
Decrease of $0.10		
Gain on valuation and translation of financial instruments and derivative financial instruments	**(2.0)**	**(27.6)**

Interest Rate Risk

The Corporation's bank credit facilities bear interest at floating rates based on the following reference rates: (i) Bankers' acceptance rate, (ii) LIBOR, (iii) Canadian prime rate and (iv) U.S. prime rate. The Senior Notes issued by the Corporation bear interest at fixed rates. The Corporation has entered into various cross-currency interest rate swap agreements in order to manage interest rate risk exposure. As of December 31, 2016, after taking into account the hedging instruments, long-term debt consisted of approximately 85.5% fixed-rate debt (79.2% pro forma for the partial redemption on January 5, 2017), compared to 84.0% as of December 31, 2015, and 14.5% floating-rate debt (20.8% pro forma for the partial redemption on January 5, 2017), compared to 16.0% as of December 31, 2015.

The estimated sensitivity on interest payments of a 100 basis point variance in the year-end Canadian Banker's acceptance rate as of December 31, 2016 is $4.0 million.

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

Table 14
Estimated Sensitivity of Variances in the Discount Rate
(in millions of dollars)

Increase (decrease)	Income	Other comprehensive income
Increase of 100 basis points	**$ (2.6)**	**$ (18.4)**
Decrease of 100 basis points	**2.6**	**18.4**

Capital Management

The Corporation's primary objective in managing capital is to maintain an optimal capital base in order to support the capital requirements of its various businesses, including growth opportunities.

In managing its capital structure, the Corporation takes into account the asset characteristics of its subsidiaries and planned requirements for funds. Management of the capital structure involves the issuance of new debt, the repayment of existing debt using cash flows generated by operations, and the level of distributions to the parent corporation. The Corporation has not significantly changed its strategy regarding the management of its capital structure since the last financial year.

The Corporation's capital structure is composed of equity, bank indebtedness, long-term debt and net assets and liabilities related to derivative financial instruments, less cash and cash equivalents. The capital structure as of December 31, 2016 and 2015 is as follows:

Table 15
Capital Structure of the Corporation
(in millions of dollars)

	December 31, 2016	December 31, 2015
Bank indebtedness	**$ 10.1**	$ 11.7
Long-term debt	**3,163.1**	3,266.6
Derivative financial instruments	**(417.8)**	(494.2)
Cash and cash equivalents	**(1.0)**	(1.7)
Net liabilities	**2,754.4**	2,782.4
Equity	**$ 1,071.7**	$ 813.8

The Corporation 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-corporation transactions, and the declaration and payment of dividends or other distributions.

Contingencies and legal disputes

There are a number of legal proceedings against the Corporation and its subsidiaries that are pending. In the opinion of the management of the Corporation and its subsidiaries, the outcome of those proceedings is not expected to have a material adverse effect on the Corporation's results or on its financial position.

Critical Accounting Policies and Estimates

Revenue recognition

The Corporation recognizes operating revenues when the following criteria are met:

- the amount of revenue can be measured reliably;
- the receipt of economic benefits associated with the transaction is probable;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably;
- the stage of completion can be measured reliably where services have been rendered; and
- significant risks and rewards of ownership, including effective control, have been transferred to the buyer where goods have been sold.

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

The Corporation provides services under arrangements with multiple deliverables, for which there are two separate accounting units: one for subscriber services (cable television, Internet, cable and mobile telephony and over-the-top video, including connection costs and rental of equipment); the other for equipment sales to subscribers. Components of multiple deliverable arrangements are separately accounted for, provided the delivered elements have stand-alone value to the customer and the fair value of any undelivered elements can be objectively and reliably determined. Arrangement consideration is allocated among the separate accounting units based on their relative fair values.

The Corporation recognizes revenues for each of its main activities as follows:

- Operating revenues from subscriber services such as cable television, Internet access, cable and mobile telephony and over-the-top video are recognized when services are provided. Promotional offers and rebates are accounted for as a reduction in the service revenue to which they relate;
- Revenues from equipment sales to subscribers and their costs are recognized in income when the equipment is delivered. Promotional offers related to equipment, with the exclusion of mobile devices, are accounted for as a reduction of related equipment sales on delivery, while promotional offers related to the sale of mobile devices are accounted for as a reduction of related equipment sales on activation;

- Operating revenues related to service contracts are recognized in income over the life of the specific contracts on a straight-line basis over the period in which the services are provided; and
- Cable connection revenues are deferred and recognized as revenues over the estimated average period that subscribers are expected to remain connected to the network. The incremental and direct costs related to cable connection costs, in an amount not exceeding the revenue, are deferred and recognized as an operating expense over the same period. The excess of those costs over the related revenues is recognized immediately in income.

Impairment of assets

For the purposes of assessing impairment, assets are grouped in cash-generating units ("CGUs"), which represent the lowest levels for which there are separately identifiable cash inflows generated by those assets. The Corporation reviews at each balance sheet date whether events or circumstances have occurred to indicate that the carrying amounts of its long-lived assets with finite useful lives may be less than their recoverable amounts. Goodwill, other intangible assets having an indefinite useful life, and intangible assets not yet available for use are tested for impairment each financial year, as well as whenever there is an indication that the carrying amount of the asset, or the CGU to which an asset has been allocated, exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use of the asset or the CGU. Fair value less costs to sell represents the amount an entity could obtain at the valuation date from the asset's disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. The value in use represents the present value of the future cash flows expected to be derived from the asset or the CGU.

The Corporation uses the discounted cash flow method to estimate the recoverable amount, consisting of future cash flows derived mainly from the most recent budget and three-year strategic plan approved by the Corporation's management and presented to the Board of Directors. These forecasts consider each CGU's past operating performance and market share as well as economic trends, along with specific and market industry trends and corporate strategies. A range of growth rates is used for cash flows beyond this three-year period. The discount rate used by the Corporation is a pre-tax rate derived from the weighted average cost of capital pertaining to each CGU, which reflects the current market assessment of (i) the time value of money; and (ii) the risk specific to the assets for which the future cash flow estimates have not been risk-adjusted. The perpetual growth rate has been determined with regard to the specific markets in which the CGUs participate.

An impairment loss is recognized in the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount. When the recoverable amount of a CGU to which goodwill has been allocated is lower than the CGU's carrying amount, the related goodwill is first impaired. Any excess amount of impairment is recognized and attributed to assets in the CGU, prorated to the carrying amount of each asset in the CGU.

An impairment loss recognized in prior periods for long-lived assets with finite useful lives and intangible assets having an indefinite useful life, other than goodwill, can be reversed through the consolidated statement of income to the extent that the resulting carrying value does not exceed the carrying value that would have been the result if no impairment losses had been previously recognized.

The determination of CGUs requires judgment when determining the lowest level for which there are separately identifiable cash inflows generated by the asset category.

In addition, when determining the recoverable amount of an asset or CGU, assessment of the information available at the valuation date is based on management's judgment and may involve estimates and assumptions. Furthermore, the discounted cash flow method used in determining the recoverable amount of an asset or CGU relies on the use of estimates such as the amount and timing of cash flows, expected variations in the amount or timing of those cash flows, the time value of money as represented by the risk-free rate, and the risk premium associated with the asset or CGU.

Therefore, the judgment used in determining the recoverable amount of an asset or CGU may affect the amount of the impairment loss to an asset or CGU to be recorded, as well as the potential reversal of the impairment charge in the future.

Based on the data and assumptions used in its last impairment test, the Corporation believes that at this time there are no significant amounts of long-lived assets with finite useful lives, or goodwill and intangible assets with indefinite useful lives on its books that present a significant risk of impairment in the near future.

The net book value of goodwill as of December 31, 2016 was $535.9 million.

Useful life of spectrum licences

Management has concluded that spectrum licences have an indefinite useful life. This conclusion was based on the analysis of factors such as the Corporation's financial ability to renew the spectrum licences, the competitive, legal and regulatory landscape, and the future expected use of the spectrum licences. Therefore, the determination that spectrum licences have an indefinite useful life involves judgment and it could have an impact on the amortization charge recorded in the consolidated statement of income if management was to change its conclusion in the future as it did in 2015.

Derivative financial instruments and hedge accounting

The Corporation uses various derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates and interest rates. The Corporation does not hold or use any derivative financial instruments for speculative purposes. Under hedge accounting, the Corporation documents all hedging relationships between hedging items and hedged items, as well as its strategy for using hedges and its risk management objectives. It also designates its derivative financial instruments as either fair value hedges or cash flow hedges when they qualify for hedge accounting. The Corporation assesses the effectiveness of derivative financial instruments when the hedge is put in place and on an ongoing basis.

The Corporation generally enters into the following types of derivative financial instruments:

- The Corporation uses foreign exchange forward contracts to hedge foreign currency rate exposure on anticipated equipment or inventory purchases in a foreign currency. The Corporation also uses offsetting foreign exchange forward contracts in combination with cross-currency interest rate swaps to hedge foreign currency rate exposure on interest and principal payments on foreign currency denominated debt. These foreign exchange forward contracts are designated as cash flow hedges.

- The Corporation uses cross-currency interest rate swaps to hedge (i) foreign currency rate exposure on interest and principal payments on foreign currency denominated debt and/or (ii) fair value exposure on certain debt resulting from changes in interest rates. The cross-currency interest rate swaps that set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting an interest rate from a floating rate to a floating rate or from a fixed rate to a fixed rate, are designated as cash flow hedges. The cross-currency interest rate swaps are designated as fair value hedges when they set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting the interest rate from a fixed rate to a floating rate.

Under hedge accounting, the Corporation applies the following accounting policies:

- For derivative financial instruments designated as fair value hedges, changes in the fair value of the hedging derivative recorded in income are substantially offset by changes in the fair value of the hedged item to the extent that the hedging relationship is effective. When a fair value hedge is discontinued, the carrying value of the hedged item is no longer adjusted and the cumulative fair value adjustments to the carrying value of the hedged item are amortized to income over the remaining term of the original hedging relationship.

- For derivative financial instruments designated as cash flow hedges, the effective portion of a hedge is reported in other comprehensive income until it is recognized in income during the same period in which the hedged item affects income, while the ineffective portion is immediately recognized in income. When a cash flow hedge is discontinued, the amounts previously recognized in accumulated other comprehensive income are reclassified to income when the variability in the cash flows of the hedged item affects income.

Any change in the fair value of these derivative financial instruments recorded in income is included in gain or loss on valuation and translation of financial instruments. Interest expense on hedged long-term debt is reported at the hedged interest and foreign currency rates.

Derivative financial instruments that do not qualify for hedge accounting, including derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts, such as early settlement options on long-term debt, are reported on a fair value basis in the consolidated balance sheets. Any change in the fair value of these derivative financial instruments is recorded in the consolidated statements of income as a gain or loss on valuation and translation of financial instruments.

Early settlement options are accounted for separately from the debt when the corresponding option exercise price is not approximately equal to the amortized cost of the debt.

The judgment used in determining the fair value of derivative financial instruments including embedded derivatives, using valuation and pricing models, may have a significant effect on the value of the gain or loss on valuation and translation of financial instruments recorded in the consolidated statements of income, and the value of the gain or loss on derivative financial instruments recorded in the consolidated statements of comprehensive income. Also, valuation and financial models are based on a number of assumptions including future cash flows, period end swap rates, foreign exchange rates, credit default premium, volatility, discount factors and underlying instrument adjusted implicit interest rate and credit premium.

In addition, judgment is required to determine if an option exercise price is not approximately equal to the amortized cost of the debt. This determination may have a significant impact on the amount of gains or losses on valuation and translation of financial instruments recorded in the consolidated statements of income.

Pension and postretirement benefits

The Corporation offers defined benefit pension plans and defined contribution pension plans to some of its employees.

The Corporation's defined benefit obligations with respect to defined benefit pension plan and postretirement benefits plan are measured at present value and assessed on the basis of a number of economic and demographic assumptions, which are established with the assistance of Videotron's actuaries. Key assumptions relate to the discount rate, the rate of increase in compensation, retirement age of employees, healthcare costs, and other actuarial factors. Defined benefit pension plan assets are measured at fair value and consist of equities and corporate and government fixed-income securities.

Re-measurements of the net defined benefit liability or asset are recognized immediately in other comprehensive income.

Recognition of a net benefit asset is limited under certain circumstances to the amount recoverable, which is primarily based on the present value of future contributions to the plan to the extent to which the Corporation can unilaterally reduce those future contributions. In addition, an adjustment to the net benefit asset or the net benefit liability can be recorded to reflect a minimum funding liability in a certain number of the Corporation's pension plans. The assessment of the amount recoverable in the future, for the purpose of calculating the limit on the net benefit asset, is based on a number of assumptions, including future service costs and reductions in future plan contributions.

The Corporation considers all the assumptions used to be reasonable in view of the information available at this time. However, variances from certain of these assumptions may have a significant impact on the costs and obligations of pension plans and postretirement benefits in future periods.

Stock-based compensation

Stock-based awards to employees that call for settlement in cash, as deferred share units and performance share units, or other assets at the option of the employee, as stock option awards, are accounted for at fair value and classified as a liability. The compensation cost is recognized in expenses over the vesting period. Changes in the fair value of stock-based awards between the grant date and the measurement date result in a change in the liability and compensation cost.

The fair value of deferred share units and performance share units is based on the underlying share price at the date of valuation. The fair value of stock option awards is determined by applying an option-pricing model, taking into account the terms and conditions of the grant and assumptions such as the risk-free interest rate, the distribution yield, the expected volatility and the expected remaining life of the option.

The judgment and assumptions used in determining the fair value of stock-based compensations liability may have an effect on the compensation cost recorded in the statements of income.

Provisions

Provisions are recognized when (i) the Corporation has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation; and when (ii) the amount of the obligation can be reliably estimated. Restructuring costs, comprised primarily of termination benefits, are recognized when a detailed plan for the restructuring exists and a valid expectation has been raised in those affected, that the plan will be carried out. Provisions are reviewed at each balance sheet date and changes in estimates are reflected in the consolidated statements of income in the reporting period in which changes occur.

The amount recognized as a provision is the best estimate of the expenditures required to settle the present obligation at the balance sheet date or to transfer it to a third party at that time, and is adjusted for the effect of time value when material. The amount recognized for onerous contracts is the lower of the cost necessary to fulfill the obligations, net of expected economic benefits deriving from the contracts, and any indemnity or penalty arising from failure to fulfill those obligations.

No amounts are recognized for obligations that are possible but not probable or for those for which an amount cannot be reasonably estimated.

Allowance for doubtful accounts

The Corporation maintains an allowance for doubtful accounts to cover anticipated losses from customers who are unable to pay their debts. The allowance is reviewed periodically and is based on an analysis of specific significant accounts outstanding, the age of the receivable, customer creditworthiness, and historical collection experience.

Income taxes

Deferred income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in income in the period that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be subsequently reduced, if necessary, to an amount that is more likely than not to be realized.

The assessment of deferred income taxes is judgmental in nature and is dependent on assumptions and estimates as to the availability and character of future taxable income. The ultimate amount of deferred income tax asset realized could be slightly different from that recorded, since it is influenced by the Corporation's future operating results.

The Corporation is at all times under audit by various tax authorities in each of the jurisdictions in which it operates. A number of years may elapse before a particular matter for which management has established a reserve is audited and resolved. The number of years between each tax audit varies depending on the tax jurisdiction. Management believes that its estimates are reasonable and reflect the probable outcome of known tax contingencies, although the final outcome is difficult to predict.

Change in accounting estimate

In the second quarter of 2015, the Corporation changed its assessment of the useful life of its spectrum licences. In light of recent spectrum auctions and developments in the telecommunication industry, the Corporation is now of the view that these spectrum licences have an indefinite useful life based on the following facts:

- The Corporation intends to renew the spectrum licences and believes that they are likely to be renewed by Innovation, Science and Economic Development ("ISED") Canada;
- The Corporation has the financial and operational ability to renew these spectrum licences;
- Currently, the competitive, legal and regulatory landscape does not limit the useful lives of the spectrum licences;
- The Corporation foresees no limit to the period during which these licences can be expected to generate cash flows in the future.

Accordingly, the Corporation ceased to amortize spectrum licences used in its operations as of April 1, 2015 and no amortization expense was recorded after this date. The straight-line amortization expense recorded relating to these licences was $13.9 million in 2015 and $55.4 million in 2014.

Recent Accounting Pronouncements

(i) IFRS 9 – *Financial Instruments* is required to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 9 simplifies the measurement and classification of financial assets by reducing the number of measurement categories in IAS 39, Financial Instruments: Recognition and Measurement. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement, as well as for a new hedge accounting model more closely aligned with risk-management activities undertaken by entities.

The Corporation does not expect its consolidated financial statements to be materially impacted by the adoption of IFRS 9.

(ii) IFRS 15 – *Revenue from Contracts with Customers* is required to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 15 specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative disclosures. The standard provides a single, principles-based, five-step model to be applied to all contracts with customers.

The Corporation expects that the adoption of IFRS 15 will have significant impacts on its consolidated financial statements with regards to the timing in the recognition of its revenues, the classification of its revenues, as well as the capitalization of costs to obtain a contract and of certain other costs.

Under IFRS 15, the total consideration from a contract with multiple deliverables will need to be allocated to all performance obligations in the contract based on the stand-alone selling price of each obligation, without being limited to a non-contingent amount. The Corporation provides mobile services under contracts with multiple deliverables. Among other impacts, the adoption of IFRS 15 will result in an increase in the revenue from the device sale and in a decrease in the mobile service revenue recognized over the contract term. The timing of the recognition of revenues will therefore change under IFRS 15. However, the total revenue recognized over a contract term relating to all performance obligations within the contract will remain the same over the contract term.

In addition, under IFRS 15, certain costs to obtain a contract will be capitalized and amortized as operating expenses over the contract term or over the period of time the customer is expected to remain a customer of the Corporation. Currently, such costs are expensed as incurred. Also, the capitalization of connection costs will no longer be limited to the related connection revenues.

(iii) IFRS 16 – *Leases* is required to be applied retrospectively for annual periods beginning on or after January 1, 2019, with early adoption permitted provided that IFRS 15 has been applied or is applied at the same time as IFRS 16.

IFRS 16 sets out new principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard provides lessees with a single accounting model for all leases, with certain exemptions. In particular, lessees will be required to report most leases on their balance sheets by recognizing right-of-use assets and related financial liabilities.

The Corporation expects that the adoption of IFRS 16 will have significant impacts on its consolidated financial statements since the Corporation is engaged in various long-term leases on premises and equipment.

Under IFRS 16, most lease charges will be expensed as an asset amortization charge, along with a financial charge on the asset related financial liabilities. As operating lease charges are currently recognized as operating expenses as they are incurred, the adoption of IFRS 16 will change the timing of the recognition of these lease charges over the term of each lease. It will also affect the classification of expenses in the statement of income.

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 13, 2017:

Name and Municipality of Residence	Age	Position
THE RIGHT HONOURABLE BRIAN MULRONEY, P.C., C.C., LL.D. Montréal, Québec	77	Director and Chair of the Board
ANDRÉ P. BROSSEAU (1) Montréal, Québec	55	Director
JEAN LA COUTURE, FCPA, FCA(1) Montréal, Québec	70	Director and Chair of the Audit Committee
SYLVIE LALANDE Lachute, Québec	66	Director
NORMAND PROVOST(1) Brossard, Québec	62	Director
MANON BROUILLETTE Montréal, Québec	48	President and Chief Executive Officer
JEAN NOVAK Knowlton, Québec	53	President, Videotron Business Solutions, President, Le SuperClub Vidéotron ltée, and Senior Vice President, Sales Network and Retail Sector
HUGUES SIMARD Montréal, Québec	50	Senior Vice President and Chief Financial Officer
PIERRE BONIN Montreal West, Québec	54	Chief Information Officer
SYLVAIN BROSSEAU Varennes, Québec	53	Senior Vice President, Operations, Customer Service
JULIE BRAULT Laval, Québec	47	Vice President, Branding & Omnichannel Digital Strategy
ALAIN CHARLEBOIS Laval, Québec	45	Vice President, Human Resources

Name and Municipality of Residence	Age	Position
MOHAMED DRIF Montréal, Québec	50	Vice President, Engineering, Networks
BERTRAND HÉBERT Boucherville, Québec	50	Vice President, Marketing
SERGE LEGRIS St-Lazare, Québec	51	Vice President, Engineering, Technologies and Products
CHLOÉ POIRIER Nuns' Island, Québec	47	Vice President and Treasurer
MARC M. TREMBLAY Westmount, Québec	56	Corporate Secretary

(1) Member of the Audit Committee

The Right Honourable Brian Mulroney*, P.C., C.C., LL.D, Director and Chairman of the Board*. Mr. Mulroney was appointed as Director and Chairman of the Board of Videotron on June 19, 2014. He has been a Director of Quebecor Media since January 31, 2001 and director of Quebecor since 1999. He was appointed Chairman of the Board of Quebecor on June 19, 2014 and was Chairman of the Board of Quebecor Media from June 19, 2014 until February 15, 2017. Since 1993, Mr. Mulroney has been a Senior Partner with the law firm Norton Rose Fulbright Canada LLP (formerly Ogilvy Renault LLP) in Montréal, Québec. Prior to that, Mr. Mulroney was the Prime Minister of Canada from 1984 until 1993. Mr. Mulroney practiced law in Montréal and served as President of The Iron Ore Company of Canada before entering politics in 1983. Mr. Mulroney serves as a Director of a number of public corporations, including Wyndham Worldwide Corporation (New Jersey) and The Blackstone Group LP (New York). He is also Chairman of the International Advisory Board of Barrick Gold Corporation. He is Companion of the Order of Canada as well as *Grand Officier de l'Ordre national du Québec*.

André P. Brosseau*, Director and member of the Audit Committee.* Mr. Brosseau is a Director and member of the Audit Committee of Videotron, Quebecor and Quebecor Media since May 12, 2016. Mr. Brosseau is Chairman of the Board and Chief Executive Officer of Avenue Capital Markets BNB Inc., a consulting firm for growth companies that he founded in 2010. He currently serves as a director, Chairman of the Audit Committee and member of the Compensation Committee of DMD Digital Health Connections Group Inc. Mr. Brosseau also serves as a Director of BlueRush Media Group Corp. He is also a member of the Advisory Committee for the OSMO Foundation and The Notman House. Mr. Brosseau was President for Blackmont Capital Markets in Toronto until June 2009 and then served as Chairman of Quebec Capital Markets until May 2010. From 1994 to 2007, he held various executive positions with CIBC.

Jean La Couture*, FCPA, FCA, Director and Chairman of the Audit Committee.* Mr. La Couture has served as a Director and as Chair of our Audit Committee since October 2003. Mr. La Couture is a Director and Chair of the Audit Committee of Quebecor and Quebecor Media. He was appointed Vice Chairman of Quebecor and Quebecor Media on May 12, 2016. Mr. La Couture, a Fellow Chartered Professional Accountant, is President of Huis Clos Ltée., a management and mediation firm. He headed Le Groupe Mallette (an accounting firm) before becoming, from 1990 to 1994, President and Chief Executive Officer of The Guarantee Company of North America. He is Chairman of the Board of Innergex Renewable Energy Inc., Chairman of the Board of Groupe Pomerleau (a Québec-based construction company) and a Director and Chair of the Investment and Risk Management Committee of CDPQ.

Sylvie Lalande, *Director.* Ms. Lalande is a Director of Videotron since July 2014 and of Quebecor Media since May 2013. She has served as a Director of Quebecor since May 2011. She was appointed as Chair of the Human Resources and Corporate Governance Committee of Quebecor and Quebecor Media on May 12, 2016. She is a Director of TVA Group since December 2001, and was appointed as Chair of the Board on March 10, 2014. She has also served as Chair of the Human Resources and Corporate Governance Committee of TVA Group since May 2013. Ms. Lalande held several senior positions in the media, marketing, communication marketing and company communications sectors. Until

October 2001, she was Chief Communications Officer of Bell Canada. From 1994 to 1997, she was President and Chief Executive Officer of UBI Consortium, a consortium formed to develop and manage interactive and transactional communication services. From 1987 to 1994, she occupied several senior positions within TVA Group and Le Groupe Vidéotron ltée. Ms. Lalande began her career in the radio industry, after which she founded her own consultation firm. In 2006, Ms. Lalande earned a degree in corporate governance from the Collège des administrateurs de sociétés. Ms. Lalande was, until September 2016, a Director and Chair of the Corporate Governance and Human Resources Committee and Lead Director of Ovivo Inc. In November 2013, Ms. Lalande was appointed Chair of the Board of the Collège des administrateurs de sociétés (CAS) of *Université Laval*.

Normand Provost*, Director and member of the Audit Committee*. Mr. Provost is a Director of Videotron since June 2014. He has served as a Director of Quebecor Media since July 2004 and a Director of Quebecor since May 2013. He has also served as a member of the Audit Committee of Quebecor and Quebecor Media since June 2014. From May 2014 to December 2015, Mr. Provost was Assistant to the President of CDPQ, one of the largest institutional fund managers in Canada and North America. Mr. Provost joined CDPQ in 1980 and has held various management positions during his time there. He served as President of CDP Capital Americas from 1995 to 2003. He also served as Executive Vice President, Private Equity, of CDPQ from October 2003 until May 2014. In addition to his responsibilities in the investment sector, Mr. Provost served as Chief Operations Officer of CDPQ from April 2009 to March 2012. Mr. Provost is a Director of the *Fondation de l'Entrepreneurship.* In addition, he sits on the Supervisory Board and on the Compensation and Human Resources Committee of Groupe Kéolis S.A.S. Since March 2015, Mr. Provost also sits on the Board of Directors and on the Investment Committee of Desjardins Financial Security.

Manon Brouillette*, President and Chief Executive Officer.* In May 2014, Ms. Brouillette was promoted President and Chief Executive Officer of Videotron. From May 2013 to May 2014, she acted as President and Chief Operating Officer of Videotron, after acting as President, Consumer Market from January 2012 to May 2013. She acted as Executive Vice President, Strategy and Market Development of Videotron from March 2009 to January 2012, as President, Consumer Market. From January 2011 to May 2012, she also acted as Vice President and Chief Digital Officer of Quebecor Media. From June 2008 to March 2009, she acted as Senior Vice President, Strategic Development and Market Development of Quebecor Media. She joined Videotron in July 2004 and acted as Vice President, Marketing, from July 2004 to January 2005, as Vice President, New Product Development, from January 2005 to August 2006 and as Senior Vice President, Marketing, Content and New Product Development, from September 2006 to June 2008. Before joining the Corporation, Ms. Brouillette was Vice President, Marketing and Communications of the San Francisco Group from April 2003 to February 2004. She was also responsible for the national and regional accounts of the Blitz division of Groupe Cossette Communication Marketing from April 2002 to April 2003. From September 1998 to April 2002, she worked at Publicité Martin inc. Ms. Brouillette holds a Bachelor's degree in communications with a minor in marketing from *Université Laval*.

Jean Novak*, President, Videotron Business Solutions, President, Le SuperClub Vidéotron ltée, and Senior Vice President, Sales Network and Retail Sector.* Mr. Novak was appointed to his current position in August 2014. From May 2013 to August 2014, he was President, Videotron Business Solutions and Senior Vice-President, Sales Channel. He has served as President, Videotron Business Solutions since January 2005. Mr. Novak joined Videotron in May 2004 as Vice President, Sales. Between 1988 and May 2004, Mr. Novak held various management positions in sales and distribution for Molson Breweries, Canada's largest brewing company, including General Manager for all on premise accounts and the Montréal sales region as well as Manager, Customer Service and Telesales in Québec. Mr. Novak holds a Bachelor's degree in marketing from the HEC Montréal.

Hugues Simard*, Senior Vice President and Chief Financial Officer.* Mr. Simard was appointed to his current position in August 2014. Mr. Simard served as Vice President Finance of Sun Media Corporation from January 2011 to August 2014 and as Vice President, Corporate Advertising Sales from December 2008 to January 2011. He was also Senior Vice President, Development and Strategy of Quebecor Media from February 2007 to January 2011. Mr. Simard joined the Quebecor group of companies in July 1998 as Director, Business Development of Quebecor Printing which became Quebecor World in 1999. He was appointed Vice President, Corporate Development of Quebecor New Media in 1999 and President & CEO of Netgraphe/Canoe in 2000. He rejoined Quebecor World in 2003, first as Vice President, Development and Planning and then as President of the Commercial Printing Group in 2004. Prior to his appointment as Senior Vice President, Development and Strategy at Quebecor Media, he spent a year in Paris, France as Managing Director of Secor Conseil, a management consulting firm. Mr. Simard holds a Bachelor's degree of Applied Science in industrial engineering from the University of Toronto and an MBA from Harvard Business School.

***Pierre Bonin**, Chief Information Officer*. Mr. Bonin was promoted Chief Information Officer in January 2016 from his previous position as Vice President, Information Technology, a position he held since March 2014. Prior to joining the Corporation, Mr. Bonin was President and Chief Executive Officer of StrongKase Enterprise Inc., a private equity firm where, from 2005 to 2014, he has been actively involved in the data center industry through various investments and ventures. Prior to 2005, Mr. Bonin held various executive positions in the telecommunications industry as Executive Vice President and Chief Information Technology Officer at Microcell Telecommunications Inc. (FIDO), Vice President Information Technology as well as Vice President Finance and Administration at Bell Canada. Mr. Bonin graduated in Mathematics and Computer Science from *Université de Sherbrooke* and received an MBA from HEC Montreal. He holds the designation of Chartered Director from the *Collège des administrateurs de sociétés (CAS)* of *l'Université Laval* and from the Directors College of McMaster University.

***Sylvain Brosseau**, Senior Vice President, Operations, Customer Service*. Mr. Brosseau was appointed to his current position in May 2013. He has served as Vice President, Customer Service, Consumer division since July 2003. Mr. Brosseau has held various management positions within Videotron since joining the Corporation in 1996.

***Julie Brault**, Vice President, Branding & Omnichannel Digital Strategy.* Ms. Brault was promoted in September 2014 from her previous position as Senior Manager, On-line Applications and Content, a position she held since August 2005. Prior to that, she was Vice-President Creation at *Cesart* (a Bell Canada Company) from 2004 to 2005, and Vice-President Creation at *Cossette Interactif* (Fjord) from 1996 to 2003. She holds a Bachelor's degree in communications and a Master's Degree in communications with a concentration in interactive multimedia from *Université du Québec à Montréal*.

Alain Charlebois, *Vice President, Human Resources.* Mr. Charlebois was appointed Vice President, Human Resources in January 2013. Prior to joining the Corporation, Mr. Charlebois has held various positions within Videotron since joining the Company as Section Head, Human Resources in 2003. Mr. Charlebois holds a Bachelor's degree in Human Resources Management from the *Université du Québec à Montréal*.

Mohamed Drif, *Vice President, Engineering, Networks*. Mr. Drif was appointed Vice President, Engineering, Networks in October 2016. Prior to that, he was Vice President, Engineering, Wireline Network and Project Management Office. He also served as General Manager; Network planning, Head Ends and Optics from 2008 to 2011. Mr. Drif joined Videotron in March 1999 as Supervisor Fibre Optic Management. He was appointed Director Fibre Network in June 2000, Director Network planning, Head Ends and Geomatic in January 2002 and Senior Director Network Planning, Head Ends and Optics in February 2003. Mr. Drif previously worked at Cable Axion as Director of Engineering and has also worked in the field of software development in France. Mr. Drif holds a State Engineer degree in Computer Science from *Université d'Oran* in Algeria. He is member of the *Ordre des ingénieurs du Québec*.

Bertrand Hébert, *Vice President, Marketing*. Mr. Hébert has been appointed to his current position in September 2014. Prior to that, he was General Manager, Marketing for the mobile sector. From March 2009 to March 2012, he was General Manager, Marketing & Product Development for the residential telephony services. Mr. Hébert joined Videotron in April 2007 as Senior Manager, Marketing & Product Development. He was one of the architects of the roll-out of Videotron's residential telephony service. He also contributed to the roll-out of Ultimate Speed Internet. Prior to joining the Corporation, Mr. Hébert held different positions in product management in the telecommunications and financial sector. Mr. Hébert graduated from *Université de Sherbrooke* with a degree in Electrical Engineering.

Serge Legris, *Vice President, Engineering, Technologies and Products*. Mr. Legris was appointed to his current position in October 2016. Prior to that, he was Vice President, Engineering – Wireless Access since joining the Corporation in January 2011. He has more than 20 years of experience in technology-related positions, including COO and Vice President, Marketing & Operations. He has worked at SR Telecom, InCode Telecom, Rogers Telecommunications, Bell Canada and other companies. Mr. Legris is a veteran manager with extensive experience in the planning and deployment of networks as well as the development of advanced technologies. Member of the *Ordre des Ingénieurs du Québec*, Mr. Legris has a Bachelor degree of Electrical Engineering from *École Polytechnique de Montréal*.

***Chloé Poirier**, Vice President and Treasurer.* Ms. Poirier was promoted Vice President and Treasurer in June 2013 from her previous position as Treasurer, a position she held since August 2009. She also serves as Vice President and Treasurer of Quebecor and Quebecor Media. Ms. Poirier joined the Corporation in 2001 as Director, Treasury / Assistant Treasurer, Treasury Operations. Prior to that, she was Analyst, Treasury and Finance with Natrel inc./Agropur from 1997 to 2001 and 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's degree in Actuarial Science and an MBA from *Université Laval*.

***Marc M. Tremblay**, Corporate Secretary*. Mr. Tremblay was appointed Corporate Secretary in September 2014. He also serves as Senior Vice President, Chief Legal Officer and Public Affairs and Corporate Secretary of Quebecor and Quebecor Media since September 2014. Prior to that date, he was Senior Vice President and Chief Legal Officer and Public Affairs of Quebecor Media, a position he held from October 2013. Mr. Tremblay was also Senior Vice President, Legal Affairs, a position he held from March 2012 to October 2013. He was also Vice President, Legal Affairs of Quebecor Media, a position he held from March 2007 to March 2012. Previously, Mr. Tremblay practiced law at Ogilvy Renault LLP (now Norton Rose Fulbright Canada LLP) for 22 years. He has been a member of the *Barreau du Québec* since 1983.

B- Compensation

Our Directors do not receive any remuneration for acting in their capacity as directors of Videotron. Since July 1, 2013, the Chairman of our Audit Committee receives an annual fee of $25,000 while the other two members receive an annual fee of $10,000. Our Directors are reimbursed for their reasonable out-of-pocket expenses incurred in connection with meetings of our Board of Directors and our Audit Committee. During the financial year ended December 31, 2016, the amount of compensation (including benefits in kind) paid to four of our directors for services in all capacities to Videotron and its subsidiaries was $45,027. None of our directors have contracts with us or any of our subsidiaries that provide for benefits upon termination of employment.

The aggregate amount of compensation we paid for the year ended December 31, 2016 to our executive officers as a group, excluding those who are also executive officers of, and compensated by, Quebecor Media, was approximately $7.2 million, including salaries, bonuses and benefits in kind.

Quebecor Media's Stock Option Plan

Under a stock option plan established by Quebecor Media, 6,180,140 common shares of Quebecor Media (representing 6.4% of all of the outstanding common shares of Quebecor Media) have been set aside for directors, officers, senior employees, and other key employees of Quebecor Media and its subsidiaries, including Videotron. 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 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 5-day weighted average closing price ending on the day preceding the date of grant of the common shares of Quebecor Media on the stock exchange(s) where such shares are listed at the time of grant, as applicable. 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 Quebecor Media's 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 Quebecor Media's Human Resources and Corporate Governance Committee decides otherwise, options vest over a five-year period in accordance with one of the following vesting schedules as determined by Quebecor Media's Human Resources and Corporate Governance 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, 2016, no options were granted under this plan to executive officers of Videotron (excluding directors, officers and employees who, at the date of grant, were directors, officers or employees at multiple Quebecor Media group of companies). During the year ended December 31, 2016, a total of 94,506 options were exercised by officers and employees of Videotron, for aggregate gross value realized of $1.53 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, 2016, an aggregate total of 286,105 options granted to directors, officers and employees of Videotron (excluding directors, officers and employees who, at the date of grant, were directors, officers or employees at multiple Quebecor Media group companies) remain outstanding, with a weighted average exercise price of $63.98 per share. For more information on this stock option plan, refer to Note 21 to our audited consolidated financial statements included under "Item 18. Financial Statements" of this annual report.

Further to the implementation of the differed share unit ("**DSU**") and of the performance share unit ("**PSU**") plans described below, it is planned, at the moment, that no further grant of options will be made in the future.

Quebecor's Stock Option Plan

Under a stock option plan established by Quebecor, 13,000,000 Quebecor Class B Shares have been set aside for Directors, officers, senior employees and other key employees of Quebecor and its subsidiaries, including Videotron. 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, 2016, no options to purchase Quebecor Class B Shares were granted to senior executive officers of Videotron. As of December 31, 2016, a total of 50,000 options to purchase Quebecor Class B Shares, with a weighted average exercise price of $25.49 per share, were held by one senior executive officer of Videotron for acting in such capacity. The closing sale price of the Quebecor Class B Shares on the TSX on December 30, 2016, was $37.32.

Quebecor's DSU and PSU plans

On July 13, 2016, Quebecor established a DSU plan and a PSU plan for its employees and those of its subsidiaries. Both plans are based on Quebecor Class B shares. The DSUs vest over six years and will be redeemed for cash only upon the participant's retirement or termination of employment, as the case may be. The PSUs vest over three years and will be redeemed for cash at the end of this period subject to the achievement of financial targets. DSUs and PSUs entitle the holders to receive additional units when dividends are paid on Quebecor Class B shares. As of December 31, 2016, an aggregate total of 17,125 DSUs and of 20,936 PSUs granted to officers and employees of Videotron (excluding officers and employees who, at the date of grant, were officers or employees at multiple Quebecor group companies) remain outstanding.

Pension Benefits

Both Quebecor Media and Videotron maintain pension plans for our non-unionized employees and certain officers.

Videotron's pension plan provides pension benefits to our executive officers equal to 2.0% of salary (excluding bonuses) for each year of membership in the plan. The pension benefits so calculated are payable at the normal retirement age of 65 years, or sooner at the election of the executive officer, subject to an early retirement reduction. In addition, the pension benefits may be deferred, but not beyond the age limit under the relevant provisions of the *Income Tax Act* (Canada) (the "**Tax Act**") , in which case the pension benefits are adjusted to take into account the delay in their payment in relation to the normal retirement age. The maximum pension benefits payable under our pension plan are as prescribed under the Tax Act. An executive officer contributes to this plan an amount equals to 5.0% of his or her salary up to a maximum of $7,286 in respect of 2017. Videotron changed this pension plan to a defined contribution plan for new employees hired on and after May 1, 2012. Videotron reserves the right, in exceptional circumstances, to override the above conditions in order to allow an executive officer to join the pension plan as of the date of hire or any subsequent date.

Quebecor Media's pension plan provides greater pension benefits to eligible executive officers than it does to other employees. The higher pension benefits under this plan equal 2.0% 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 benefits so calculated are payable at the normal retirement age of 65 years, or sooner at the election of the executive officer, and, from age 61, without early retirement reduction. In addition, the pension benefits may be deferred, but not beyond the age limit under the relevant provisions of the Tax Act, in which case the pension benefits are adjusted to take into account the delay in their payment in relation to the normal retirement age. The maximum pension benefits payable under Quebecor Media's pension plan are as prescribed by the Tax Act and is based on a maximum salary of $145,722. An executive officer contributes to this plan an amount equals to 5.0% of his or her salary up to a maximum of $7,286 in respect of 2017. Videotron has no liability regarding Quebecor Media's pension plan. Quebecor Media closed this pension plan to all new employees hired on and after December 27, 2008. However, Quebecor Media reserves the right, in exceptional circumstances, to override the above conditions in order to allow an executive officer to join the pension plan as of the date of hire or any subsequent date. New employees are eligible to enroll in a retirement savings plan.

The total amount we contributed for the year ended December 31, 2016 to provide the pension benefits to our senior executives, as a group, was $340,200. For a description of the amount set aside or accrued for pension plans and post-retirement benefits by us to all participants, refer to Note 27 to our audited consolidated financial statements for the year ended December 31, 2016 included under "Item 18. 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 under both Quebecor Media's and our pension plans:

	Years of Participation				
Compensation	**10**	**15**	**20**	**25**	**30**
$145,722	$29,144	$43,717	$58,289	$72,861	$87,433

Liability Insurance

Quebecor Media carries liability insurance for the benefit of its directors and officers, as well as for the directors and officers of its subsidiaries, including Videotron 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 Media, which is then reimbursed by its subsidiaries, including Videotron, for their rateable portion thereof.

C- Board Practices

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.

There are no directors' service contracts with us or any of our subsidiaries providing for benefits upon termination of employment.

Our Board of Directors is comprised of five directors. Each director is nominated and elected by Quebecor Media, our parent corporation, to serve until a successor director is elected or appointed. Our Board of Directors has an Audit Committee, but we do not have a compensation committee. The Human Resources and Corporate Governance Committee of Quebecor Media decides certain matters relating to the compensation of officers and employees of Videotron, including certain matters relating to the DSU and PSU plans, as discussed above.

Audit Committee

Our Audit Committee is currently composed of three Directors, namely Messrs. Jean La Couture, André P. Brosseau and Normand Provost. Mr. La Couture is the Chair of our Audit Committee and our Board of Directors has determined that Mr. La Couture is an "audit committee financial expert" as defined under SEC rules. See "Item 16A. Audit Committee Financial Expert". Our Board of Directors has adopted the mandate of our Audit Committee in light of the Sarbanes-Oxley Act of 2002 and related SEC rulemaking. Our Audit Committee assists our Board of Directors in overseeing our financial controls and reporting. Our Audit Committee also oversees our compliance with financial covenants and legal and regulatory requirements governing financial disclosure matters and financial risk management.

The current mandate of our Audit Committee provides, among other things, that our Audit Committee reviews our annual and quarterly financial statements before they are submitted to our Board of Directors, as well as the financial information contained in our annual reports on Form 20-F, our management's discussion and analysis of financial condition and results of operations, our quarterly reports furnished to the SEC under cover of Form 6-K and other documents containing similar information before their public disclosure or filing with regulatory authorities; reviews our accounting policies and practices; and discusses with our independent auditors the scope of their audit, as well as our auditors' recommendations and observations with respect to the audit, our accounting policies and financial reporting, and the responses of our management with respect thereto. Our Audit Committee is also responsible for ensuring that we have in place adequate and effective internal control and management information systems to monitor our financial information and to ensure that our transactions with related parties are made on terms that are fair for us. Our Audit Committee pre-approves all audit services and permitted non-audit services and pre-approves all the fees pertaining to those services that are payable to our independent auditor, and submits the appropriate recommendations to our Board of Directors in connection with these services and fees. At least every five years, our Audit Committee carries out an assessment of the external auditor. It also reviews and approves our Code of Ethics applicable to our President and Chief Executive Officer and principal financial officers. Lastly, it also reviews and oversees risk management, particularly including risk related to information technology and cybersecurity.

D- Employees

At December 31, 2016, we had 6,588 employees. At December 31, 2015 and 2014, we had 6,410 and 6,432 employees, respectively. Substantially all of our employees are based and work in the Province of Quebec. We had 3,866 unionized employees, and the terms of their employment are governed by one of our five regional collective bargaining agreements. The collective bargaining agreement covering 2,703 unionized employees in the Montréal region will expire on December 2018. We also have three collective bargaining agreements covering our unionized employees in the Saguenay, Gatineau and Québec regions, with terms running through December 31, 2019, August 31, 2020 and December 31, 2018 respectively.

One other collective bargaining agreement covering 67 unionized employees of our subsidiary, SETTE inc., expired on December 31, 2015. This collective bargaining agreement is currently being negotiated.

E- Share Ownership

No Videotron equity securities are held by any of our Directors or senior executive officers.

ITEM 7 – MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A- Major Shareholders

We are a wholly-owned subsidiary of Quebecor Media, a leading Canadian-based media and telecommunications company with interests in newspaper publishing operations, television broadcasting, telecommunications, book and magazine publishing and new media services. Through these interests, 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 holds, directly and indirectly, 77,812,366 common shares of Quebecor Media, representing a 81.07% voting and equity interest in Quebecor Media and Caisse de dépôt et placement du Québec ("**CDPQ**"), indirectly holds 18,170,810 shares of Quebecor Media, representing a 18.93% interest in Quebecor Media. The primary asset of Quebecor, a communications holding company, is its interest in Quebecor Media. CDPQ is one of Canada's largest pension fund managers.

B- Related Party Transactions

The Corporation enters into related party transactions from time to time. These related party transactions are further described under "Item 5. Operating and Financial Review and Prospects – Cash Flow and Financial Position – Financial Position as of December 31, 2016" and in Note 8, in Note 11 and in Note 26 to our audited consolidated financial statements included under "Item 18. Financial Statements" in this annual report. These related party transactions have been accounted for at the consideration agreed between parties:

	As of December 31,		
	2016	**2015**	**2014**
		(in thousands of dollars)	
Ultimate Parent and Parent Corporation:			
Revenues	$ 455	$ 696	$ 680
Purchase of goods and services	8,037	8,584	7,572
Operating expenses recovered	(752)	(597)	(682)
Corporations Under Common Control:			
Revenues	5,906	8,059	10,349
Purchase of goods and services	104,244	103,435	81,148
Operating expenses recovered	(1,275)	(1,395)	(701)

Management fee

The Corporation pays annual management fees to the parent corporation for services rendered to the Corporation, including internal audit, legal and corporate, financial planning and treasury, tax, real estate, human resources, risk management, public relations and other services. Management fees amounted to $53.0 million in 2016, $48.0 million in 2015 and $43.5 million in 2014. The agreement provides for an annual management fee to be agreed upon for the year 2017. In addition, the parent corporation is entitled to the reimbursement of out-of-pocket expenses incurred in connection with the services provided under the agreement.

Income tax transactions

On November 1, 2016, 9101-0835 Québec Inc. ("**9101-0835**"), a subsidiary of Quebecor Media, redeemed 1,660,000 preferred shares, Series B and 625,000 preferred shares, Series D for a total cash consideration of $2.29 billion, and settled cumulative unpaid dividends of $92.7 million. On the same day, the Corporation used the total proceeds of $2.29 billion to repay its subordinated loans contracted from Quebecor Media.

On March 1, 2016, the Corporation contracted a subordinated loan of $625.0 million from Quebecor Media, bearing interest at a rate of 11.5%, payable every six months on June 20 and December 20, and maturing on March 1st, 2046. On the same day, the Corporation invested the total proceeds of $625.0 million into 625,000 preferred shares, Series D, of 9101-0835, a subsidiary of Quebecor Media Inc. These shares carry the right to receive an annual dividend of 11.6%, payable semi-annually.

On February 12, 2016, 9101-0835, a subsidiary of Quebecor Media, redeemed 430,000 preferred shares, Series B, for a total cash consideration of $430.0 million, and settled cumulative unpaid dividends of $6.9 million. On the same day, the Corporation used the total proceeds of $430.0 million to repay part of its subordinated loan contracted from Quebecor Media.

On February 5, 2015, the Corporation contracted a subordinated loan of $1.01 billion from Quebecor Media, bearing interest at a rate of 10.75%, payable every six months on June 20 and December 20, and maturing on February 5, 2045. On the same day, we invested the total proceeds of $1.01 billion into 1,010,000 preferred shares, Series B, of 9101-0835, a subsidiary of Quebecor Media. These shares carry the right to receive an annual dividend of 10.85%, payable semi-annually.

On October 28, 2014, 9101-0835, a subsidiary of Quebecor Media, redeemed 1,200,000 preferred shares, Series B, for a total cash consideration of $1.2 billion, and settled cumulative unpaid dividends of $46.4 million. On the same day, the Corporation used the total proceeds of $1.2 billion to repay part of its subordinated loan contracted from Quebecor Media.

The above transactions were carried out for tax consolidation purposes of Quebecor Media and its subsidiaries, on terms equivalent to those that prevail on an arm's length basis and accounted for at the consideration agreed between parties.

Purchase of shares of Quebecor Media and subsidiary subordinated loans

Unlike corporations in the United States, corporations in Canada are not permitted to file consolidated tax returns. As a result, we enter into certain transactions from time to time that have the effect of using tax losses within the Quebecor Media Group. These transactions are described further under "Item 5. Operating and Financial Review and Prospects – Cash Flow and Financial Position – Financial Position as of December 31, 2016" and in Note 11 and in Note 26 to our audited consolidated financial statements which are included under "Item 18. Financial Statements" in this annual report.

C- Interests of Experts and Counsel

Not applicable.

ITEM 8 – FINANCIAL INFORMATION

A- Consolidated Statements and Other Financial Information

Our consolidated balance sheets as at December 31, 2016 and 2015, and our consolidated statements of income, comprehensive income, equity and cash flows for the years ended December 31, 2016, 2015 and 2014, including the notes thereto and together with the report of Independent Registered Public Accounting Firm, are included beginning on page F-1 of this annual report.

Legal Proceedings

We and our subsidiaries are involved in a number of other legal proceedings against us which are pending. In the opinion of our management, the outcome of these proceedings is not expected to have a material adverse effect on our results or financial position.

In 2001, we refused to complete the acquisition of Cable-Axion, a cable operator, claiming that a material adverse change had occurred. However, Telus and Novacap disagreed and, as shareholders and interest owners of Cable-Axion, they filed an action in damages against us for an amount of $18.8 million in 2002. The trial occurred during the fall of 2014. On January 20, 2015, the Superior Court of Québec rendered a judgement against us in the amount of $34.3 million (including accrued interest). On February 18, 2015, we filed an appeal against this judgment with the Court of Appeal of Québec.

Dividend Policy

During the years ended December 31, 2016, December 31, 2015 and 2014 we paid aggregate cash dividends on our common shares of $282,000,000, $665,000,000 and $410,000,000, respectively. We currently expect to pay dividends and other distributions on our common shares in the future. The declaration and payment of dividends and other distributions is in the sole discretion of our Board of Directors, and any decision regarding the declaration of dividends and other distributions will be made by our Board of Directors depending on, among other things, our financial resources, the cash flows generated by our business, our capital needs, and other factors considered relevant by our Board of Directors, including the terms of our indebtedness and applicable law.

B- Significant Changes

Except as otherwise disclosed in this annual report, there has been no other material adverse change in our financial position since December 31, 2016.

ITEM 9 – THE OFFER AND LISTING

A- Offer and Listing Details

Not applicable.

B- Plan of Distribution

Not applicable.

C- Markets

Outstanding Notes

On September 15, 2015, we issued and sold $375.0 million aggregate principal amount of our 5 3/4% Senior Notes due January 15, 2026, in private placements exempt from the registration requirement of the Securities Act and the prospectus requirements of applicable Canadian securities laws.

On April 9, 2014, we issued and sold US$600.0 million aggregate principal amount of our 5 3/8% Senior Notes due June 15, 2024, in private placements exempt from the registration requirement of the Securities Act and the prospectus requirements of applicable Canadian securities laws.

On June 17, 2013, we issued and sold $400.0 million aggregate principal amount of our 5 5/8% Senior Notes due June 15, 2025 in private placements exempt from the registration requirement of the Securities Act and the prospectus requirements of applicable Canadian securities laws.

On March 14, 2012, we issue and sold US$800.0 million aggregate principal amount of our 5% Senior Notes due July 15, 2022 in private placements exempt from the registration requirements of the Securities Act. In connection with the issuance of these unregistered notes, we filed a registration statement on Form F-4 with the SEC on May 17, 2012 and completed the registered exchange offer in July 2012. As a result, our 5% Senior Notes due July 15, 2022 have been registered under the Securities Act.

On July 5, 2011, we issued and sold $300.0 million aggregate principal amount of our 6 7/8% Senior Notes due July 15, 2021 in private placements exempt from the registration requirement of the Securities Act and the prospectus requirements of applicable Canadian securities laws. On January 5, 2017, we repurchased and retired $175.0 million aggregate principal amount of our outstanding 6 7/8% senior notes due July 15, 2021.

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 Senior Notes, the ability of the holders of any such Senior 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 Senior Notes on any exchange or automated dealer quotation system.

The record holder of our 5% Senior Notes due 2022 and our 5 3/8% Senior Notes due 2024 is Cede & Co., a nominee of The Depository Trust Company, and the record holder of our 6 7/8% Senior Notes due 2021, our 5 5/8% Senior Notes due 2025 and our 5 3/4% Senior Notes due 2026 is CDS Clearing and Depository Services Inc.

D- Selling Shareholders

Not applicable.

E- Dilution

Not applicable.

F- Expenses of the Issue

Not applicable.

ITEM 10 – ADDITIONAL INFORMATION

A- Share Capital

Not applicable.

B- Memorandum and Articles of Association

The Articles of Amalgamation of Videotron, dated as of July 1, 2006, and the Articles of Amendment of Videotron, dated as of June 30, 2008 and December 12, 2008 are referred to as our "Articles". Our Articles are included as exhibits to this annual report. The following is a summary of certain provisions of our Articles and by-laws:

On July 1, 2006, Vidéotron ltée and 9101-0827 Québec inc. amalgamated, under Part IA of the *Companies Act* (Québec), into a single corporation using the name "Videotron Ltd." (or "Vidéotron ltée" in French) with the Designating Number 1163819882. Since its coming into force on February 14, 2011, Videotron is governed by the *Business Corporations Act* (Québec). The Articles provide no restrictions on the purposes or activities that may be undertaken by Videotron.

1. (a) Our by-laws provide that a director must disclose the nature and value of any interest he has in a contract or transaction to which our Corporation is a party. A director must also disclose a contract or transaction to which the Corporation and any of the following are a party:

   (i) an associate of the director;

   (ii) a group of which the director is a director;

   (iii) a group in which the director or an associate of the director has an interest.

   No director may vote on a resolution to approve, amend or terminate the contract or transaction, or be present during deliberations concerning the approval, amendment or termination of such a contract or transaction unless the contract or transaction:

   (i) relates primarily to the remuneration of the director or an associate of the director as a director of the Corporation or an affiliate of the Corporation;

   (ii) relates primarily to the remuneration of the director or an associate of the director as an officer, employee or mandatary of the Corporation or an affiliate of the Corporation, if the Corporation is not a reporting issuer;

   (iii) is for the indemnification of the directors in certain circumstances or liability insurance taken out by the Corporation;

   (iv) is with an affiliate of the Corporation, and the sole interest of the director is as a director or officer of the affiliate.

   (b) Neither the Articles nor our by-laws contain provisions with respect to directors' power, in the absence of an independent quorum, to determine their remuneration.

(c) Subject to any restriction which may from time to time be included in the Articles or our by-laws, or the terms, rights or restrictions of any of our shares or securities outstanding, our directors may authorize us, by ordinary resolution, to borrow money and obtain advances upon the credit of our corporation when they consider it appropriate. Our directors also may, by ordinary resolution, when they consider it appropriate, (i) issue bonds or other securities of our corporation and give them in guarantee or sell them for prices and amounts deemed appropriate; (ii) mortgage, pledge or give as surety our present or future movable and immovable property to ensure the payment of these bonds or other securities or give a part only of these guarantees for the same purposes; and (iii) mortgage or pledge our real estate or give as security or otherwise encumber with any charge our movables or give these various kinds of securities to assure the payment of loans made other than by the issuance of bonds as well as the payment or the execution of other debts, contracts and commitments of our corporation.

Neither the Articles nor our by-laws contain any provision with respect to (i) the retirement or non-retirement of our directors under an age limit requirement or (ii) the number of shares, if any, required for the qualification of our directors.

2. The rights, preferences and restrictions attaching to our common shares and our preferred shares (consisting of our Class "A" Common Shares and our authorized classes of preferred shares, comprised or our Class "B" Preferred Shares, Class "C" Preferred Shares, Class "D" Preferred Shares, Class "E" Preferred Shares, Class "F" Preferred Shares, Class "G" Preferred Shares and Class "H" Preferred Shares) are set forth below:

Common Shares

Class "A" Common Shares

(a) *Dividend rights:* Subject to the rights of the holders of our preferred shares (including their redemption rights) and subject to applicable law, each Class "A" Common Share is entitled to receive such dividends as our Board of Directors shall determine.

(b) *Voting rights:* The holders of Class "A" Common Shares are entitled to vote at each shareholders' meeting with the exception of meetings at which only the holders of another class of shares are entitled to vote. Each Class "A" Common Share entitles the holder to one vote. The holders of the Class "A" Common Shares shall elect the directors of Videotron at an annual or special meting of shareholders called for that purpose, except that any vacancy occurring in the Board of Directors may be filled, for the remainder of the term, by our Directors. At any meeting of shareholders called for such purpose, directors are elected by a majority of the votes cast in respect of such election.

(c) *Rights to share in our profits:* Other than as described in paragraph (a) above (whereby the holders of our Class "A" Common Shares are entitled to receive dividends as determined by our Board of Directors subject to certain restrictions) and paragraph (d) below (whereby the holders of our Class "A" Common Shares are entitled to participation in the remaining property and assets of our company available for distribution in the event of liquidation or dissolution), None.

(d) *Rights upon liquidation:* In the event of our liquidation or dissolution 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 Class "A" Common Shares shall be entitled, subject to the rights of the holders of our preferred shares, to participate equally, share for share, in our residual 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 further capital calls by us:* None, provided that our directors may 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 holders owning a substantial number of common shares:* None.

Preferred Shares

Class "B" Preferred Shares

(a) *Dividend rights:* When our Board of Directors declares a dividend, the holders of our Class "B" Preferred Shares have the right to receive, in priority over the holders of our Class "A" Common Shares, Class "C" Preferred Shares, Class "D" Preferred Shares, Class "E" Preferred Shares, Class "F" Preferred Shares and Class "H" Preferred Shares, but subordinated to the holders of our Class "G" Preferred Shares, a preferential and non-cumulative dividend at the fixed rate of 1% per month, calculated on the basis of the applicable redemption value of our Class "B" Preferred Shares. A dividend may be declared and payable in cash, in kind or through the issuance of fully paid shares of any class of our corporation.

(b) *Voting rights:* Subject to applicable law and except as expressly otherwise provided, the holders of our Class "B" Preferred Shares do not have the right to receive notice of meetings of shareholders or to attend any such meeting or vote at any such meeting.

(c) *Rights to share in our profits:* Other than as described in paragraph (a) above (whereby the holders of our Class "B" Preferred Shares are entitled to receive certain dividends, if and when declared by our Board of Directors), paragraph (d) below (whereby the holders of our Class "B" Preferred Shares are entitled to participate in the distribution of the residual property and assets of Videotron available for distribution in the event of our liquidation or winding-up) and paragraph (e) below (whereby the holders of our Class "B" Preferred Shares have certain redemption rights): None.

(d) *Rights upon liquidation:* In the event of our liquidation, dissolution or other distribution of our assets among our shareholders for the purpose of winding-up our affairs, whether voluntarily or involuntarily, the holders of the Class "B" Preferred Shares shall be entitled to repayment of the amount paid for the Class "B" Preferred Shares in the subdivision of the issued and paid-up share capital account relating to the Class "B" Preferred Shares.

In addition, in the event of our liquidation, dissolution or other distribution of our assets among our shareholders for the purpose of winding-up our affairs, whether voluntarily or involuntarily, the rights of holders of Class "B" Preferred Shares as regards to payment of dividends and the right to participate in the distribution of residual assets, shall rank in priority to the rights of the holders of our Class "A" Common Shares, Class "C" Preferred Shares, Class "D" Preferred Shares, Class "E" Preferred Shares, Class "F" Preferred Shares and Class "H" Preferred Shares, but subordinated to the rights of holders of our Class "G" Preferred Shares.

(e) *Redemption provisions:* Subject to the provisions of the *Business Corporations Act* (Québec), the holders of our Class "B" Preferred Shares have, at any time, the right to require Videotron to redeem (referred to as a "retraction right") any or all of their Class "B" Preferred Shares at a redemption price equal to the amount paid for such shares in the subdivision of the issued and paid-up share capital account relating to such shares, plus a specified premium, if applicable, plus the amount of any declared and unpaid dividends.

In addition, Videotron may, at its option, redeem any or all of the Class "B" Preferred Shares outstanding at any time at an aggregate redemption price equal to the consideration received by Videotron for these Class "B" Preferred Shares. Videotron may also, when it deems it appropriate and without giving notice or taking into account the other classes of shares, buy, pursuant to a private agreement, all or some of the Class "B" Preferred Shares outstanding at a purchase price for any such Class "B" Preferred Shares not exceeding the retraction right purchase price described above or the book value of Videotron's net assets.

(f) *Sinking fund provisions:* None.

(g) *Liability to further capital calls by us:* None, provided that our directors may make calls upon the shareholders in respect of any moneys unpaid upon their shares.

(h) *Provisions discriminating against existing or prospective holders of our Class "B" Preferred Shares as a result of such holder owning a substantial number of our Class "B" Preferred Shares:* None.

Class "C" Preferred Shares

(a) *Dividend rights:* When our Board of Directors declares a dividend, the holders of our Class "C" Preferred Shares have the right to receive, in priority over the holders of our Class "A" Common Shares, Class "D" Preferred Shares, Class "E" Preferred Shares, Class "F" Preferred Shares and Class "H" Preferred Shares, but subordinated to the holders of our Class "B" Preferred Shares and Class "G" Preferred Shares, a preferential and non-cumulative dividend at the fixed rate of 1% per month, calculated on the basis of the applicable redemption value of our Class "C" Preferred Shares. A dividend may be declared and payable in cash, in kind or through the issuance of fully paid shares of any class of our corporation.

(b) *Voting rights:* Subject to applicable law and except as expressly otherwise provided, the holders of our Class "C" Preferred Shares do not have the right to receive notice of meetings of shareholders or to attend any such meeting or vote at any such meeting.

(c) *Rights to share in our profits:* Other than as described in paragraph (a) above (whereby the holders of our Class "C" Preferred Shares are entitled to receive certain dividends, if and when declared by our Board of Directors), paragraph (d) below (whereby the holders of our Class "C" Preferred Shares are entitled to participate in the distribution of the residual property and assets of Videotron available for distribution in the event of our liquidation or winding-up) and paragraph (e) below (whereby the holders of our Class "C" Preferred Shares have certain redemption rights): None.

(d) *Rights upon liquidation:* In the event of our liquidation, dissolution or other distribution of our assets among our shareholders for the purpose of winding-up our affairs, whether voluntarily or involuntarily, the holders of the Class "C" Preferred Shares shall be entitled to repayment of the amount paid for the Class "C" Preferred Shares in the subdivision of the issued and paid-up share capital account relating to the Class "C" Preferred Shares.

In addition, in the event of our liquidation, dissolution or other distribution of our assets among our shareholders for the purpose of winding-up our affairs, whether voluntarily or involuntarily, the rights of holders of Class "C" Preferred Shares as regards to payment of dividends and the right to participate in the distribution of residual assets, shall rank in priority to the rights of the holders of our Class "A" Common Shares, Class "D" Preferred Shares, Class "E" Preferred Shares, Class "F" Preferred Shares and Class "H" Preferred Shares, but subordinated to the rights of holders of our Class "B" Preferred Shares and Class "G" Preferred Shares.

(e) *Redemption provisions:* Subject to the provisions of the *Business Corporations Act* (Québec), the holders of our Class "C" Preferred Shares have, at any time, the right to require Videotron to redeem (referred to as a "retraction right") any or all of their Class "C" Preferred Shares at a redemption price equal to the amount paid for such shares in the subdivision of the issued and paid-up share capital account relating to such shares, plus a specified premium, if applicable, plus the amount of any declared and unpaid dividends.

In addition, Videotron may, at its option, redeem any or all of the Class "C" Preferred Shares outstanding at any time at an aggregate redemption price equal to the consideration received by Videotron for these Class "C" Preferred Shares. Videotron may also, when it deems it appropriate and without giving notice or taking into account the other classes of shares, buy, pursuant to a private agreement, all or some of the Class "C" Preferred Shares outstanding at a purchase price for any such Class "C" Preferred Shares not exceeding the retraction right purchase price described above or the book value of Videotron's net assets.

(f) *Sinking fund provisions:* None.

(g) *Liability to further capital calls by us:* None, provided that our directors may make calls upon the shareholders in respect of any moneys unpaid upon their shares.

(h) *Provisions discriminating against existing or prospective holders of our Class "C" Preferred Shares as a result of such holder owning a substantial number of our Class "C" Preferred Shares:* None.

Class "D" Preferred Shares

(a) *Dividend rights:* When our Board of Directors declares a dividend, the holders of our Class "D" Preferred Shares have the right to receive, in priority over the holders of our Class "A" Common Shares, Class "E" Preferred Shares, Class "F" Preferred Shares and Class "H" Preferred Shares, but subordinated to the holders of our Class "B" Preferred Shares, Class "C" Preferred Shares and Class "G" Preferred Shares, a preferential and non cumulative dividend at the fixed rate of 1% per month, calculated on the basis of the applicable redemption value of our Class "D" Preferred Shares. A dividend may be declared and payable in cash, in kind or through the issuance of fully paid shares of any class of our corporation.

(b) *Voting rights:* Subject to applicable law and except as expressly otherwise provided, the holders of our Class "D" Preferred Shares do not have the right to receive notice of meetings of shareholders or to attend any such meeting or vote at any such meeting.

(c) *Rights to share in our profits:* Other than as described in paragraph (a) above (whereby the holders of our Class "D" Preferred Shares are entitled to receive certain dividends, if and when declared by our Board of Directors), paragraph (d) below (whereby the holders of our Class "D" Preferred Shares are entitled to participate in the distribution of the residual property and assets of Videotron available for distribution in the event of our liquidation or winding-up) and paragraph (e) below (whereby the holders of our Class "D" Preferred Shares have certain redemption rights): None.

(d) *Rights upon liquidation:* In the event of our liquidation, dissolution or other distribution of our assets among our shareholders for the purpose of winding-up our affairs, whether voluntarily or involuntarily, the holders of the Class "D" Preferred Shares shall be entitled to repayment of the amount paid for the Class "D" Preferred Shares in the subdivision of the issued and paid-up share capital account relating to the Class "D" Preferred Shares.

In addition, in the event of our liquidation, dissolution or other distribution of our assets among our shareholders for the purpose of winding-up our affairs, whether voluntarily or involuntarily, the rights of holders of Class "D" Preferred Shares as regards to payment of dividends and the right to participate in the distribution of residual assets, shall rank in priority to the rights of the holders of our Class "A" Common Shares, Class "E" Preferred Shares, Class "F" Preferred Shares and Class "H" Preferred Shares, but subordinated to the rights of holders of our Class "B" Preferred Shares, Class "C" Preferred Shares and Class "G" Preferred Shares.

(e) *Redemption provisions:* Subject to the provisions of the *Business Corporations Act* (Québec), the holders of our Class "D" Preferred Shares have, at any time, the right to require Videotron to redeem (referred to as a "retraction right") any or all of their Class "D" Preferred Shares at a redemption price equal to the amount paid for such shares in the subdivision of the issued and paid-up share capital account relating to such shares, plus a specified premium, if applicable, plus the amount of any declared and unpaid dividends.

In addition, Videotron may, at its option, redeem any or all of the Class "D" Preferred Shares outstanding at any time at an aggregate redemption price equal to the consideration received by Videotron for these Class "D" Preferred Shares. Videotron may also, when it deems it appropriate and without giving notice or taking into account the other classes of shares, buy, pursuant to a private agreement, all or some of the Class "D" Preferred Shares outstanding at a purchase price for any such Class "D" Preferred Shares not exceeding the retraction right purchase price described above or the book value of Videotron's net assets.

(f) *Sinking fund provisions:* None.

(g) *Liability to further capital calls by us:* None, provided that our directors may make calls upon the shareholders in respect of any moneys unpaid upon their shares.

(h) *Provisions discriminating against existing or prospective holders of our Class "D" Preferred Shares as a result of such holder owning a substantial number of our Class "D" Preferred Shares:* None.

Class "E" Preferred Shares

(a) *Dividend rights:* When our Board of Directors declares a dividend, the holders of our Class "E" Preferred Shares have the right to receive, in priority over the holders of our Class "A" Common Shares, Class "F" Preferred Shares and Class "H" Preferred Shares, but subordinated to the holders of our Class "B" Preferred Shares, Class "C" Preferred Share, Class "D" Preferred Share and Class "G" Preferred Shares, a preferential and non cumulative dividend at the fixed rate of 1% per month, calculated on the basis of the applicable redemption value of our Class "E" Preferred Shares. A dividend may be declared and payable in cash, in kind or through the issuance of fully paid shares of any class of our corporation.

(b) *Voting rights:* Subject to applicable law and except as expressly otherwise provided, the holders of our Class "E" Preferred Shares do not have the right to receive notice of meetings of shareholders or to attend any such meeting or vote at any such meeting.

(c) *Rights to share in our profits:* Other than as described in paragraph (a) above (whereby the holders of our Class "E" Preferred Shares are entitled to receive certain dividends, if and when declared by our Board of Directors), paragraph (d) below (whereby the holders of our Class "E" Preferred Shares are entitled to participate in the distribution of the residual property and assets of Videotron available for distribution in the event of our liquidation or winding-up) and paragraph (e) below (whereby the holders of our Class "E" Preferred Shares have certain redemption rights): None.

(d) *Rights upon liquidation:* In the event of our liquidation, dissolution or other distribution of our assets among our shareholders for the purpose of winding-up our affairs, whether voluntarily or involuntarily, the holders of the Class "E" Preferred Shares shall be entitled to repayment of the amount paid for the Class "E" Preferred Shares in the subdivision of the issued and paid-up share capital account relating to the Class "E" Preferred Shares.

In addition, in the event of our liquidation, dissolution or other distribution of our assets among our shareholders for the purpose of winding-up our affairs, whether voluntarily or involuntarily, the rights of holders of Class "E" Preferred Shares as regards to payment of dividends and the right to participate in the distribution of residual assets, shall rank in priority to the rights of the holders of our Class "A" Common Share, Class "F" Preferred Shares and Class "H" Preferred Shares, but subordinated to the rights of holders of our Class "B" Preferred Shares, Class "C" Preferred Shares, Class "D" Preferred Shares and Class "G" Preferred Shares.

(e) *Redemption provisions:* Subject to the provisions of the *Business Corporations Act* (Québec), the holders of our Class "E" Preferred Shares have, at any time, the right to require Videotron to redeem (referred to as a "retraction right") any or all of their Class "E" Preferred Shares at a redemption price equal to the amount paid for such shares in the subdivision of the issued and paid-up share capital account relating to such shares, plus a specified premium, if applicable, plus the amount of any declared and unpaid dividends.

In addition, Videotron may, at its option, redeem any or all of the Class "E" Preferred Shares outstanding at any time at an aggregate redemption price equal to the consideration received by Videotron for these Class "E" Preferred Shares. Videotron may also, when it deems it appropriate and without giving notice or taking into account the other classes of shares, buy, pursuant to a private agreement, all or some of the Class "E" Preferred Shares outstanding at a purchase price for any such Class "E" Preferred Shares not exceeding the retraction right purchase price described above or the book value of Videotron's net assets.

(f) *Sinking fund provisions:* None.

(g) *Liability to further capital calls by us:* None, provided that our directors may make calls upon the shareholders in respect of any moneys unpaid upon their shares.

(h) *Provisions discriminating against existing or prospective holders of our Class "E" Preferred Shares as a result of such holder owning a substantial number of our Class "E" Preferred Shares:* None.

Class "F" Preferred Shares

(a) *Dividend rights:* When our Board of Directors declares a dividend, the holders of our Class "F" Preferred Shares have the right to receive, in priority over the holders of our Class "A" Common Shares and Class "H" Preferred Shares, but subordinated to the holders of our Class "B" Preferred Shares, Class "C" Preferred Shares, Class "D" Preferred Shares, Class "E" Preferred Shares and Class "G" Preferred Shares, a preferential and non-cumulative dividend at the fixed rate of 1% per month, calculated on the basis of the applicable redemption value of our Class "F" Preferred Shares. A dividend may be declared and payable in cash, in kind or through the issuance of fully paid shares of any class of our corporation.

(b) *Voting rights:* Subject to applicable law and except as expressly otherwise provided, the holders of our Class "F" Preferred Shares do not have the right to receive notice of meetings of shareholders or to attend any such meeting or vote at any such meeting.

(c) *Rights to share in our profits:* Other than as described in paragraph (a) above (whereby the holders of our Class "F" Preferred Shares are entitled to receive certain dividends, if and when declared by our Board of Directors), paragraph (d) below (whereby the holders of our Class "F" Preferred Shares are entitled to participate in the distribution of the residual property and assets of Videotron available for distribution in the event of our liquidation or winding-up) and paragraph (e) below (whereby the holders of our Class "F" Preferred Shares have certain redemption rights): None.

(d) *Rights upon liquidation:* In the event of our liquidation, dissolution or other distribution of our assets among our shareholders for the purpose of winding-up our affairs, whether voluntarily or involuntarily, the holders of the Class "F" Preferred Shares shall be entitled to repayment of the amount paid for the Class "F" Preferred Shares in the subdivision of the issued and paid-up share capital account relating to the Class "F" Preferred Shares.

In addition, in the event of our liquidation, dissolution or other distribution of our assets among our shareholders for the purpose of winding-up our affairs, whether voluntarily or involuntarily, the rights of holders of Class "F" Preferred Shares as regards to payment of dividends and the right to participate in the distribution of residual assets, shall rank in priority to the rights of the holders of our Class "A" Common Shares and Class "H" Preferred Shares, but subordinated to the rights of holders of our Class "B" Preferred Shares, Class "C" Preferred Shares, Class "D" Preferred Shares, Class "E" Preferred Shares and Class "G" Preferred Shares.

(e) *Redemption provisions:* Subject to the provisions of the *Business Corporations Act* (Québec), the holders of our Class "F" Preferred Shares have, at any time, the right to require Videotron to redeem (referred to as a "retraction right") any or all of their Class "F" Preferred Shares at a redemption price equal to the amount paid for such shares in the subdivision of the issued and paid-up share capital account relating to such shares, plus a specified premium, if applicable, plus the amount of any declared and unpaid dividends.

In addition, Videotron may, at its option, redeem any or all of the Class "F" Preferred Shares outstanding at any time at an aggregate redemption price equal to the consideration received by Videotron for these Class "F" Preferred Shares. Videotron may also, when it deems it appropriate and without giving notice or taking into account the other classes of shares, buy, pursuant to a private agreement, all or some of the Class "F" Preferred Shares outstanding at a purchase price for any such Class "F" Preferred Shares not exceeding the retraction right purchase price described above or the book value of Videotron's net assets.

(f) *Sinking fund provisions:* None.

(g) *Liability to further capital calls by us:* None, provided that our directors may make calls upon the shareholders in respect of any moneys unpaid upon their shares.

(h) *Provisions discriminating against existing or prospective holders of our Class "F" Preferred Shares as a result of such holder owning a substantial number of our Class "F" Preferred Shares:* None.

Class "G" Preferred Shares

(a) *Dividend rights:* When our Board of Directors declares a dividend, the holders of our Class "G" Preferred Shares have the right to receive, in priority over the holders of our common shares and preferred shares of other series, a preferential and cumulative dividend, payable semi-annually, at the fixed rate of 11.25% per year, calculated daily on the basis of the applicable redemption value of our Class "G" Preferred Shares. No dividends may be paid on any common shares or preferred shares of other series unless all dividends which shall have become payable on the Class "G" Preferred Shares have been paid or set aside for payment.

(b) *Voting rights:* Subject to applicable law and except as expressly otherwise provided, the holders of our Class "G" Preferred Shares do not have the right to receive notice of meetings of shareholders or to attend any such meeting or vote at any such meeting.

However, in the event that we shall have failed to pay eight (8) half-yearly dividends, whether or not consecutive, on the Class "G" Preferred Shares, and only for so long as the dividend remains in arrears, the holders of Class "G" Preferred Shares shall have the right to receive notice of meetings of shareholders and to attend and vote at any such meetings, except meetings at which only holders of another specified series or class of shares are entitled to vote. At each such meeting, each Class "G" Preferred Share shall entitle the holder thereof to one vote.

(c) *Rights to share in our profits:* Except as described in paragraph (a) above (whereby the holders of our Class "G" Preferred Shares are entitled to receive a 11.25% cumulative preferred dividend in preference to the holders of our common shares and other series of our preferred shares), paragraph (d) below (whereby the holders of our Class "G" Preferred Shares are entitled to receive, in preference to the holders of our common shares and other series of our preferred shares, an amount equal to $1,000 per Class "G" Preferred Share and any accumulated and unpaid dividends with respect thereto in the event of our liquidation, winding-up or reorganization) and paragraph (e) below (whereby the holders of our Class "G" Preferred Shares may require us to redeem the Class "G" Preferred Shares at a redemption price of $1,000 per share plus any accrued and unpaid dividends with respect thereto): 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 Class "G" Preferred Shares shall be entitled to receive in preference to the holders of our common shares and our preferred shares of other series an amount equal to $1,000 per Class "G" Preferred Share and any accrued and unpaid dividends with respect thereto.

Our Class "G" Preferred Shares have priority over our common shares and our preferred shares of other series as to the order of priority of the distribution of assets in case of the liquidation or dissolution of our corporation, voluntary or involuntary, or of any other distribution of our assets to our shareholders for the purpose of winding up our affairs.

(e) *Redemption provisions:* Subject to the provisions of the *Business Corporations Act* (Québec), the holders our Class "G" Preferred Shares have, at any time, the right to require Videotron to redeem any and all of their shares at a redemption price equal to $1,000 per share plus any accrued and unpaid dividends with respect thereto. In addition, we may, at our option, redeem any and all Class "G" Preferred Shares at any time at a redemption price equal to $1,000 per share plus any accrued and unpaid dividends with respect thereto.

(f) *Sinking fund provisions:* None.

(g) *Liability to further capital calls by us:* None, provided that our directors may make calls upon the shareholders in respect of any moneys unpaid upon their shares.

(h) *Provisions discriminating against existing or prospective holders of our Class "G" Preferred Shares as a result of such holder owning a substantial number of our Class "G" Preferred Shares:* None.

Class "H" Preferred Shares

(a) *Dividend rights:* The holders of Class "H" Preferred Shares shall be entitled to receive, every year, in such manner and at such time as our Board of Directors may declare, a non cumulative dividend at the fixed rate of 1% per month, calculated on the redemption price of the Class "H" Preferred Shares, payable in cash, property or through the issuance of fully paid shares of any class of the Corporation.

(b) *Voting rights:* Subject to applicable law and except as expressly otherwise provided, the holders of our Class "H" Preferred Shares do not have the right to receive notice of meetings of shareholders or to attend any such meeting or vote at any such meeting.

(c) *Rights to share in our profits:* Except as described in paragraph (a) above (whereby the holders of our Class "H" Preferred Shares are entitled to receive, every year, in such manner and at such time as our Board of Directors may declare, a non cumulative dividend at the fixed rate of 1% per month), paragraph (d) below (whereby the holders of our Class "H" Preferred Shares are entitled to entitled to repayment of the amount paid for the Class "H" Preferred Shares in the event of our liquidation, winding-up or reorganization) and paragraph (e) below (whereby the holders of our Class "H" Preferred Shares may require us to redeem the Class "H" Preferred Shares at a specified redemption price): 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 Class "H" Preferred Shares shall be entitled to repayment of the amount paid for the Class "H" Preferred Shares into the subdivision of the issued and paid-up share capital account relating to the Class "H" Preferred Shares.

(e) *Redemption provisions:* Subject to the provisions of the *Business Corporations Act* (Québec), we may elect to redeem the Class "H" Preferred Shares at any time at a price equal to the specified redemption price plus an amount equal to any dividends declared thereon but unpaid up to the date of redemption. The specified redemption price is, subject to certain conditions, equal to the aggregate consideration received for such share.

(f) *Sinking fund provisions:* None.

(g) *Liability to further capital calls by us:* None, provided that our directors may make calls upon the shareholders in respect of any moneys unpaid upon their shares.

(h) *Provisions discriminating against existing or prospective holders of our Class "H" Preferred Shares as a result of such holder owning a substantial number of our Class "H" Preferred Shares:* None.

3. **Actions necessary to change the rights of shareholders.** Under the *Business Corporations Act* (Québec), (i) the Articles may only 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 called for that purpose and (ii) our by-laws may be amended by our Board 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-law amendments relating to procedural matters with respect to shareholders meetings take effect only once they have received shareholders approval. In addition, pursuant to the *Business Corporations Act* (Québec), we may not make any amendments to the Articles that affect the rights, conditions, privileges or restrictions attaching to issued shares of any series outstanding, other than an increase in the share capital or the number of our authorized shares, without obtaining the consent of all the shareholders concerned by the amendment, whether or not they are eligible to vote. In order to change the rights of our shareholders, we would need to amend our Articles to effect

the change. Such an amendment would require the approval of holders of two-thirds ($2/3$) of the shares at a duly called special meeting. For amendments affecting the rights of a particular class or series of shares, the holders of such class or series of shares are entitled to a separate vote, whether or not shares of this class or series otherwise carry the right to vote. Such a proposed amendment will be effected only if it receives the approval of two-thirds ($2/3$) of holders of each such affected class or series of shares. In respect of certain amendments, a shareholder is entitled to dissent and, if the resolution is adopted and we implement the changes, demand that we repurchase all of its shares of such class or series for which a separate vote was carried out at their fair value.

4. ***Shareholder Meetings.*** Our by-laws and the *Business Corporations Act* (Québec) provide that the annual meeting of our shareholders shall be held within fifteen (15) months after the last preceding annual meeting. All shareholders meetings shall be held within the province of Québec at the place and time determined by our Board of Directors and may be called by order of our Board of Directors.

   Our by-laws provide that notice specifying the place, date, time and purpose of any meeting of our shareholders shall be sent to all the shareholders entitled to vote and to each director at least 21 days but not more than 60 days before the meeting by any means providing proof of the date of sending at the addresses indicated in Videotron's records.

   Our chairman of the board or, in his absence, our vice-chair of the board, if any, or in his absence, our president and chief executive officer or any other person that may be named by the board shall preside at all meetings of our shareholders. If the person who is to chair the meeting is not present at the meeting within 15 minutes after the time appointed for the meeting, the shareholders present choose one of their own to chair the meeting.

   Our by-laws provide that a quorum of shareholders is present at a shareholders meeting if, at the opening of the meeting, one or several holders of 50% or more of the shares that carry the right to vote at the meeting are present in person or represented by proxy.

5. ***Limitations on right to own securities.*** There is no limitation imposed by Canadian law or by the Articles or our other constituent documents on the right of non-residents or foreign owners to hold or vote shares, other than as provided in the *Investment Canada Act* (Canada) and the Radiocommunication Act. The *Investment Canada Act* (Canada) requires "non-Canadian" (as defined in the *Investment Canada Act* (Canada)) individuals, governments, corporations and other entities who wish to acquire control of a "Canadian business" (as defined in the *Investment Canada Act* (Canada)) 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 Canada Act* (Canada), unless a specific exemption applies. The *Investment Canada Act* (Canada) 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 Canada Act* (Canada) 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 Canada Act* (Canada). 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* (the "**CTCCOCR**"). Under the CTCCOCR, the 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 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 our directors shall refuse to issue (including on the occasion or because of a conversion of shares or in shares), and to allow a transfer of, any share of our capital stock if this issuance or transfer would, in the opinion of our directors, affect our eligibility or of any other corporation or partnership in which we have or may have an interest, to obtain, preserve or renew a license or authorization required for the operation or continuation of its broadcasting company (as defined in the Broadcasting Act, as amended) (or any part thereof) or of any other activity necessary for the continuation of our corporation. See "Item 4. Information on the Corporation — Regulation — Ownership and Control of Canadian Broadcast Undertakings".

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 US$175,000,000 of our 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, we issued US$175,000,000 aggregate principal amount of our 6 3/8% Senior Notes due December 15, 2015, pursuant to an Indenture, dated as of September 16, 2005, by and among Videotron, the guarantors party thereto, and Wells Fargo Bank, National Association, as trustee. These senior notes were unsecured and bore a maturity date of December 15, 2015. Interest on these senior notes is payable in cash semi-annually in arrears on June 15 and December 15 of each year. These senior notes are guaranteed on a senior unsecured basis by most, but not all, of our subsidiaries. These senior notes are redeemable, at our option, under certain circumstances and at the redemption prices set forth in the indenture. The indenture contains customary restrictive covenants with respect to us and certain of our 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 senior notes may declare all the senior notes to be due and payable immediately. On April 10, 2015, we redeemed and retired the entire remaining principal amount outstanding of our 6 3/8% Senior Notes due December 15, 2015.

(b) **Indenture relating to US$715,000,000 of our 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, we issued US$455,000,000 aggregate principal amount of our 9 1/8% Senior Notes due April 15, 2018, and on March 5, 2009, we issued and sold an additional US$260,000,000 aggregate principal amount of our 9 1/8% Senior Notes due April 15, 2018, in each case pursuant to an Indenture, dated as of April 15, 2008, by and among Videotron, the guarantors party thereto, and Wells Fargo Bank, National Association, as trustee. These senior notes, which form a single series and class, were unsecured and bore a maturity date of April 15, 2018. Interest on these senior notes is payable in cash semi-annually in arrears on June 15 and December 15 of each year. These senior notes are guaranteed on a senior unsecured basis by most, but not all, of our subsidiaries. These senior notes are redeemable, at our option, under certain circumstances and at the redemption prices set forth in an indenture dated as of April 15, 2008. This indenture contains customary restrictive covenants with respect to us and certain of our 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 senior notes may declare all of such senior notes to be due and payable immediately. On July 2, 2013, we redeemed and retired US$380,000,000 aggregate principal amount of our outstanding 9 1/8% Senior Notes due 2018. On April 24, 2014, we redeemed and retired US$260,000,000 aggregate principal amount of our outstanding 9 1/8% Senior Notes due 2018. On July 16, 2015, we redeemed and retired the entire remaining principal amount outstanding of our 9 1/8% Senior Notes due April 15, 2018.

(c) **Indenture relating to $300,000,000 of our 7 1/8% Senior Notes due January 15, 2020, dated as of January 13, 2010, as supplemented, by and among Videotron, the guarantors party thereto, and Computershare Trust Company of Canada, as trustee.**

On January 13, 2010, we issued $300,000,000 aggregate principal amount of our 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 senior notes were unsecured and bore a maturity date of January 15, 2020. Interest on these senior notes is payable in cash semi-annually in arrears on June 15 and December 15 of each year. These senior notes are guaranteed on a senior unsecured basis by most, but not all, of our subsidiaries. These senior notes are redeemable, at our option, under certain circumstances and at the redemption prices set forth in the indenture. The indenture contains customary restrictive covenants with respect to us and certain of our 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 senior notes may declare all the senior notes to be due and payable immediately. The senior 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. On July 16, 2015, we redeemed and retired the entire remaining principal amount outstanding of our 7 1/8% Senior Notes due January 15, 2020.

(d) **Indenture relating to $300,000,000 of our 6 7/8% Senior Notes due July 15, 2021, dated as of July 5, 2011, as supplemented, by and among Videotron, the guarantors party thereto, and Computershare Trust Company of Canada, as trustee.**

On July 5, 2011, we issued $300,000,000 aggregate principal amount of our 6 7/8% Senior Notes due July 15, 2021, pursuant to an Indenture, dated as of July 5, 2011, by and among Videotron, the guarantors party thereto, and Computershare Trust Company of Canada, as trustee. These senior notes are unsecured and mature on July 15, 2021. Interest on these senior notes is payable in cash semi-annually in arrears on June 15 and December 15 of each year. These senior notes are guaranteed on a senior unsecured basis by most, but not all, of our subsidiaries. These senior notes are redeemable, at our option, under certain circumstances and at the redemption prices set forth in the indenture. The indenture contains customary restrictive covenants with respect to us and certain of our 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 senior notes may declare all the senior notes to be due and payable immediately. The senior 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. On January 5, 2017, we redeemed and retired $175,000,000 aggregate principal amount outstanding of our 6 7/8% Senior Notes due July 15, 2021.

(e) **Indenture relating to US$800,000,000 of our 5% Senior Notes due July 15, 2022, dated as of March 14, 2012, by and among Videotron, the guarantors party thereto, and Wells Fargo Bank, National Association, as trustee**.

On March 14, 2012, we issued US$800,000,000 aggregate principal amount of our 5% Senior Notes due July 15, 2022, pursuant to an Indenture, dated as of March 14, 2012, by and among Videotron, the guarantors party thereto, and Wells Fargo Bank, National Association, as trustee. These senior notes are unsecured and mature on July 15, 2022. Interest on these senior notes is payable in cash semi-annually in arrears on January 15 and July 15 of each year. These senior notes are guaranteed on a senior unsecured basis by most, but not all, of our subsidiaries. These senior notes are redeemable, at our option, under certain circumstances and at the make-whole redemption price set forth in the indenture. This indenture contains customary restrictive covenants with respect to us and certain of our 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 senior notes may declare all the senior notes to be due and payable immediately.

(f) **Indenture relating to $400,000,000 of our 5 5/8% Senior Notes due June 15, 2025, dated as of June 17, 2013, by and among Videotron, the guarantors party thereto, and Computershare Trust Company of Canada, as trustee.**

On June 17, 2013, we issued $400,000,000 aggregate principal amount of our 5 5/8% Senior Notes due June 15, 2025, pursuant to an Indenture, dated as of June 17, 2013, by and among Videotron, the guarantors party thereto, and Computershare Trust Company of Canada, as trustee. These senior notes are unsecured and mature on June 15, 2025. Interest on these senior notes is payable in cash semi-annually in arrears on April 15 and October 15 of each year. These senior notes are guaranteed on a senior unsecured basis by most, but not all, of our subsidiaries. These senior notes are redeemable, at our option, under certain circumstances and at the make-whole redemption price set forth in the indenture. The indenture contains customary restrictive covenants with respect to us and certain of our 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 senior notes may declare all the senior notes to be due and payable immediately. The senior notes issued pursuant to this indenture have not been and will not be registered under the Securities Act or under the laws of any other jurisdiction.

(g) **Indenture relating to US$600,000,000 of our 5 3/8% Senior Notes due June 15, 2024, dated as of April 9, 2014, by and among Videotron, the guarantors party thereto, and Wells Fargo Bank, National Association, as trustee.**

On April 9, 2014, we issued US$600,000,000 aggregate principal amount of its 5 3/8% Senior Notes due June 15, 2024, pursuant to an Indenture, dated as of April 9, 2014, by and among Videotron, the guarantors party thereto, and Wells Fargo Bank, National Association, as trustee. These senior notes are unsecured and mature on June 15, 2024. Interest on these senior notes is payable in cash semi-annually in arrears on June 15 and December 15 of each year. These senior notes are guaranteed on a senior unsecured basis by most, but not all, of our subsidiaries. These senior notes are redeemable, at our option, under certain circumstances and at the make-whole redemption price set forth in the indenture. The indenture contains customary restrictive covenants with respect to us and certain of our 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 senior notes may declare all the senior notes to be due and payable immediately. The senior notes issued pursuant to this indenture have not been and will not be registered under the Securities Act or under the laws of any other jurisdiction.

(h) **Indenture relating to $375,000,000 of our 5 3/4% Senior Notes due January 15, 2026, dated as of September 15, 2015, by and among Videotron, the guarantors party thereto, and Computershare Trust Company of Canada, as trustee.**

On September 15, 2015, we issued $375,000,000 aggregate principal amount of its 5 3/4% Senior Notes due January 15, 2026, pursuant to an Indenture, dated as of September 15, 2015, by and among Videotron, the guarantors party thereto, and Computershare Trust Company of Canada, as trustee. These senior notes are unsecured and mature on January 15, 2026. Interest on these senior notes is payable in cash semi-annually in arrears on March 15 and September 15 of each year. These senior notes are guaranteed on a senior unsecured basis by most, but not all, of Videotron's subsidiaries. These senior 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 senior notes may declare all the senior notes to be due and payable immediately. The senior notes issued pursuant to this indenture have not been and will not be registered under the Securities Act or under the laws of any other jurisdiction.

(i) **Credit Agreement originally dated as of November 28, 2000, 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.**

Our senior credit facilities, as amended and restated as of June 16, 2015 (and as amended thereafter), currently provide for a $630,000,000 secured revolving credit facility and a $335,000,000 unsecured revolving credit facility that both mature on July 20, 2021, as well as a secured export financing facility (in a principal amount of $32,142,857 as of the amendment and restatement date of June 16, 2015) providing for a term loan that matures on June 15, 2018. The proceeds of the revolving credit facilities can be used for general corporate purposes including, without limitation, to issue letters of credit and to pay dividends to Quebecor Media subject to certain conditions. The proceeds of the term loan were used for payments and reimbursement of payments of export equipment and local services in relation to our contracts for mobile infrastructure equipment with an affiliate of Nokia Corporation and also for the financing of the Finnvera guarantee fee (Finnvera plc being a specialized financing company owned by the State of Finland which is providing an export buyer credit guarantee in favor of the lenders under the export financing facility covering political and commercial risks).

Advances under our secured revolving credit facility bear interest at the Canadian prime rate, the U.S. prime rate, the U.S. London Interbank Offered Rate ("**LIBOR**") or the bankers' acceptance rate plus, in each instance, an applicable margin determined by the Leverage Ratio (as defined in our credit agreement) of the Relevant Group (as defined in our credit agreement). The applicable margin for Canadian prime rate advances and U.S. prime rate advances ranges from 0.35% when this ratio is less than or equal to 1.75x, to 1.625% when this ratio is greater than 4.5x. The applicable margin for LIBOR advances, bankers' acceptance advances or letters of credit fees ranges from 1.35% when this ratio is less than or equal to 1.75x, to 2.625% when this ratio is greater than 4.5x.

Advances under our unsecured revolving credit facility bear interest at the Canadian prime rate, the U.S. prime rate, the LIBOR or the bankers' acceptance rate plus, in each instance, an applicable margin determined by the Leverage Ratio (as referred to above). The applicable margin for Canadian prime rate advances ranges from 0.675% when this ratio is less than or equal to 1.75x, to 2.00% when this ratio is greater than 4.5x. The applicable margin for LIBOR advances, bankers' acceptance advances or letters of credit fees ranges from 1.675% when this ratio is less than or equal to 1.75x, to 3.00% when this ratio is greater than 4.5x.

We have also agreed to pay specified commitment fees in respect of our revolving credit facilities. Advances under our export financing facility bear interest at the bankers' acceptance rate plus a margin at a rate of 0.875%.

Our revolving credit facilities are both repayable in full on July 20, 2021. Drawdowns under the export financing facility are repayable by way of seventeen equal and consecutive semi-annual payments that commenced on June 15, 2010.

Borrowings under our senior credit facilities (excluding the unsecured revolving credit facility) and under eligible derivative instruments are secured by a first-ranking hypothec or security interest (subject to certain permitted encumbrances) on all current and future assets of Videotron and of the guarantors under the senior credit facilities (which include most, but not all of Videotron's subsidiaries), guarantees by such guarantors, pledges of shares by us and such guarantors and other security.

In respect of the unsecured revolving credit facility, our credit agreement contemplates that within approximately fifteen (15) days following the date on which our 6 7/8% Senior Notes due 2021 have all been repaid in full, then the entire amount of the unsecured revolving credit facility shall be added to the amount of the secured revolving credit facility (with the relevant commitments being transferred and converted), such that all unsecured obligations under the unsecured revolving credit facility shall become secured obligations under the secured revolving credit facility.

Our senior credit facilities contain customary covenants that restrict and limit our ability and the members of the VL Group (as defined in the credit agreement to mean us and all of our wholly-owned subsidiaries) to, among other things, enter into merger or amalgamation transactions or liquidate or dissolve, grant encumbrances, sell assets, pay dividends or make other distributions, issue shares of capital stock, incur indebtedness and enter into related party transactions. In addition, our senior 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 or any member of the VL Group (other than an Immaterial Subsidiary, as defined in the credit agreement), and the occurrence of a change of control.

D- Exchange Controls

There are currently no laws, decrees, regulations or other legislation in Canada that restrict the export or import of capital, or affect the remittance of dividends, interest or other payments to non-resident holders of the Corporation's securities, other than withholding tax requirements. Canada has no system of exchange controls. See "— Taxation — Canadian Material Federal Income Tax Considerations for Residents of the United States" below.

There is no limitation imposed by Canadian law or by the Articles of Incorporation or other charter documents of the Corporation on the right of a non-resident to hold voting shares of the Corporation, other than as provided by the *Investment Canada Act* (Canada), as amended, as amended by the *North American Free Trade Agreement Implementation Act* (Canada), and the *World Trade Organization (WTO) Agreement Implementation Act*. The *Investment Canada Act* (Canada) 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 Canada Act* (Canada). Generally, the threshold for review will be higher in monetary terms for a member of the WTO or NAFTA.

In addition, there are regulations related to the ownership and control of Canadian broadcast undertakings. See "Item 4 — Information on the Corporation — Regulation".

E- Taxation

Certain U.S. Federal Income Tax Considerations

The following discussion is a summary of certain U.S. federal income tax consequences applicable to the purchase, ownership and disposition of (i) our 6 7/8% Senior Notes due 2021 (our "**6 7/8% Senior Notes**"), (ii) our 5% Senior Notes due 2022 (our "**5% Senior Notes**"), (iii) our 5 3/8% Senior Notes due 2024 (our "**5 3/8% Senior Notes**"), (iv) our 5 5/8% Senior Notes due 2025 (our "**5 5/8% Senior Notes**"), and (v) our 5 3/4% Senior Notes (our "**5 3/4% Senior 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. Our 6 7/8% Senior Notes, 5 5/8% Senior Notes and our 5 3/4% Senior Notes are denominated in Canadian dollars (the "**Canadian dollar Notes**"). This summary is based on the Internal Revenue Code of 1986, as amended (the "**Code**"), U.S. Treasury Regulations promulgated thereunder, Internal Revenue Service ("**IRS**") rulings and judicial decisions now in effect. All of these are subject to change, possibly with retroactive effect, or different interpretations.

This summary does not address all aspects of U.S. federal income taxation that may be relevant to particular U.S. Holders in light of their specific circumstances (for example, U.S. Holders subject to the alternative minimum tax provisions of the Code or U.S. Holders subject to the 3.8% Medicare tax on net investment income) or to U.S. Holders that may be subject to special rules under U.S. federal income tax law, including:

- dealers in stocks, securities or currencies;
- persons using a mark-to-market accounting method;
- banks and financial institutions;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- tax-exempt organizations;
- persons holding notes as part of a hedging or conversion transaction or a straddle;
- persons deemed to sell notes under the constructive sale provisions of the Code;

- persons who or that are, or may become, subject to the expatriation provisions of the Code;
- persons whose functional currency is not the U.S. dollar; and
- direct, indirect or constructive owners of 10% or more of our outstanding voting shares.

The summary also does not discuss any aspect of state, local or non-U.S., or U.S. federal estate and gift tax law as applicable to U.S. Holders. Moreover, this discussion is limited to U.S. Holders who acquire and hold the notes as "capital assets" within the meaning of Section 1221 of the Code (generally, property held for investment). In addition, this summary assumes that the notes are properly characterized as debt that is not contingent debt for U.S. federal income tax purposes.

For purposes of this summary, "U.S. Holder" means the beneficial holder of a note who or that for U.S. federal income tax purposes is:

- an individual who is a citizen or resident of the United States;
- a corporation or other entity treated as a corporation, formed or organized 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, (i) 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 (ii) if a valid election is in effect to treat the trust as a U.S. person.

No ruling has been or will be sought 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.

U.S. HOLDERS 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, NON-U.S. OR OTHER TAX LAWS, INCLUDING GIFT AND ESTATE TAX LAWS.

Interest on the Notes

Payments of stated interest on the 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 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 that such payment will be 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 stated interest 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.

Interest on the Canadian dollar Notes will be included in a U.S. Holder’s gross income in an amount equal to the U.S. dollar value of the Canadian dollar amount, regardless of whether the Canadian dollars are converted into U.S. dollars. Generally, a U.S. Holder that uses the cash method of tax accounting will determine such U.S. dollar value using the spot rate of exchange on the date of receipt. A cash method U.S. Holder generally will not realize foreign currency gain or loss on the receipt of the interest payment but may have foreign currency gain or loss attributable to the actual disposition of the Canadian dollars received.

Generally, a U.S. Holder of Canadian dollar Notes that uses the accrual method of tax accounting will determine the U.S. dollar value of accrued interest income using the average rate of exchange for the accrual period (or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the U.S. Holder’s taxable year). Alternatively, an accrual basis U.S. Holder may make an election (which must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS) to translate accrued interest income at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year in the case of a partial accrual period) or the spot rate on the date of receipt, if that date is within five business days of the last day of the accrual period. A U.S. Holder that uses the accrual method of accounting for tax purposes will recognize foreign currency gain or loss on the receipt of an interest payment if the exchange rate in effect on the date payment is received differs from the rate applicable to an accrual of that interest. The amount of foreign currency gain or loss to be recognized by such U.S. Holder will be an amount equal to the difference between the U.S. dollar value of the Canadian dollar interest payment (determined on the basis of the spot rate on the date the interest income is received) in respect of the accrual period and the U.S. dollar value of the interest income that has accrued during the accrual period (as determined above). This foreign currency gain or loss will be ordinary income or loss and generally will not be treated as an adjustment to interest income or expense.

Foreign currency gain or loss generally will be U.S. source provided that the residence of a taxpayer is considered to be the United States for purposes of the rules regarding foreign currency gain or loss.

Market Discount and Bond Premium

Market Discount

If a U.S. Holder purchases notes for an amount less than their stated redemption price at maturity, the difference is treated as market discount. Subject to a *de minimis* exception, gain realized on the maturity, sale, exchange or retirement of a market discount note will be treated as ordinary income to the extent of any accrued market discount not previously recognized (including in the case of a note exchanged for a registered note pursuant to a registration offer, any market discount accrued on the related outstanding note). A U.S. Holder may elect to include market discount in income currently as it accrues, on either a ratable or constant yield method. In that case, a U.S. Holder’s tax basis in its 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 such holder’s 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 outstanding note to its maturity date.

In the case of Canadian dollar Notes, market discount is accrued in Canadian dollars, and the amount includible in income by a U.S. Holder upon a sale of such note in respect of accrued market discount will be the U.S. dollar value of the amount accrued. Such U.S. dollar value is generally calculated at the spot rate of exchange on the date such note is sold. Any market discount on a Canadian dollar Note that is currently includible in income under the election noted above will be translated into U.S. dollars at the average exchange rate for the accrual period or portion of such accrual period within the U.S. Holder's taxable year. In such case, a U.S. Holder generally will recognize foreign currency gain or loss with respect to accrued market discount under the rules similar to those that apply to accrued interest on a note received by an accrual basis U.S. Holder, as described above.

Bond Premium

If a U.S. Holder purchases notes for an amount greater than the sum of all amounts (other than qualified stated interest) payable with respect to the notes after the date of acquisition, such holder will have purchased such notes with amortizable bond premium. A U.S. Holder generally may elect to amortize that 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 a U.S. Holder during the taxable year of the election and thereafter, and may not be revoked without IRS consent. For a U.S. Holder that did not elect to amortize bond premium, the amount of such premium will be included in such U.S. Holder's tax basis upon the sale of a note. In the case of Canadian dollar Notes, premium is computed in Canadian dollars. At the time amortized bond premium offsets interest income, foreign currency gain or loss (taxable as ordinary income or loss) will be realized on such amortized bond premium based on the difference between the spot rate of exchange on the date or dates such premium is recovered through interest payments on the Canadian dollar Note and the spot rate of exchange on the date on which the U.S. Holder acquired the note.

The market discount 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 or bond premium, including the availability of certain elections.

Sale, Exchange or Retirement of a Note

A U.S. Holder generally will recognize gain or loss upon the sale, exchange (other than in a tax-free transaction), redemption, retirement or other taxable disposition of a note, equal to the difference, if any, between:

- the amount realized (or the U.S. dollar value thereof if received in a foreign currency) less any portion allocable to the payment of accrued interest not previously included in income, which amount will be taxable as ordinary interest income; and
- the U.S. Holder's adjusted tax basis in the note.

Except with respect to gains or losses attributable to changes in exchange rates, as described below, gain or loss so recognized generally will be capital gain or loss (except as described under "— Market Discount 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 will generally equal the U.S. Holder's U.S. dollar cost therefor, increased by the amount of market discount, if any, previously included in income in respect of the note and decreased (but not below zero) by the amount of principal payments received by such U.S. Holder in respect of the note, any amounts treated as a return of pre-issuance accrued interest and the amount of amortized bond premium, if any, previously taken into account with respect to the note. If a U.S. Holder purchases a Canadian dollar Note with Canadian dollars, the U.S. dollar cost of the Canadian dollar Note will generally be the U.S. dollar value of the purchase price on the date of purchase calculated at the spot rate of exchange on that date. The amount realized upon the disposition of a Canadian dollar Note will generally be the U.S. dollar value of the amount received on the date of the disposition calculated at the spot rate of exchange on that date. However, if the Canadian dollar Note is traded on an established securities market, a cash basis U.S. Holder (and, if it so elects, an accrual basis U.S. Holder) will determine the U.S. dollar value of the cost of or amount received on the Canadian dollar Note, as applicable, by translating the amount paid or received at the spot rate of exchange on the settlement date of the purchase or disposition. The election available to accrual basis U.S. Holders in respect of the purchase and disposition of Canadian dollar Notes traded on an established securities market must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS.

Gain or loss recognized by a U.S. Holder on the sale, exchange or retirement of a Canadian dollar Note that is attributable to changes in the rate of exchange between the U.S. dollar and foreign currency generally will be treated as U.S. source ordinary income or loss. Such foreign currency gain or loss will equal the difference between (i) the U.S. dollar value of the U.S. Holder's Canadian dollar purchase price for the Canadian dollar Note calculated at the spot rate of exchange on the date of the sale, exchange, retirement or other disposition and (ii) the U.S. dollar value of the U.S. Holder's Canadian dollar purchase price for the Canadian dollar Note calculated at the spot rate of exchange on the date of purchase of the Canadian dollar Note. If the Canadian dollar Note is traded on an established securities market, with respect to a cash basis U.S. Holder (and, if it so elects, an accrual basis U.S. Holder), such foreign currency gain or loss will equal the difference between (x) the U.S. dollar value of the U.S. Holder's Canadian dollar purchase price for the Canadian dollar Note calculated at the spot rate of exchange on the settlement date of the disposition and (y) the U.S. dollar value of the U.S. Holder's Canadian dollar purchase price for the Canadian dollar Note calculated at the spot rate of exchange on the settlement date of the purchase of the Canadian dollar Note. Such foreign currency gain or loss is recognized on the sale or retirement of such Note only to the extent of total gain or loss recognized on the sale or retirement of such Note. Prospective investors should consult their own tax advisors regarding certain foreign currency translation elections that may be available with respect to a sale, exchange, or redemption of the Canadian dollar Notes.

Transactions in Foreign Currency

Foreign currency received as a payment of interest on, or on the sale or retirement of, a Canadian dollar Note will have a tax basis equal to its U.S. dollar value at the time such interest is received or at the time the note is disposed of or payment is received in consideration of such sale or retirement (as applicable). The amount of gain or loss recognized on a subsequent sale or other disposition of such foreign currency will be equal to the difference between (i) the amount of U.S. dollars, or the fair market value in U.S. dollars of the other currency or property received in such sale or other disposition, and (ii) the tax basis of the recipient in such foreign currency. A U.S. Holder who acquires such Note with previously owned foreign currency will recognize ordinary income or loss in an amount equal to the difference, if any, between such U.S. Holder's tax basis in the foreign currency and the U.S. dollar fair market value of the note on the date of acquisition. Such gain or loss generally will be treated as income or loss from sources within the United States for foreign tax credit limitation purposes.

Reportable Transaction Reporting

Under certain U.S. Treasury Regulations, U.S. Holders that participate in "reportable transactions" (as defined in the U.S. Treasury Regulations) must attach to their U.S. federal income tax returns a disclosure statement on IRS Form 8886. Under the relevant rules, a U.S. Holder may be required to treat a foreign currency exchange loss from the Canadian dollar Note as a reportable transaction if this loss exceeds the relevant threshold in the U.S. Treasury Regulations. For individuals and trusts, this loss threshold is US$50,000 in any single year. U.S. Holders should consult their own tax advisors as to the possible obligation to file IRS Form 8886 with respect to the ownership or disposition of the Canadian dollar Notes, or any related transaction, including without limitation, the disposition of any non-U.S. currency received as interest or as proceeds from the sale, exchange, retirement or other disposition of the Canadian dollar Notes.

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 can generally avoid the application of the backup withholding rules by properly completing and submitting the IRS Form W-9 included with the Letter of Transmittal. A U.S. Holder that does not provide us with its correct TIN also may be subject to penalties imposed by the IRS. Backup withholding is not an additional tax. Any amount withheld from a payment to a U.S. Holder under the backup withholding rules is creditable against the U.S. Holder's U.S. federal income tax liability, and may entitle the U.S. Holder to a refund, *provided* that the required information is properly and timely furnished to the IRS. Backup withholding will not apply, however, with respect to payments made to certain exempt U.S. Holders, including corporations and tax-exempt organizations, *provided* their exemptions from backup withholding are properly established.

In addition, U.S. individuals that hold specified foreign financial assets (including stock and securities of a foreign issuer) with an aggregate value in excess of US$50,000 on the last day of the taxable year or US$75,000 at any time during the taxable year are required to report their holdings, along with other information, on their U.S. federal income tax returns, with certain exceptions. U.S. Holders should consult their own tax advisors to determine the scope of these disclosure responsibilities.

Certain Canadian Material Federal Income Tax Considerations for Residents of the United States

The following is, at the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to a holder who acquires, as beneficial owner, the Senior Notes, including entitlement to all payments thereunder, pursuant to this offering and who, at all relevant times and for the purposes of the Tax Act and the regulations thereunder, (i) is not, and is not deemed to be, resident in Canada (including as a consequence of the Canada-United States Income Tax Convention (1980), as amended), (ii) deals at arm's length with Videotron and with any transferee resident or deemed resident in Canada to whom the holder disposes of Senior Notes, (iii) does not use or hold and is not deemed to use or hold the Senior Notes in or in the course of carrying on business in Canada, (iv) does not receive any payment of interest (including any amounts deemed to be interest) on the Senior Notes in respect of a debt or other obligation to pay an amount to a person with whom Videotron does not deal at arm's length, (v) is not an "authorized foreign bank", as defined in the Tax Act, (vi) is not a "registered non-resident insurer", as defined in the Tax Act, (vii) is not an insurer carrying on an insurance business in Canada and elsewhere, and (viii) is not a, and deals at arm's length with any, "specified shareholder" of Videotron for purposes of the thin capitalization rules in the Tax Act (a "**Non-Resident Holder**"). A "specified shareholder" for these purposes generally includes a person who (either alone or together with persons with whom that person is not dealing at arm's length for the purposes of the Tax Act) owns or has the right to acquire or control or is otherwise deemed to own 25% or more of Videotron's shares determined on a votes or fair market value basis.

This summary is based on the current provisions of the Tax Act and the regulations thereunder and the current administrative and assessing practices and policies of the Canada Revenue Agency published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act and the regulations thereunder announced by or on behalf of the Minister of Finance of Canada prior to the date hereof (the "**Proposed Amendments**") and assumes that all Proposed Amendments will be enacted in the form proposed. However, no assurance can be given that the Proposed Amendments will be enacted as proposed or at all. This summary does not otherwise take into account or anticipate any changes in law or any administrative or assessing practice, whether by judicial, governmental, regulatory or legislative decision or action, nor does it take into account provincial, territorial or foreign income tax considerations which may differ from the Canadian federal income tax considerations described herein.

THIS SUMMARY IS OF A GENERAL NATURE ONLY AND IS NOT EXHAUSTIVE OF ALL CANADIAN FEDERAL INCOME TAX CONSIDERATIONS THAT MAY BE RELEVANT TO A PARTICULAR HOLDER. THIS SUMMARY IS NOT INTENDED TO BE, AND SHOULD NOT BE INTERPRETED AS, LEGAL OR TAX ADVICE TO ANY PARTICULAR HOLDER, AND NO REPRESENTATION WITH RESPECT TO THE INCOME TAX CONSEQUENCES TO ANY PARTICULAR HOLDER IS MADE. ACCORDINGLY, YOU SHOULD CONSULT YOUR OWN TAX ADVISORS WITH RESPECT TO YOUR PARTICULAR CIRCUMSTANCES.

No Canadian withholding tax will apply to interest (including any amounts deemed to be interest), principal or premium paid or credited by Videotron on the Senior Notes to a Non-Resident Holder, or to the proceeds received by a Non-Resident Holder on a disposition of a Senior Note, including a redemption, payment on maturity, repurchase or purchase for cancellation.

No other taxes on income or gains will be payable under the Tax Act by a Non-Resident Holder on interest (including any amounts deemed to be interest), principal or premium or on the proceeds received by such Non-Resident Holder on the disposition of a Senior Note, including a redemption, payment on maturity, repurchase or purchase for cancellation.

F- Dividends and Paying Agents

Not applicable.

G- Statement By Experts

Not applicable.

H- Documents on Display

You may read and copy documents referred to in this annual report that have been filed with the SEC at the Public Reference Room at the SEC’s Headquarters, located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549, or obtain copies of this information by mail from the Public Reference Room at prescribed rates. You may call the SEC at 1-800-SEC-0330 for further information on the SEC’s Public Reference Room. The SEC also maintains an Internet website that contains reports and other information that we have furnished electronically with the SEC. The URL of that website is http://www.sec.gov. Any documents referred to in this annual report may also be inspected without charge at our offices at 612 St. Jacques Street, Montréal, Québec, Canada, H3C 4M8.

I- Subsidiary Information

Not applicable.

ITEM 11 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We use certain financial instruments, such as cross-currency interest rate 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. For more information regarding our financial instruments and financial risk management, refer to Note 25 to our audited consolidated financial statements for the year ended December 31, 2016 included under “Item 18. Financial Statements” of this annual report.

Foreign Currency Risk

Most of our 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 our debt is payable in U.S. dollars. We have entered into transactions to hedge the foreign currency risk exposure on our U.S.-dollar-denominated debt obligations outstanding as of December 31, 2016, to hedge our exposure on certain purchases of set-top boxes, handsets, cable modems and capital expenditures and to lock-in the value of certain derivative financial instruments through offsetting transactions. Accordingly, the Corporation’s sensitivity to variations in foreign exchange rates is economically limited.

Interest Rate Risk

Videotron's bank credit facilities bear interest at floating rates based on the following reference rates: (i) Bankers' acceptance rate, (ii) LIBOR, (iii) Canadian prime rate and (iv) U.S. prime rate. The Senior Notes issued by Videotron bear interest at fixed rates. Videotron has entered into cross-currency interest rate swap agreements in order to manage interest rate risk exposure. As of December 31, 2016, after taking into account the hedging instruments, long-term debt was comprised of 85.5% fixed rate debt (84.0% in 2015) and 14.5% floating rate debt (16.0% in 2015).

The estimated sensitivity on interest payments of a 100 basis-point variance in the year-end Canadian Bankers' acceptance rate as of December 31, 2016 is $4.0 million.

Credit Risk

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

In the normal course of business, Videotron continuously monitors the financial condition of its customers and reviews the credit history of each new customer. As of December 31, 2016, no customer balance represented a significant portion of Videotron's consolidated accounts receivables. Videotron 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 $19.4 million as of December 31, 2016 ($16.6 million as of December 31, 2015). As of December 31, 2016, 7.7% of accounts receivables were 90 days past their billing date (7.4% as of December 31, 2015), of which 58.9% had an allowance for doubtful accounts (63.3% as of December 31, 2015).

Videotron 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. Videotron does not believe that it is exposed to an unusual level of customer credit risk.

As a result of its use of derivative financial instruments, Videotron is exposed to the risk of non-performance by a third party. When Videotron enters into derivative contracts, the counterparties (either foreign or Canadian) must have credit ratings at least in accordance with Videotron's risk management policy and are subject to concentration limits. These credit ratings and concentration limits are monitored on an ongoing basis but at least quarterly.

Fair Value of Financial Instruments

See "Item 5 – Operating and Financial Review and Prospects – Additional Information – Financial Instruments and Financial Risk Management – 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 judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Principal Repayments

As at December 31, 2016, 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:

Year ending December 31,		(in thousands of dollars)
2017		10,714
2018		5,358
2019		—
2020		—
2021		509,449
2022 and thereafter		2,654,780
Total	**$**	**3,180,301**

ITEM 12 – DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

ITEM 13 – DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14 – MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Material Modifications to the Rights of Security Holders

There have been no material modifications to the rights of security holders.

Use of Proceeds

Not applicable.

ITEM 15 – CONTROLS AND PROCEDURES

As at the end of the period covered by this report, Videotron's President and Chief Executive Officer and Videotron's Senior Vice President and Chief Financial Officer, together with members of Videotron's senior management, have carried out an evaluation of the effectiveness of Videotron's 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 (the "**Exchange Act**")) as controls and procedures designed to ensure that information required to be disclosed in reports filed under the Exchange Act is recorded, processed, summarized and reported within specified time periods. As of the date of the evaluation, Videotron's President and Chief Executive Officer and Videotron's Senior Vice President and Chief Financial Officer, concluded that Videotron's disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that Videotron files or submits under the Exchange Act is accumulated and communicated to management, including the Corporation's principal executive and principal financial officer, to allow timely decisions regarding disclosure.

Videotron's management is responsible for establishing and maintaining adequate internal control over financial reporting of the Corporation (as defined by Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Videotron'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 IFRS. Our 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 Videotron's assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with IFRS, and that receipts and expenditures of Videotron are being made only in accordance with authorizations of Videotron's management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of Videotron'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.

Videotron's management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("**COSO**"). Based on this evaluation, management concluded that Videotron's internal control over financial reporting was effective as of December 31, 2016.

Pursuant to the *Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010* and related SEC rules, Videotron is not required to include in its annual report an attestation report of Videotron's independent registered public accounting firm regarding Videotron's 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 Videotron's independent registered public accounting firm.

There have been no changes in Videotron'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, Videotron's internal control over financial reporting.

ITEM 16 – [RESERVED]

ITEM 16A – AUDIT COMMITTEE FINANCIAL EXPERT

Our Board of Directors has determined that Mr. Jean 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. Jean 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 Videotron, including our Chief Executive Officer, Chief Financial Officer, principal accounting officer, controller and persons performing similar functions. Our Code of Ethics is included as an exhibit to this annual report on Form 20-F.

ITEM 16C – PRINCIPAL ACCOUNTANT FEES AND SERVICES

Ernst & Young LLP has served as our independent registered public accounting firm for the fiscal years ended December 31, 2016, 2015 and 2014. The audited consolidated financial statements for each of the fiscal years in the three-year period ended December 31, 2016 are included in this annual report on Form 20-F.

The Audit Committee establishes the independent auditors' compensation. The Audit Committee adopted a policy relating to the pre-approval of services to be rendered by its independent auditors. The Audit Committee pre-approves all audit services, determines which non-audit services the independent auditors are prohibited from providing, and authorizes permitted non-audit services to be performed by the independent auditors to the extent those services are permitted by the Sarbanes-Oxley Act and Canadian law. For each of the years ended December 31, 2016, 2015 and 2014 , 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 auditors, Ernst & Young LLP, for the fiscal years ended December 31, 2016, 2015 and 2014.

	2016	2015	2014
Audit Fees(1)	$845,532	$896,112	$873,153
Audit related Fees(2)	130,125	74,620	59,730
All Other Fees(3)	14,500	14,350	16,350
Total	**$990,157**	**$985,082**	**$949,233**

(1) Audit Fees consist of fees approved for the annual audit of the Corporation's consolidated financial statements and quarterly reviews of interim financial statements of the Corporation with the SEC, including required assistance or services that only the external auditor reasonably can provide and accounting consultations on specific issues.
(2) Audit-Related Fees include fees for the review of one subsidiary's financial statements and various reports to statutory authorities.
(3) All Other Fees include fees billed for assistance with Canadian, U.S. and international tax compliance.

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.

ITEM 17 – FINANCIAL STATEMENTS

Not applicable.

ITEM 18 – FINANCIAL STATEMENTS

Our consolidated balance sheets as at December 31, 2016 and 2015 and the related consolidated statements of income, comprehensive income, equity and cash flows for each of the years in the three-year period ended December 31, 2016, including the notes thereto and together with the report of the Independent Registered Public Accounting Firm, are included beginning on page F-1 of this annual report.

ITEM 19 – EXHIBITS

The following documents are filed as exhibits to this Form 20-F:

1.1 Certificate and Articles of Amalgamation of Videotron Ltd. as of July 1, 2006 (translation) (incorporated by reference to Exhibit 1.1 to Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2006, filed on March 30, 2007).

1.2 Certificate and Articles of Amendment of Videotron Ltd. as of June 30, 2008 (incorporated by reference to Exhibit 1.2 of Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2008, filed on March 6, 2009).

1.3 Certificate and Articles of Amendment of Videotron Ltd. as of December 12, 2008 (incorporated by reference to Exhibit 1.3 of Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2008, filed on March 6, 2009).

1.4 By-laws of Videotron Ltd. (translation) (incorporated by reference to Exhibit 1.4 of Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 21, 2012).

1.5 Certificate and Articles of Amalgamation of Le SuperClub Vidéotron ltée (translation) (incorporated by reference to Exhibit 1.5 of Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2008, filed on March 6, 2009).

1.6 By-laws of Le SuperClub Vidéotron ltée (translation) (incorporated by reference to Exhibit 1.6 of Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 21, 2012).

1.7 Certificate of Amendment for Le SuperClub Vidéotron Ltée (translation) (incorporated by reference to Exhibit 1.7 to Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2013, filed on March 20, 2014, Commission file No. 033-51000).

1.8 Articles of Incorporation of Vidéotron Infrastructures Inc., as amended as of February 17, 2011 (incorporated by reference to Exhibit 1.7 to Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2010, filed on March 21, 2011).

1.9 By-laws of Vidéotron Infrastructures Inc. (translation) (incorporated by reference to Exhibit 1.8 of Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 21, 2012).

1.10 Certificate of Incorporation of Videotron US Inc. as of September 20, 2007 (incorporated by reference to Exhibit 1.9 of Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2008, filed on March 6, 2009).

1.11 Amended and Restated Certificate of Incorporation of Videotron US Inc. as of October 1, 2008 (incorporated by reference to Exhibit 1.10 of Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2008, filed on March 6, 2009).

1.12 By-laws of Videotron US Inc. (incorporated by reference to Exhibit 1.11 of Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2008, filed on March 6, 2009).

1.13 Declaration of registration of Videotron G.P. (incorporated by reference to Exhibit 1.12 to Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2010, filed on March 21, 2011).

1.14 Declaration of registration of Videotron L.P. (incorporated by reference to Exhibit 1.13 to Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2010, filed on March 21, 2011).

1.15 Certificate and Articles of Constitution of 9230-7677 Québec inc. (translation) (incorporated by reference to Exhibit 1.14 to Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2010, filed on March 21, 2011).

1.16 By-laws of 9230-7677 Québec inc. (translation) (incorporated by reference to Exhibit 1.15 of Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 21, 2012).

1.17 Certificate and Articles of Constitution of 9227-2590 Québec inc. (translation) (incorporated by reference to Exhibit 1.18 of Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 21, 2012, Commission file No. 033-51000).

1.18 By-laws of 9227-2590 Québec inc. (translation) (incorporated by reference to Exhibit 1.19 of Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 21, 2012, Commission file No. 033-51000).

1.19 Certificate and Articles of Constitution of 4Degrees Colocation Inc. (translation) (incorporated by reference to Exhibit 1.24 of Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed on March 18, 2016, Commission file No. 033-51000).

1.20 By-laws of 4Degrees Colocation Inc. (translation) (incorporated by reference to Exhibit 1.25 of Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed on March 18, 2016, Commission file No. 033-51000).

1.21 Certificate and Articles of Incorporation as of 9529454 Canada Inc. as of November 30, 2011 (translation) (incorporated by reference to Exhibit 1.26 of Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed on March 18, 2016, Commission file No. 033-51000).

1.22 By-laws of 9529454 Canada Inc. (translation) (incorporated by reference to Exhibit 1.27 of Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed on March 18, 2016, Commission file No. 033-51000).

1.23 Certificate and Articles of Amalgamation of 8480869 Canada Inc. as of January 7, 2016 (incorporated by reference to Exhibit 1.28 of Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed on March 18, 2016, Commission file No. 033-51000).

1.24 By-laws of 8480869 Canada Inc. (translation) (incorporated by reference to Exhibit 1.29 of Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed on March 18, 2016, Commission file No. 033-51000).

1.25 Certificate and Articles of Amalgamation of Fibre Noire Internet Inc. as of April 19, 2013, as amended on June 27, 2014, and January 6, 2016 (incorporated by reference to Exhibit 1.30 of Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed on March 18, 2016, Commission file No. 033-51000).

1.26 By-laws of Fibrenoire Inc. (translation) (incorporated by reference to Exhibit 1.31 of Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed on March 18, 2016, Commission file No. 033-51000).

1.27 Certificate and Articles of Incorporation of Canadian P2P Fibre Systems Ltd. as of June 15, 2007 (incorporated by reference to Exhibit 1.32 of Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed on March 18, 2016, Commission file No. 033-51000).

1.28 By-laws of Canadian P2P Fibre Systems Ltd (translation) (incorporated by reference to Exhibit 1.33 of Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed on March 18, 2016, Commission file No. 033-51000).

1.29 Certificate and Articles of Constitution of 9176-6857 Québec Inc. as of December 5, 2006 (translation).

1.30 Certificate and Articles of Amendment of 9176-6857 Québec Inc. as of June 13, 2014 (translation).

1.31 By-laws of 9176-6857 Québec Inc. (translation).

2.1 Form of 6 7/8% Senior Notes due July 15, 2021 of Videotron Ltd. (incorporated by reference to Exhibit A to Exhibit 2.42 to Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 21, 2012, Commission file No. 033-51000).

2.2 Form of Notation of Guarantee of the subsidiary guarantors of the 6 7/8% Senior Notes due July 15, 2021 of Videotron Ltd. (incorporated by reference to Exhibit E to Exhibit 2.42 to Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 21, 2012, Commission file No. 033-51000).

2.3 Indenture, dated as of July 5, 2011, by and among Videotron Ltd., the subsidiary guarantors signatory thereto and Computershare Trust Company of Canada, as trustee (incorporated by reference to Exhibit 2.42 of Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 21, 2012, Commission file No. 033-51000).

2.4 Supplemental Indenture, dated as of March 12, 2015, by and among Videotron Ltd., 4Degrees Colocation Inc., as guarantor, and Computershare Trust Company of Canada, as trustee, to the Indenture dated as of July 5, 2011 (incorporated by reference to Exhibit 2.4 to Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed on March 18, 2016, Commission file No. 033-51000).

2.5 Supplemental Indenture, dated as of January 8, 2016, by and among Videotron, 9529454 Canada Inc., 8480869 Canada Inc., Fibrenoire Inc. and Canadian P2P Fibre Systems Ltd., as guarantors, and Computershare Trust Company of Canada, as trustee, to the Indenture dated as of July 5, 2011 (incorporated by reference to Exhibit 2.5 to Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed on March 18, 2016, Commission file No. 033-51000).

2.6 Supplemental Indenture, dated as of June 20, 2016, by and among Videotron, 9176-6857 Québec Inc., as guarantor, and Computershare Trust Company of Canada, as trustee, to the Indenture dated as of July 5, 2011.

2.7 Form of 5% Senior Notes due July 15, 2022 of Videotron Ltd. (incorporated by reference to Exhibit A to Exhibit 2.47 to Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 21, 2012, Commission file No. 033-51000).

2.8 Form of Notation of Guarantee by the subsidiary guarantors of the 5% Senior Notes due July 15, 2022 of Videotron Ltd. (incorporated by reference to Exhibit E to Exhibit 2.47 to Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 21, 2012, Commission file No. 033-51000).

2.9 Indenture, dated as of March 14, 2012, by and among Videotron Ltd., the subsidiary guarantors signatory thereto and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 2.47 to Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 21, 2012, Commission file No. 033-51000).

2.10 Supplemental Indenture, dated as of March 12, 2015, by and among Videotron Ltd., 4Degrees Colocation Inc., as guarantor, and Wells Fargo Bank, National Association, as trustee, to the Indenture dated as of March 14, 2012 (incorporated by reference to Exhibit 2.9 to Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed on March 18, 2016, Commission file No. 033-51000).

2.11 Supplemental Indenture, dated as of January 8, 2016, by and among Videotron, 9529454 Canada Inc., 8480869 Canada Inc., Fibrenoire Inc. and Canadian P2P Fibre Systems Ltd., as guarantors, and Wells Fargo Bank, National Association, as trustee, to the Indenture dated as of March 14, 2012 (incorporated by reference to Exhibit 2.10 to Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed on March 18, 2016, Commission file No. 033-51000).

2.12 Supplemental Indenture, dated as of June 20, 2016, by and among Videotron, 9176-6857 Québec Inc., as guarantor, and Wells Fargo Bank, National Association, as trustee, to the Indenture dated as of March 14, 2012.

2.13 Form of 5 5/8% Senior Notes due June 15, 2025 of Videotron Ltd. (incorporated by reference to Exhibit A to Exhibit 2.40 to Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2013, filed on March 20, 2014, Commission file No. 033-51000).

2.14 Form of Notation of Guarantee of the subsidiary guarantors of the 5 5/8% Senior Notes due June 15, 2025 of Videotron Ltd. (incorporated by reference to Exhibit E to Exhibit 2.40 to Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2013, filed on March 20, 2014, Commission file No. 033-5100).

2.15 Indenture, dated as of June 17, 2013, by and among Videotron Ltd., the subsidiary guarantors party thereto, and Computershare Trust Company of Canada, as trustee (incorporated by reference to Exhibit 2.40 to Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2013, filed on March 20, 2014, Commission file No. 033-51000).

2.16 Supplemental Indenture, dated as of March 12, 2015, by and among Videotron Ltd., 4Degrees Colocation Inc., as guarantor, and Computershare Trust Company of Canada, as trustee, to the Indenture dated as of June 17, 2013 (incorporated by reference to Exhibit 2.14 to Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed on March 18, 2016, Commission file No. 033-51000).

2.17 Supplemental Indenture, dated as of January 8, 2016, by and among Videotron, 9529454 Canada Inc., 8480869 Canada Inc., Fibrenoire Inc. and Canadian P2P Fibre Systems Ltd., as guarantors, and Computershare Trust Company of Canada, as trustee, to the Indenture dated as of June 17, 2013 (incorporated by reference to Exhibit 2.5 above).

2.18 Supplemental Indenture, dated as of June 20, 2016, by and among Videotron, 9176-6857 Québec Inc., as guarantor, and Computershare Trust Company of Canada, as trustee, to the Indenture dated as of June 17, 2013 (incorporated by reference to Exhibit 2.6 above).

2.19 Form of 5 3/8% Senior Notes due June 15, 2024 of Videotron Ltd. (incorporated by reference to Exhibit A to Exhibit 2.32 to Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2014, filed on March 23, 2015, Commission file No. 033-51000).

2.20 Form of Notation of Guarantee of the subsidiary guarantors of the 5 3/8% Senior Notes due June 15, 2024 of Videotron Ltd. (incorporated by reference to Exhibit E to Exhibit 2.32 to Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2014, filed on March 23, 2015, Commission file No. 033-51000).

2.21 Indenture, dated as of April 9, 2014, by and among Videotron Ltd., the subsidiary guarantors party thereto, and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 2.32 to Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2014, filed on March 23, 2015, Commission file No. 033-51000).

2.22 Supplemental Indenture, dated as of March 12, 2015, by and among Videotron Ltd., 4Degrees Colocation Inc., as guarantor, and Wells Fargo Bank, National Association, as trustee, to the Indenture dated as of April 9, 2014 (incorporated by reference to Exhibit 2.19 to Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed on March 18, 2016, Commission file No. 033-51000).

2.23 Supplemental Indenture, dated as of January 8, 2016, by and among Videotron, 9529454 Canada Inc., 8480869 Canada Inc., Fibrenoire Inc. and Canadian P2P Fibre Systems Ltd., as guarantors, and Wells Fargo Bank, National Association, as trustee, to the Indenture dated as of April 9, 2014 (incorporated by reference to Exhibit 2.20 to Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed on March 18, 2016, Commission file No. 033-51000).

2.24 Supplemental Indenture, dated as of June 20, 2016, by and among Videotron, 9176-6857 Québec Inc., as guarantor, and Wells Fargo Bank, National Association, as trustee, to the Indenture dated as of April 9, 2014.

2.25 Form of 5 3/4% Senior Notes due January 15, 2026 of Videotron Ltd. (incorporated by reference to Exhibit A to Exhibit 2.27 below).

2.26 Form of Notation of Guarantee by the subsidiary guarantors of the 5 3/4% Senior Notes due January 15, 2026 of Videotron Ltd. (incorporated by reference to Exhibit E to Exhibit 2.27 below).

2.27 Indenture, dated as of September 15, 2015, by and among Videotron Ltd., the subsidiary guarantors signatory thereto and Computershare Trust Company of Canada, as trustee (incorporated by reference to Exhibit 2.32 to Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2014, filed on March 23, 2015, Commission file No. 033-51000).

2.28 Supplemental Indenture, dated as of January 8, 2016, by and among Videotron, 9529454 Canada Inc., 8480869 Canada Inc., Fibrenoire Inc. and Canadian P2P Fibre Systems Ltd., as guarantors, and Computershare Trust Company of Canada, as trustee, to the Indenture dated as of September 15, 2015 (incorporated by reference to Exhibit 2.5 above).

2.29 Supplemental Indenture, dated as of June 20, 2016, by and among Videotron, 9176-6857 Québec Inc., as guarantor, and Computershare Trust Company of Canada, as trustee, to the Indenture dated as of September 15, 2015 (incorporated by reference to Exhibit 2.6 above).

4.1 Amended and Restated Credit Agreement, dated as of July 20, 2011, by and among Videotron Ltd., Royal Bank of Canada, as administrative agent, and the financial institutions signatory thereto and acknowledged by Le SuperClub Videotron, Videotron Infrastructures Inc., Jobboom Inc., Videotron US Inc., 9227-2590 Québec Inc., 9230-7677 Québec Inc., Videotron G.P., and Videotron L.P., as guarantors (incorporated by reference to Exhibit 4.1 to Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 21, 2012, Commission file No. 033-51000).

4.2 First Amending Agreement, dated as of June 14, 2013, amending the Amended and Restated Credit Agreement, dated as of July 20, 2011, by and among Videotron Ltd., Royal Bank of Canada, as administrative agent, and the financial institutions signatory thereto and acknowledged by Le SuperClub Videotron, Videotron Infrastructures Inc., Videotron US Inc., 9227-2590 Québec inc., 9230-7677 Québec inc., Videotron G.P., Videotron L.P. and 8487782 Canada Inc. as guarantors (incorporated by reference to Exhibit 4.2 to Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2013, filed on March 20, 2014, Commission file, No. 033-51000).

4.3 Second Amending Agreement, dated as of January 28, 2015, amending the Amended and Restated Credit Agreement, dated as of July 20, 2011, as amended, by and among Videotron Ltd., Royal Bank of Canada, as administrative agent, and the financial institutions signatory thereto and acknowledged by 9293-6707 Québec Inc., 9227-2590 Québec Inc., 9230-7677 Québec Inc., 8487782 Canada Inc., Videotron G.P., Videotron L.P. and Videotron Infrastructures Inc., as guarantors (incorporated by reference to Exhibit 4.5 to Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed on March 18, 2016, Commission file No. 033-51000).

4.4 Third Amending Agreement, dated as of June 16, 2015, amending the Amended and Restated Credit Agreement, dated as of July 20, 2011, as amended, by and among Videotron Ltd., Royal Bank of Canada, as administrative agent, and the financial institutions signatory thereto and acknowledged by 9293-6707 Québec Inc., 9227-2590 Québec Inc., 9230-7677 Québec Inc., 8487782 Canada Inc., Videotron G.P., Videotron L.P., Videotron Infrastructures Inc. and 4Degrees Colocation Inc., as guarantors (incorporated by reference to Exhibit 4.4 to Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed on March 18, 2016, Commission file No. 033-51000).

4.5 First Amending Agreement to the Amended and Restated Credit Agreement (made pursuant to the Third Amendment Agreement dated June 16, 2015 filed as Exhibit 4.4), dated as of June 24, 2016, amending the Amended and Restated Credit Agreement, dated as of June 16, 2015, by and among Videotron Ltd., Royal Bank of Canada, as administrative agent, and the financial institutions signatory thereto and acknowledged by 9293-6707 Québec Inc., 9227-2590 Québec Inc., 9230-7677 Québec Inc., 9176-6857 Québec Inc., Videotron G.P., Videotron L.P., Videotron Infrastructures Inc., 4Degrees Colocation Inc., 9529454 Canada Inc., 8480869 Canada Inc., Fibrenoire Inc. and Canadian P2P Fibre Systems Ltd., as guarantors.

4.6 Form of Guarantee of the Guarantors of the Credit Agreement (incorporated by reference to Schedule D of Exhibit 4.1 to Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 21, 2012, Commission file No. 033-51000).

4.7 Form of Share Pledge of the shares of Videotron Ltd. and the Guarantors of the Credit Agreement (incorporated by reference to Schedule E of Exhibit 4.1 to Videotron Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 21, 2012, Commission file No. 033-51000).

4.8 Management Services Agreement, effective as of January 1, 2002, between Quebecor Media and Videotron Ltd. (incorporated by reference to Exhibit 10.5 to Videotron Ltd.'s Registration Statement on Form F-4 dated November 24, 2003, Registration Statement No. 333-110697).

7.1 Statement regarding calculation of ratio of earnings to fixed charges.

8.1 Subsidiaries of Videotron Ltd.

11.1 Code of Ethics.

12.1 Certification of Manon Brouillette, President and Chief Executive Officer of Videotron Ltd., 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 Hugues Simard, Senior Vice President and Chief Financial Officer of Videotron Ltd., 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 Manon Brouillette, President and Chief Executive Officer of Videotron Ltd., 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 Hugues Simard, Senior Vice President and Chief Financial Officer of Videotron Ltd. 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.

VIDEOTRON LTD.

By: /s/ Hugues Simard
Name: Hugues Simard

Title: Senior Vice President and
Chief Financial Officer

Dated: March 21, 2017

VIDEOTRON LTD.
CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2016, 2015 and 2014

Consolidated financial statements

Report of Independent Registered Public Accounting Firm

To the Board of Directors and to the shareholder of Videotron Ltd.

We have audited the accompanying consolidated balance sheets of Videotron Ltd. as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2016. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. We were not engaged to perform an audit of the Corporation's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Videotron Ltd. at December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ Ernst & Young LLP[1]
Montreal, Canada
March 14, 2017

[1] FCPA auditor, FCA, public accountancy permit no. A107913

VIDEOTRON LTD.
CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2016, 2015 and 2014
(in thousands of Canadian dollars)

	Note	2016	2015	2014
Revenues				
Cable television		**$1,024,283**	$1,053,797	$1,074,821
Internet		**978,723**	920,746	856,051
Mobile telephony		**510,420**	403,668	287,665
Cable telephony		**424,795**	458,028	475,143
Over-the-top video		**31,443**	23,596	12,213
Business solutions		**111,181**	69,134	65,632
Equipment sales		**53,577**	57,627	45,627
Other		**9,917**	11,383	9,613
		3,144,339	2,997,979	2,826,765
Employee costs	2	**376,757**	356,503	342,399
Purchase of goods and services	2	**1,320,568**	1,259,179	1,136,055
Depreciation and amortization		**596,065**	625,366	601,381
Financial expenses	3	**161,452**	167,429	169,177
Loss on valuation and translation of financial instruments	4	**2,126**	518	3,430
Loss on debt refinancing	5	**7,346**	12,153	21,403
Restructuring of operations, litigation and other items	6	**15,880**	(129,737)	39,445
Income before income taxes		**664,145**	706,568	513,475
Income taxes (recovery)				
Current	7	**153,976**	54,412	107,839
Deferred	7	**(37,066)**	66,253	(14,556)
		116,910	120,665	93,283
Net income		**$ 547,235**	$ 585,903	$ 420,192
Net income attributable to				
Shareholder		**$ 547,202**	$ 585,851	$ 420,169
Non-controlling interests		**33**	52	23

See accompanying notes to consolidated financial statements.

VIDEOTRON LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2016, 2015 and 2014
(in thousands of Canadian dollars)

	Note	**2016**	2015	2014
Net income		**$547,235**	$585,903	$420,192
Other comprehensive loss:				
Items that may be reclassified to income:				
Cash flows hedges:				
(Loss) gain on valuation of derivative financial instruments		**(18,301)**	2,054	7,193
Deferred income taxes		**7,545**	(22,096)	(10,006)
Items that will not be reclassified to income:				
Defined benefit plans:				
Re-measurement gain (loss)	27	**5,025**	(9,614)	(47,918)
Deferred income taxes		**(1,332)**	2,590	12,890
Reclassification to income:				
(Gain) loss related to cash flows hedges	5	**—**	(3,914)	1,640
Deferred income taxes		**—**	1,125	(1,679)
		(7,063)	(29,855)	(37,880)
Comprehensive income		**$540,172**	$556,048	$382,312
Comprehensive income attributable to				
Shareholder		**$540,139**	$555,996	$382,289
Non-controlling interests		**33**	52	23

See accompanying notes to consolidated financial statements.

VIDEOTRON LTD.
CONSOLIDATED STATEMENTS OF EQUITY

Years ended December 31, 2016, 2015 and 2014
(in thousands of Canadian dollars)

	Equity attributable to shareholder				
	Capital stock (note 20)	Retained earnings	Accumulated other comprehensive loss (note 22)	Equity attributable to non-controlling interests	Total equity
Balance as of December 31, 2013	3,401	826,515	(9,109)	943	821,750
Net income	—	420,169	—	23	420,192
Other comprehensive loss	—	—	(37,880)	—	(37,880)
Dividends	—	(410,000)	—	(155)	(410,155)
Balance as of December 31, 2014	3,401	836,684	(46,989)	811	793,907
Net income	—	585,851	—	52	585,903
Other comprehensive loss	—	—	(29,855)	—	(29,855)
Issuance of capital stock	170,000	—	—	—	170,000
Reduction in paid-up capital	(41,000)	—	—	—	(41,000)
Dividends	—	(665,000)	—	(155)	(665,155)
Balance as of December 31, 2015	132,401	757,535	(76,844)	708	813,800
Net income	—	547,202	—	33	547,235
Other comprehensive loss	—	—	(7,063)	—	(7,063)
Dividends	—	(282,000)	—	(232)	(282,232)
Balance as of December 31, 2016	**$ 132,401**	**$1,022,737**	**$ (83,907)**	**$ 509**	**$1,071,740**

See accompanying notes to consolidated financial statements.

VIDEOTRON LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2016, 2015 and 2014
(in thousands of Canadian dollars)

	Note	2016	2015	2014
Cash flows related to operating activities				
Income from operations		**$ 547,235**	$ 585,903	$ 420,192
Adjustments for:				
Depreciation of fixed assets	12	**517,673**	545,612	490,501
Amortization of intangible assets	13	**78,392**	79,754	110,880
Loss on valuation and translation of financial instruments	4	**2,126**	518	3,430
Amortization of financing costs and long-term debt discount	3	**3,904**	4,008	4,650
Deferred income taxes	7	**(37,066)**	66,253	(14,556)
Loss on debt refinancing	5	**7,346**	12,153	21,403
Other		**6,892**	6,262	4,262
		1,126,502	1,300,463	1,040,762
Net change in non-cash balances related to operating activities		**117,591**	(92,499)	65,690
Cash flows provided by operating activities		**1,244,093**	1,207,964	1,106,452
Cash flows related to investing activities				
Additions to fixed assets	12	**(666,698)**	(630,076)	(606,040)
Additions to intangible assets	13	**(125,482)**	(312,062)	(304,548)
Business acquisitions	9	**(118,946)**	(35,167)	—
Business disposal	8	**—**	7,848	—
Redemption (acquisition) of preferred shares of an affiliated corporation	11	**2,090,000**	(1,010,000)	1,200,000
Proceeds from disposal of assets		**3,376**	4,375	5,493
Cash flows provided by (used in) investing activities		**1,182,250**	(1,975,082)	294,905
Cash flows related to financing activities				
Net change in bank indebtedness		**(1,580)**	11,698	—
Net change under revolving credit facility, net of financing fees		**(37,984)**	244,631	—
Issuance of long-term debt, net of financing fees	18	**—**	370,130	654,475
Repayment of long-term debt	5	**(10,714)**	(637,083)	(306,160)
Settlement of hedging contracts	5	**(4,646)**	(37,131)	(119,157)
Issuance of capital stock	20	**—**	170,000	—
Reduction in paid-up capital	20	**—**	(41,000)	—
Dividends		**(282,000)**	(665,000)	(410,000)
(Repayment) issuance of a loan from the parent corporation	11	**(2,090,000)**	1,010,000	(1,200,000)
Other		**(232)**	(155)	(182)
Cash flows (used in) provided by financing activities		**(2,427,156)**	426,090	(1,381,024)
Net change in cash and cash equivalents		**(813)**	(341,028)	20,333
Cash and cash equivalents at the beginning of the year		**1,774**	342,802	322,469
Cash and cash equivalents at the end of the year		**$ 961**	$ 1,774	$ 342,802

VIDEOTRON LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

Years ended December 31, 2016, 2015 and 2014
(in thousands of Canadian dollars)

	2016	2015	2014
Additional information on the consolidated statements of cash flows			
Cash and cash equivalents consist of			
Cash	**$ 161**	$ 175	$103,369
Cash equivalents	**800**	1,599	239,433
	$ 961	$ 1,774	$342,802
Changes in non-cash balances related to operating activities			
Accounts receivable	**$ (52,968)**	$ (13,515)	$ (8,860)
Amounts receivable from and payable to affiliated corporations	**13,296**	12,017	18,836
Inventories	**28,933**	(35,139)	15,194
Prepaid expenses	**(6,927)**	(7,709)	1,938
Accounts payable, accrued charges and provisions	**31,549**	31,751	39,582
Income taxes	**54,942**	(85,072)	(10,672)
Stock-based compensation	**1,465**	57	798
Deferred revenues	**38,390**	(1,505)	8,159
Defined benefit plans	**3,653**	571	(6,765)
Other	**5,258**	6,045	7,480
	$117,591	$ (92,499)	$ 65,690
Non-cash investing activities			
Net change in additions to fixed assets and intangible assets financed with accounts payable	**$ (1,828)**	$ (11,751)	$ 1,387
Interest and taxes reflected as operating activities			
Cash interest payments	**$154,540**	$150,094	$168,164
Cash income tax payments (net of refunds)	**99,544**	139,502	120,277

See accompanying notes to consolidated financial statements.

VIDEOTRON LTD.
CONSOLIDATED BALANCE SHEETS

December 31, 2016 and 2015
(in thousands of Canadian dollars)

	Note	2016	2015
Assets			
Current assets			
Cash and cash equivalents		**$ 961**	$ 1,774
Accounts receivable		**329,037**	272,593
Income taxes		**—**	17,896
Amounts receivable from affiliated corporations	26	**2,657**	12,330
Inventories	10	**86,064**	114,206
Prepaid expenses		**38,242**	31,158
Total current assets		**456,961**	449,957
Non-current assets			
Investments	11	**—**	2,090,000
Fixed assets	12	**3,261,883**	3,080,687
Intangible assets	13	**1,123,257**	1,071,398
Goodwill	14	**535,932**	448,864
Derivative financial instruments	25	**417,788**	494,197
Other assets	15	**16,864**	21,456
Total non-current assets		**5,355,724**	7,206,602
Total assets		**$5,812,685**	$7,656,559

VIDEOTRON LTD.
CONSOLIDATED BALANCE SHEETS (continued)

December 31, 2016 and 2015
(in thousands of Canadian dollars)

	Note	2016	2015
Liabilities and equity			
Current liabilities			
Bank indebtedness		**$ 10,118**	$ 11,698
Accounts payable and accrued charges	16	**456,437**	422,769
Amounts payable to affiliated corporations	26	**66,534**	62,913
Provisions	17	**60,321**	55,564
Deferred revenue		**309,910**	267,283
Income taxes		**33,370**	—
Current portion of long-term debt	18	**10,714**	10,714
Total current liabilities		**947,404**	830,941
Non-current liabilities			
Long-term debt	18	**3,152,394**	3,255,928
Subordinated loan from parent corporation	11	**—**	2,090,000
Deferred income taxes	7	**525,535**	561,318
Other liabilities	19	**115,612**	104,572
Total non-current liabilities		**3,793,541**	6,011,818
Total liabilities		**4,740,945**	6,842,759
Equity			
Capital stock	20	**132,401**	132,401
Retained earnings		**1,022,737**	757,535
Accumulated other comprehensive loss	22	**(83,907)**	(76,844)
Equity attributable to shareholder		**1,071,231**	813,092
Non-controlling interests		**509**	708
Total equity		**1,071,740**	813,800
Commitments and contingencies	17, 23		
Guarantees	24		
Total liabilities and equity		**$5,812,685**	$7,656,559

See accompanying notes to consolidated financial statements.

On March 14, 2017, the Board of Directors approved the consolidated financial statements for the years ended December 31, 2016, 2015 and 2014.

On behalf of the Board of Directors,

/s/ Brian Mulroney
The Right Honourable Brian Mulroney, P.C., C.C., LL.D.,
Chairman of the Board

/s/ Jean La Couture
Jean La Couture, Director

Videotron Ltd. (the "Corporation") is incorporated under the laws of Québec and is a wholly owned subsidiary of Quebecor Media Inc. (the parent corporation) and is a subsidiary of Quebecor Inc. (the ultimate parent corporation). The Corporation's head office and registered office is located at 612, rue Saint-Jacques, Montréal (Québec), Canada. The percentages of voting rights and equity in its major subsidiaries are as follows:

	% equity and voting
Videotron G.P.	100.0%
Videotron Infrastructures Inc.	100.0%
Videotron US Inc.	100.0%
Fibrenoire Inc.	100.0%
4 Degrees Colocation Inc.	100.0%
SETTE Inc.	84.53%

The Corporation offers television distribution, Internet access, business solutions (including data centers), cable and mobile telephony and over-the-top video services in Canada and is engaged in the rental of movies and televisual products through its video-on-demand services.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments (note 1(j)), the liability related to stock-based compensation (note 1(s)), and the net defined benefit liability (note 1(t)), and they are presented in Canadian dollars ("CAN dollars"), which is the currency of the primary economic environment in which the Corporation operates ("functional currency").

(b) Change in accounting estimates

In the second quarter of 2015, the Corporation changed its assessment of the useful life of its spectrum licences used in its operations. In light of recent spectrum auctions and developments in the telecommunication industry, the Corporation is now of the view that these spectrum licences have an indefinite useful life based on the following facts:

- The Corporation intends to renew the spectrum licences and believes that they are likely to be renewed by Innovation, Science and Economic Development ("ISED") Canada;
- The Corporation has the financial and operational ability to renew these spectrum licences;
- Currently, the competitive, legal and regulatory landscape does not limit the useful lives of the spectrum licences;
- The Corporation foresees no limit to the period during which these licences can be expected to generate cash flows in the future.

Accordingly, the Corporation ceased to amortize spectrum licences used in its operations as of April 1, 2015 and no amortization expense has been recorded after this date. The straight-line amortization expense recorded relating to these licences was $13.9 million in 2015 and $55.4 million in 2014.

(c) Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries. Intercompany transactions and balances are eliminated on consolidation.

A subsidiary is an entity controlled by the Corporation. Control is achieved when the Corporation is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Non-controlling interests in the net assets and results of consolidated subsidiaries are identified separately from the parent corporation's ownership interest in them. Non-controlling interests in the equity of a subsidiary consist of the amount of non-controlling interests calculated at the date of the original business combination and their share of changes in equity since that date. Changes in non-controlling interests in a subsidiary that do not result in a loss of control by the Corporation are accounted for as equity transactions.

(d) Business combinations

A business combination is accounted for by the acquisition method. The cost of an acquisition is measured at the fair value of the consideration given in exchange for control of the business acquired at the acquisition date. This consideration can be comprised of cash, assets transferred, financial instruments issued, or future contingent payments. The identifiable assets and liabilities of the business acquired are recognized at their fair value at the acquisition date. Results of operations of a business acquired are included in the Corporation's consolidated financial statements from the date of the business acquisition. Business acquisition and integration costs are expensed as incurred and included as other items in the consolidated statements of income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Business combinations (continued)

Non-controlling interests in an entity acquired are presented in the consolidated balance sheets within equity, separately from the equity attributable to the shareholder and are initially measured at fair value.

(e) Foreign currency translation

Foreign currency transactions are translated to the functional currency by applying the exchange rate prevailing at the date of the transactions. Translation gains and losses on assets and liabilities denominated in a foreign currency are included in financial expenses, or in gain or loss on valuation and translation of financial instruments, unless hedge accounting is used.

(f) Revenue recognition

The Corporation recognizes operating revenues when the following criteria are met:

- the amount of revenue can be measured reliably;
- the receipt of economic benefits associated with the transaction is probable;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably;
- the stage of completion can be measured reliably where services have been rendered; and
- significant risks and rewards of ownership, including effective control, have been transferred to the buyer where goods have been sold.

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

The Corporation provides services under arrangements with multiple deliverables, for which there are two separate accounting units: one for subscriber services (cable television, Internet access, cable or mobile telephony and over-the-top video, including connection costs and rental of equipment); the other for equipment sales to subscribers. Components of multiple deliverable arrangements are separately accounted for, provided the delivered elements have stand-alone value to the customer and the fair value of any undelivered elements can be objectively and reliably determined. Arrangement consideration is allocated among the separate accounting units based on their relative fair values.

The Corporation recognizes revenues for each of its main activities as follows:

- Operating revenues from subscriber services such as cable television, Internet access, cable and mobile telephony and over-the-top video are recognized when services are provided. Promotional offers and rebates are accounted for as a reduction in the service revenue to which they relate;
- Revenues from equipment sales to subscribers and their costs are recognized in income when the equipment is delivered. Promotional offers related to equipment, with the exclusion of mobile devices, are accounted for as a reduction in related equipment sales on delivery, while promotional offers related to the sale of mobile devices are accounted for as a reduction in related equipment sales on activation;
- Operating revenues related to service contracts are recognized in income over the life of the specific contracts on a straight-line basis over the period in which the services are provided;
- Cable connection revenues are deferred and recognized as revenues over the estimated average period that subscribers are expected to remain connected to the network. The incremental and direct costs related to cable connection costs, in an amount not exceeding the revenue, are deferred and recognized as an operating expense over the same period. The excess of those costs over the related revenues is recognized immediately in income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment of assets

For the purposes of assessing impairment, assets are grouped in cash-generating units ("CGUs"), which represent the lowest levels for which there are separately identifiable cash inflows generated by those assets. The Corporation reviews at each balance sheet date whether events or circumstances have occurred to indicate that the carrying amounts of its long-lived assets with finite useful lives may be less than their recoverable amounts. Goodwill, other intangible assets having an indefinite useful life, and intangible assets not yet available for use are tested for impairment each financial year, as well as whenever there is an indication that the carrying amount of the asset, or the CGU to which an asset has been allocated, exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal and the value in use of the asset or the CGU. Fair value less costs of disposal represents the amount an entity could obtain at the valuation date from the asset's disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. The value in use represents the present value of the future cash flows expected to be derived from the asset or the CGU.

An impairment loss is recognized in the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount. When the recoverable amount of a CGU to which goodwill has been allocated is lower than the CGU's carrying amount, the related goodwill is first impaired. Any excess amount of impairment is recognized and attributed to assets in the CGU, prorated to the carrying amount of each asset in the CGU.

An impairment loss recognized in prior periods for long-lived assets with finite useful lives and intangible assets having an indefinite useful life, other than goodwill, can be reversed through the consolidated statement of income to the extent that the resulting carrying value does not exceed the carrying value that would have been the result if no impairment loss had previously been recognized.

(h) Income taxes

Current income taxes are recognized with respect to amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in income in the period that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be subsequently reduced, if necessary, to an amount that is more likely than not to be realized. A deferred tax expense or benefit is recognized in other comprehensive income or otherwise directly in equity to the extent that it relates to items that are recognized in other comprehensive income or directly in equity in the same or a different period.

In the course of the Corporation's operations, there are a number of uncertain tax positions due to the complexity of certain transactions and due to the fact that related tax interpretations and legislation are continually changing. When a tax position is uncertain, the Corporation recognizes an income tax benefit or reduces an income tax liability only when it is probable that the tax benefit will be realized in the future or that the income tax liability is no longer probable.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leases

Assets under leasing agreements are classified at the inception of the lease as (i) finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee, or as (ii) operating leases for all other leases.

Operating lease rentals are recognized in the consolidated statement of income on a straight-line basis over the period of the lease. Any lessee incentives are deferred and then recognized evenly over the lease term.

(j) Financial instruments

Classification, recognition and measurement

Financial instruments are classified as held-for-trading, available-for-sale, loans and receivables, or as other financial liabilities, and measurement in subsequent periods depends on their classification. The Corporation has classified its financial instruments (except derivative financial instruments) as follows:

Held-for-trading	Loans and receivables	Other liabilities
• Cash and cash equivalents	• Accounts receivable	• Accounts payable and accrued charges
• Bank indebtedness	• Amounts receivable from affiliated corporations	• Amounts payable to affiliated corporations
	• Investments	• Long-term debt
		• Subordinated loan from parent corporation
		• Other long-term financial liabilities included in “Other liabilities”

Financial instruments held-for-trading are measured at fair value with changes recognized in income as a gain or loss on valuation and translation of financial instruments. Financial assets classified as loans and receivables and financial liabilities classified as Other liabilities are initially measured at fair value and subsequently measured at amortized cost, using the effective interest rate method of amortization.

Derivative financial instruments and hedge accounting

The Corporation uses various derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates and interest rates. The Corporation does not hold or use any derivative financial instruments for speculative purposes. Under hedge accounting, the Corporation documents all hedging relationships between hedging items and hedged items, as well as its strategy for using hedges and its risk-management objective. It also designates its derivative financial instruments as either fair value hedges or cash flow hedges when they qualify for hedge accounting. The Corporation assesses the effectiveness of derivative financial instruments when the hedge is put in place and on an ongoing basis.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial instruments (continued)

The Corporation generally enters into the following types of derivative financial instruments:

- The Corporation uses foreign exchange forward contracts to hedge foreign currency rate exposure on anticipated equipment or inventory purchases in a foreign currency. The Corporation also uses offsetting foreign exchange forward contracts in combination with cross-currency interest rate swaps to hedge foreign currency rate exposure on interest and principal payments on foreign currency denominated debt. These foreign exchange forward contracts are designated as cash flow hedges.
- The Corporation uses cross-currency interest rate swaps to hedge (i) foreign currency rate exposure on interest and principal payments on foreign currency denominated debt and/or (ii) fair value exposure on certain debt resulting from changes in interest rates. The cross-currency interest rate swaps that set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting an interest rate from a floating rate to a floating rate or from a fixed rate to a fixed rate, are designated as cash flow hedges. The cross-currency interest rate swaps are designated as fair value hedges when they set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting the interest rate from a fixed rate to a floating rate.

Under hedge accounting, the Corporation applies the following accounting policies:

- For derivative financial instruments designated as fair value hedges, changes in the fair value of the hedging derivative recorded in income are substantially offset by changes in the fair value of the hedged item to the extent that the hedging relationship is effective. When a fair value hedge is discontinued, the carrying value of the hedged item is no longer adjusted and the cumulative fair value adjustments to the carrying value of the hedged item are amortized to income over the remaining term of the original hedging relationship.
- For derivative financial instruments designated as cash flow hedges, the effective portion of a hedge is reported in other comprehensive income until it is recognized in income during the same period in which the hedged item affects income, while the ineffective portion is immediately recognized in income. When a cash flow hedge is discontinued, the amounts previously recognized in accumulated other comprehensive income are reclassified to income when the variability in the cash flows of the hedged item affects income.

Any change in the fair value of derivative financial instruments recorded in income is included in gain or loss on valuation and translation of financial instruments. Interest expense on hedged long-term debt is reported at the hedged interest and foreign currency rates.

Derivative financial instruments that do not qualify for hedge accounting, including derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts, such as early settlement options on long-term debt, are reported on a fair value basis in the consolidated balance sheets. Any change in the fair value of these derivative financial instruments is recorded in the consolidated statements of income as a gain or loss on valuation and translation of financial instruments.

Early settlement options are accounted for separately from the debt when the corresponding option exercise price is not approximately equal to the amortized cost of the debt.

(k) Financing fees

Financing fees related to long-term debt are capitalized in reduction of long-term debt and amortized using the effective interest rate method.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Tax credits and government assistance

The Corporation receives tax credits mainly related to its research and development 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.

(m) Cash and cash equivalents

Cash and cash equivalents include highly liquid investments purchased three months or less from maturity and are recorded at fair value.

(n) Trade receivables

Trade receivables are stated at their nominal value, less an allowance for doubtful accounts. The Corporation establishes an allowance for doubtful accounts based on the specific credit risk of its customers and historical trends. Individual accounts receivables are written off when management deems them not collectible.

(o) Inventories

Inventories are valued at the lower of cost, determined by 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.

(p) Fixed assets

Fixed assets are stated at cost. Cost represents the acquisition costs, net of government grants and investment tax credits, or construction costs, including preparation, installation and testing costs. In the case of projects to construct cable and mobile networks, the cost includes equipment, direct labour and related overhead costs. Projects under development may also be comprised of advance payments made to suppliers for equipment under construction.

Borrowing costs are also included in the cost of fixed assets during the development phase. Expenditures such as maintenance and repairs are expensed as incurred.

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Assets	Estimated useful life
Buildings and their components	12 to 40 years
Furniture and equipment	3 to 7 years
Receiving, distribution and telecommunication networks	3 to 20 years
Customer equipment	3 to 5 years

Depreciation methods, residual values, and the useful lives of significant fixed assets are reviewed at least once a year. Any change is accounted for prospectively as a change in accounting estimate.

Leasehold improvements are depreciated over the shorter of the term of the lease and their estimated useful life.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Fixed assets (continued)

The Corporation does not record any decommissioning obligations in connection with its cable distribution networks. The Corporation expects to renew all of its agreements with utility companies to access their support structures in the future, making the retirement date so far into the future that the present value of the restoration costs is insignificant for those assets. A decommissioning obligation is however recorded for the rental of sites related to the mobile network.

The Corporation is engaged in an agreement to operate a shared LTE network in the Province of Québec and in the Ottawa region.

(q) Goodwill and intangible assets

Goodwill

Goodwill initially arising from a business acquisition is measured and recognized as the excess of the fair value of the consideration paid over the fair value of the recognized identifiable assets acquired and liabilities assumed. When the Corporation acquires less than 100% of the equity interests in the business acquired at the acquisition date, goodwill attributable to the non-controlling interests is also recognized at fair value.

Goodwill is allocated as at the date of a business acquisition to a CGU for purposes of impairment testing (note 1(g)). The allocation is made to the CGU or group of CGUs expected to benefit from the synergies of the business acquisition.

Intangible assets

Spectrum licences are recorded at cost. Spectrum licences have an indefinite useful life and are not amortized based on the following facts: (i) the Corporation intends to renew the spectrum licences and believes that they are likely to be renewed by ISED Canada, (ii) the Corporation has the financial and operational ability to renew these spectrum licences, (iii) currently, the competitive, legal and regulatory landscape does not limit the useful lives of the spectrum licences, and (iv) the Corporation foresees no limit to the period during which these licences can be expected to generate cash flows in the future (note 1 (b)).

Software is recorded at cost. In particular, internally generated intangible assets such as software and website development are mainly comprised of internal costs in connection with the development of those assets to be used internally or to provide services to customers. These costs are capitalized when the development stage of the software application begins and costs incurred prior to that stage are recognized as expenses.

Customer relationships and trademarks acquired through a business acquisition are recorded at fair value at the date of acquisition. Trademarks have an indefinite useful life and are not amortized.

Borrowing costs directly attributable to the acquisition, development or production of an intangible asset are also included as part of the cost of that asset during the development phase.

Intangible assets with finite useful lives are amortized over their useful lives using the straight-line method over the following periods:

Assets	Estimated useful life
Software, licences and other intangible assets	3 to 7 years
Customer relationships and other	5 to 8 years

Amortization methods, residual values, and the useful lives of significant intangible assets are reviewed at least once a year. Any change is accounted for prospectively as a change in accounting estimate.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Provisions

Provisions are recognized when (i) the Corporation has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and when (ii) the amount of the obligation can be reliably estimated. Restructuring costs, comprised primarily of termination benefits, are recognized when a detailed plan for the restructuring exists and a valid expectation has been raised in those affected, that the plan will be carried out.

Provisions are reviewed at each balance sheet date and changes in estimates are reflected in the consolidated statement of income in the reporting period in which changes occur.

(s) Stock-based compensation

Stock-based awards to employees that call for settlement in cash, as deferred share units (“DSUs”) and performance share units (“PSUs”), or that call for settlement in cash at the option of the employee, as stock options awards, are accounted for at fair value and classified as a liability. The compensation cost is recognized in expenses over the vesting period. Changes in the fair value of stock-based awards between the grant date and the measurement date result in a change in the liability and compensation cost.

The fair value of DSUs and PSUs is based on the underlying share price at the date of valuation. The fair value of stock option awards is determined by applying an option pricing model, taking into account the terms and conditions of the grant. Key assumptions are described in note 21.

(t) Pension plans and postretirement benefits

The Corporation offers defined contribution pension plans and defined benefit pension plans to some of its employees.

(i) Defined contribution pension plans

Under its defined contribution pension plans, the Corporation pays fixed contributions to participating employees’ pension plans and has no legal or constructive obligation to pay any further amounts. Obligations for contributions to defined contribution pension plans are recognized as employee benefits in the consolidated statements of income when the contributions become due.

(ii) Defined benefit pension plans and postretirement plans

Defined benefit pension plan costs are determined using actuarial methods and are accounted for using the projected unit credit method, which incorporates management’s best estimates of future salary levels, other cost escalations, retirement ages of employees, and other actuarial factors. Defined benefit pension costs recognized in the consolidated statements of income as employee costs, mainly include the following:

- service costs provided in exchange for employee services rendered during the period;
- prior service costs recognized at the earlier of (a) when the employee benefit plan is amended or (b) when restructuring costs are recognized;
- curtailment or settlement gain or loss.

Interest on net defined benefit liability or asset recognized in the consolidated statements of income, as financial expenses, is determined by multiplying the net defined benefit liability or asset by the discount rate used to determine the defined benefit obligation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Pension plans and postretirement benefits (continued)

(ii) Defined benefit pension plans and postretirement plans (continued)

Re-measurements of the net defined benefit liability or asset are recognized immediately in other comprehensive loss and in accumulated other comprehensive loss. Re-measurements are comprised of the following:

- actuarial gains and losses arising from changes in financial and demographic actuarial assumptions used to determine the defined benefit obligation or from experience adjustments on liabilities;
- the difference between actual return on plan assets and interest income on plan assets anticipated as part of the interest on net defined benefit liability or asset calculation;
- changes in the net benefit asset limit or in the minimum funding liability.

Recognition of a net benefit asset is limited under certain circumstances to the amount recoverable, which is primarily based on the present value of future contributions to the plan, to the extent that the Corporation can unilaterally reduce those future contributions. In addition, an adjustment to the net benefit asset or the net benefit liability can be recorded to reflect a minimum funding liability in a certain number of the Corporation's pension plans.

The Corporation also offers discounts on telecommunication services and health and life insurance plans to some of its retired employees. The cost of postretirement benefits is determined using an accounting methodology similar to that for defined benefit pension plans. The benefits related to these plans are funded by the Corporation as they become due.

(u) Use of estimates and judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities, related amounts of revenues and expenses, and disclosure of contingent assets and liabilities. Although these estimates are based on management's best judgment and information available at the time of the assessment date, actual results could differ from those estimates.

The following significant areas represent management's most difficult, subjective or complex estimates:

(i) Recoverable amount of an asset or a CGU

When an impairment test is performed on an asset or a CGU, management estimates the recoverable amount of the asset or CGU based on its fair value less costs of disposal or its value in use. These estimates are based on valuation models requiring the use of a number of assumptions such as forecasts of future cash flows, pre-tax discount rate (WACC) and perpetual growth rate. These assumptions have a significant impact on the results of impairment tests and on the impairment charge, as the case may be, recorded in the consolidated statements of income. A description of key assumptions used in the goodwill impairment tests and a sensitivity analysis of recoverable amounts are presented in note 14.

(ii) Fair value of derivative financial instruments, including embedded derivatives

Derivative financial instruments must be accounted for at their fair value, which is estimated using valuation models based on a number of assumptions such as future cash flows, period-end swap rates, foreign exchange rates, and credit default premium. Also, the fair value of embedded derivatives related to early settlement options on debt is determined with option pricing models using market inputs, including volatility, discount factors and the underlying instrument's adjusted implicit interest rate and credit premium. The assumptions used in the valuation models have a significant impact on the gain or loss on valuation and translation of financial instruments recorded in the consolidated statements of income, the gain or loss on valuation of financial instruments recorded in the consolidated statements of comprehensive income, and the carrying value of derivative financial instruments in the consolidated balance sheets. A description of valuation models used and sensitivity analysis on key assumptions are presented in note 25.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Use of estimates and judgments (continued)

(iii) Costs and obligations related to pension and postretirement benefit plans

Estimates of costs and obligations related to pension and postretirement benefit obligations are based on a number of assumptions, such as the discount rate, the rate of increase in compensation, the retirement age of employees, health care costs, and other actuarial factors. Certain of these assumptions may have a significant impact on employee costs and financial expenses recorded in the consolidated statements of income, the re-measurement gain or loss on defined benefit plans recorded in the consolidated statements of comprehensive income, and on the carrying value of other assets or other liabilities in the consolidated balance sheets. Key assumptions and a sensitivity analysis on the discount rate are presented in note 27.

(iv) Provisions

The recognition of provisions requires management to estimate expenditures required to settle a present obligation or to transfer it to a third party at the date of assessment. More specifically, an assessment of the probable outcomes of legal proceedings or other contingencies is also required. A description of the main provisions, including management expectations on the potential effect on the consolidated financial statements of the possible outcomes of legal disputes, is presented in note 17.

The following areas represent management's most significant judgments, apart from those involving estimates:

(i) Useful life periods for the depreciation and amortization of assets with finite useful lives

For each class of assets with finite useful lives, management has to determine over which period the Corporation will consume the assets' future economic benefits. The determination of a useful life period involves judgment and has an impact on the depreciation and amortization charge recorded in the consolidated statements of income.

(ii) Indefinite useful life of spectrum licences

Management has concluded that spectrum licences have an indefinite useful life. This conclusion was based on an analysis of factors, such as the Corporation's financial ability to renew the spectrum licences, the competitive, legal and regulatory landscape, and the future expectation regarding the use of the spectrum licences. Therefore, the determination that spectrum licences have an indefinite useful life involves judgment, which could have an impact on the amortization charge recorded in the consolidated statements of income if management changed its conclusion in the future as it did in 2015 (note 1 (b)).

(iii) CGU's determination for the purpose of impairment tests

The determination of CGUs requires judgment when determining the lowest level for which there are separately identifiable cash inflows generated by the group of assets. In identifying assets to group in CGUs, the Corporation considers, among other factors, offering bundled services, sharing telecommunication network infrastructure, similarity on exposure to market risk, and materiality. The determination of CGUs could affect the results of impairment tests and, as the case may be, the impairment charge recorded in the consolidated statements of income.

(iv) Determination if early settlement options are not closely related to their debt contract

Early settlement options are not considered closely related to their debt contract when the corresponding option exercise price is not approximately equal to the amortized cost of the debt. Judgment is therefore required to determine if an option exercise price is not approximately equal to the amortized cost of the debt. This determination may have a significant impact on the amount of gains or losses on valuation and translation of financial instruments recorded in the consolidated statements of income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Use of estimates and judgments (continued)

(v) Interpretation of laws and regulations

Interpretation of laws and regulation, including tax regulations, requires judgment from management that could have an impact on the recognition of provisions for legal litigation and income taxes in the consolidated financial statements.

(v) Recent accounting pronouncements

(i) IFRS 9 – *Financial Instruments* is required to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 9 simplifies the measurement and classification of financial assets by reducing the number of measurement categories in IAS 39, Financial Instruments: Recognition and Measurement. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement, as well as for a new hedge accounting model more closely aligned with risk-management activities undertaken by entities.

The Corporation does not expect its consolidated financial statements to be materially impacted by the adoption of IFRS 9.

(ii) IFRS 15 – *Revenue from Contracts with Customers* is required to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 15 specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative disclosures. The standard provides a single, principles-based, five-step model to be applied to all contracts with customers.

The Corporation expects that the adoption of IFRS 15 will have significant impacts on its consolidated financial statements with regards to the timing in the recognition of its revenues, the classification of its revenues, as well as the capitalization of costs to obtain a contract and of certain other costs.

Under IFRS 15, the total consideration from a contract with multiple deliverables will need to be allocated to all performance obligations in the contract based on the stand-alone selling price of each obligation, without being limited to a non-contingent amount. The Corporation provides mobile services under contracts with multiple deliverables. Among other impacts, the adoption of IFRS 15 will result in an increase in the revenue from the device sale and in a decrease in the mobile service revenue recognized over the contract term. The timing of the recognition of revenues will therefore change under IFRS 15. However, the total revenue recognized over a contract term relating to all performance obligations within the contract will remain the same.

In addition, under IFRS 15, certain costs to obtain a contract will be capitalized and amortized as operating expenses over the contract term or over the period of time the customer is expected to remain a customer of the Corporation. Currently, such costs are expensed as incurred. Also, the capitalization of connection costs will no longer be limited to the related connection revenues.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Recent accounting pronouncements (continued)

(iii) IFRS 16 – *Leases* is required to be applied retrospectively for annual periods beginning on or after January 1, 2019, with early adoption permitted provided that IFRS 15 is applied at the same time as IFRS 16.

IFRS 16 sets out new principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard provides lessees with a single accounting model for all leases, with certain exemptions. In particular, lessees will be required to report most leases on their balance sheets by recognizing right-of-use assets and related financial liabilities.

The Corporation expects that the adoption of IFRS 16 will have significant impacts on its consolidated financial statements since the Corporation is engaged in various long-term leases on premises and equipment.

Under IFRS 16, most lease charges will be expensed as an asset amortization charge, along with a financial charge on the asset related financial liabilities. As operating lease charges are currently recognized as operating expenses as they are incurred, the adoption of IFRS 16 will change the timing of the recognition of these lease charges over the term of each lease. It will also affect the classification of expenses in the statement of income.

(tabular amounts in thousands of Canadian dollars, except for option data)

2. EMPLOYEE COSTS AND PURCHASE OF GOODS AND SERVICES

The main components are as follows:

	2016	2015	2014
Employee costs	**$ 557,468**	$ 527,549	$ 495,906
Less employee costs capitalized to fixed assets and to intangible assets	**(180,711)**	(171,046)	(153,507)
	376,757	356,503	342,399
Purchase of goods and services			
Royalties and rights	**427,951**	435,740	413,922
Cost of retail products	**303,130**	243,224	193,421
Subcontracting costs	**111,174**	117,973	115,778
Marketing and distribution expenses	**64,731**	63,062	61,097
Other	**413,582**	399,180	351,837
	1,320,568	1,259,179	1,136,055
	$1,697,325	$1,615,682	$1,478,454

3. FINANCIAL EXPENSES

	2016	2015	2014
Third parties :			
Interest on long-term debt	**$ 154,781**	$ 155,036	$ 169,274
Amortization of financing costs and long-term debt discount	**3,904**	4,008	4,650
Loss on foreign currency translation on short-term monetary items	**345**	6,593	3,568
Other	**989**	1,948	(3,751)
	160,019	167,585	173,741
Affiliated corporations and parent corporation :			
Interest expense (net of interest income)	**202,556**	213,189	218,587
Dividend income (net of dividend expense)	**(204,536)**	(216,257)	(224,194)
	(1,980)	(3,068)	(5,607)
Interest on net defined benefit liability	**3,413**	2,912	1,043
	$ 161,452	$ 167,429	$ 169,177

(tabular amounts in thousands of Canadian dollars, except for option data)

4. LOSS ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

	2016	2015	2014
Loss (gain) on the ineffective portion of fair value hedges	**$1,988**	$(3,466)	$(3,213)
(Gain) loss on embedded derivatives related to long-term debt	**(106)**	3,583	4,913
Loss (gain) on reversal of embedded derivatives on debt redemption	**244**	(336)	(611)
Loss on derivative financial instruments for which hedge accounting is not used	**—**	—	3,078
Loss (gain) on the ineffective portion of cash flow hedges	**—**	737	(737)
	$2,126	$ 518	$ 3,430

5. LOSS ON DEBT REFINANCING

2016

On December 2, 2016, the Corporation issued a notice for the redemption of an aggregate principal amount of $175.0 million of its issued and outstanding 6.875% Senior Notes due July 15, 2021, at a redemption price of 103.438% of their principal amount. On January 5, 2017, the Senior Notes were redeemed for a cash consideration of $181.0 million. This transaction resulted in a loss of $7.3 million in 2016.

2015

- On April 10, 2015, the Corporation redeemed all of its issued and outstanding 6.375% Senior Notes due December 15, 2015, in aggregate principal amount of US$175.0 million and the related hedging contracts were unwound for a total cash consideration of $204.5 million.
- On July 16, 2015, the Corporation redeemed all of its issued and outstanding 9.125% Senior Notes due April 15, 2018, in aggregate principal amount of US$75.0 million and the related hedging contracts were unwound for a total cash consideration of $75.9 million.
- On July 16, 2015, the Corporation redeemed all of its issued and outstanding 7.125% Senior Notes due January 15, 2020, in aggregate principal amount of $300.0 million for a total cash consideration of $310.7 million.

These transactions resulted in a total loss of $12.2 million in 2015, net of a gain of $3.9 million previously reported in other comprehensive income.

2014

In April 2014, the Corporation redeemed US$260.0 million in aggregate principal amount of its issued and outstanding 9.125% Senior Notes due April 15, 2018 for a total cash consideration of $295.4 million. This transaction resulted in a total loss of $21.4 million (before income taxes), net of a loss of $1.6 million previously reported in other comprehensive income.

(tabular amounts in thousands of Canadian dollars, except for option data)

6. RESTRUCTURING OF OPERATIONS, LITIGATION AND OTHER ITEMS

	2016	2015	2014
Restructuring of operations	**$14,194**	$ 6,181	$ 1,725
Litigation	**1,096**	(137,396)	34,323
Other	**590**	1,478	3,397
	$15,880	$(129,737)	$39,445

Restructuring of operations

In 2016, the Corporation recorded a charge for restructuring costs of $14.2 million ($6.2 million in 2015 and $1.7 million in 2014). Restructuring costs in 2016 and 2015 related to various cost reduction initiatives across the organization, mainly labor force downsizing and the migration of subscribers from analog to digital services.

Litigation

On March 6, 2015, the Québec Court of Appeal ruled in favour of the Corporation and TVA Group Inc., an affiliated corporation, and ordered Bell ExpressVu Limited Partnership ("Bell ExpressVu"), a subsidiary of Bell Canada, to pay to the Corporation $135.3 million, including interest, for negligence in failing to implement an appropriate security system to prevent piracy of the signals broadcast by its satellite television service between 1999 and 2005, thereby harming its competitors and broadcasters. On October 15, 2015, the Supreme Court of Canada rejected Bell ExpressVu's application for leave to appeal the judgment. The related gain of $138.4 million was recorded in 2015.

Also, in 2014, a charge of $34.3 million, including interest, was accounted for as a result of an unfavorable judgment against the Corporation in a legal action. The Corporation is currently appealing this judgment and $1.1 million in interest relating to this litigation was recorded in 2016 ($1.0 million in 2015).

(tabular amounts in thousands of Canadian dollars, except for option data)

7. INCOME TAXES

The following table reconciles income taxes at the Corporation's domestic statutory tax rate of 26.9% in 2016, 2015 and 2014, and income taxes in the consolidated statements of income:

	2016	2015	2014
Income taxes at domestic statutory tax rate	**$178,655**	$190,067	$138,125
(Reduction) increase resulting from:			
Effect of non-deductible charges and non-taxable income	**(19)**	3,060	9,932
Change in benefit arising from the recognition of current and prior year tax losses	**(491)**	2,179	1,661
Change in deferred tax balances due to a change in substantively enacted tax rates	**(6,376)**	—	—
Effect of tax consolidation transactions with the parent corporation and affiliated corporations	**(55,020)**	(58,173)	(60,308)
Other[1]	**161**	(16,468)	3,873
Income taxes	**$116,910**	$120,665	$ 93,283

[1] Includes in 2015 a decrease of $16.1 million in income tax liability resulting from developments in tax audit matters, jurisprudence and tax legislation.

The significant items comprising the Corporation's net deferred income tax liability and their impact on the deferred income tax expense are as follows:

	Consolidated balance sheets		Consolidated income statements		
	2016	2015	**2016**	2015	2014
Accounts payable, accrued charges and provisions	**$ 11,655**	$ 10,290	**$ 1,365**	$ 5,342	$ 1,132
Defined benefit plans	**17,398**	17,182	**1,548**	1,085	(1,468)
Fixed assets	**(399,022)**	(385,191)	**(10,049)**	(2,758)	(13,085)
Goodwill and intangible assets	**(126,900)**	(99,746)	**(23,440)**	(47,477)	4,675
Benefits from a general partnership	**(574)**	(67,618)	**67,044**	(11,108)	30,860
Long-term debt and derivative financial instruments	**(25,489)**	(32,610)	**(424)**	(13,908)	(9,034)
Other	**(2,603)**	(3,625)	**1,022**	2,571	1,476
	$(525,535)	$(561,318)	**$ 37,066**	$(66,253)	$ 14,556

(tabular amounts in thousands of Canadian dollars, except for option data)

7. INCOME TAXES (continued)

Changes in the net deferred income tax liability are as follows:

	2016	2015
Balance at beginning of year	**$(561,318)**	$(476,317)
Recognized in income	**37,066**	(66,253)
Recognized in other comprehensive income	**6,213**	(18,381)
Business acquisition (note 9)	**(7,496)**	(367)
Balance at end of year	**$(525,535)**	$(561,318)

There are no income tax consequences attached to the payment of dividends or distributions in 2016, 2015 or 2014 by the Corporation to its shareholder.

8. BUSINESS DISPOSAL

In 2015, the Corporation received an amount of $7.8 million from its parent corporation in connection with the 2013 sale of Web sites *Jobboom* and *Réseau Contact*.

9. BUSINESS ACQUISITIONS

2016

On January 7, 2016, the Corporation acquired Fibrenoire inc., a company that provides businesses with fibre-optic connectivity services, for a purchase price of $125.0 million. At closing, the Corporation paid an amount of $119.1 million, net of cash acquired of $1.8 million. A post-closing adjustment of $0.2 million was received in the second quarter of 2016. The purchase balance was paid in February 2017 for an amount of $5.9 million, including interests. Goodwill arising from this acquisition reflects anticipated synergies and future growth potential.

2015

On March 11, 2015, the Corporation acquired 4Degrees Colocation Inc. ("4Degrees Colocation") and its data center, the largest in Québec City, for a purchase price of $35.5 million in cash. A post-closing adjustment of $0.2 million was received in the second quarter of 2015. The acquisition enables the Corporation to meet its business customers' growing technological and hosting needs. Goodwill arising from this acquisition reflects 4Degrees Colocation's expertise and future growth potential.

(tabular amounts in thousands of Canadian dollars, except for option data)

9. BUSINESS ACQUISITIONS (continued)

The purchase price allocation between the fair value of identifiable assets and liabilities related to business acquisitions in 2016 and 2015 is summarized as follows:

	2016	2015
Assets acquired		
Non-cash current assets	**$ 5,387**	$ 130
Property, plant and equipment	**32,679**	11,181
Intangible assets	**15,574**	5,074
Goodwill	**87,068**	19,612
Other assets	**42**	—
	140,750	35,997
Liabilities assumed		
Non-cash current liabilities	**(3,112)**	(463)
Deferred income taxes	**(7,496)**	(367)
Other long-term liabilities	**(5,643)**	—
	(16,251)	(830)
Net assets acquired at fair value	**$124,499**	$35,167
Consideration		
Cash	**$118,946**	$35,167
Balance payable	**5,553**	—
	$124,499	$35,167

The pro forma revenues and net income in 2016 and 2015 would not have been significantly different than the actual figures if all business acquisitions had occurred at the beginning of the year.

The goodwill that was recorded is not deductible for tax purposes.

10. INVENTORIES

	2016	2015
Customer equipment	**$66,402**	$ 95,563
Network materials	**19,662**	18,643
	$86,064	$114,206

Cost of inventories included in purchase of goods and services amounted to $258.7 million in 2016 ($205.7 million in 2015 and $165.6 million in 2014). Write-downs of inventories totalling $3.0 million were recognized in purchase of goods and services in 2016 ($1.5 million in 2015 and $1.4 million in 2014).

(tabular amounts in thousands of Canadian dollars, except for option data)

11. INVESTMENTS AND SUBORDINATED LOAN FROM PARENT CORPORATION

	2016	2015
Subordinated loan – Quebecor Media Inc.	$—	$2,090,000

On October 28, 2014, 9101-0835 Québec Inc. redeemed 1,200,000 preferred shares, Series B, for a total cash consideration of $1.2 billion, and settled cumulative unpaid dividends of $46.4 million. On the same day, the Corporation used the total proceeds of $1.2 billion to repay part of its subordinated loan contracted from Quebecor Media Inc.

On February 5, 2015, the Corporation contracted a subordinated loan of $1.01 billion from Quebecor Media Inc., bearing interest at a rate of 10.75%, payable every six months on June 20 and December 20, and maturing on February 5, 2045. On the same day, the Corporation invested the total proceeds of $1.01 billion into 1,010,000 preferred shares, Series B, of 9101-0835 Québec Inc. These shares carry the right to receive an annual dividend of 10.85%, payable semi-annually.

On February 12, 2016, 9101-0835 Québec Inc., a subsidiary of Quebecor Media Inc., redeemed 430,000 preferred shares, Series B, for a total cash consideration of $430.0 million, and settled cumulative unpaid dividends of $6.9 million. On the same day, the Corporation used the total proceeds of $430.0 million to repay part of its subordinated loan contracted from Quebecor Media Inc.

On March 1, 2016, the Corporation contracted a subordinated loan of $625.0 million from Quebecor Media Inc., bearing interest at a rate of 11.5%, payable every six months on June 20 and December 20, and maturing on March 1st, 2046. On the same day, the Corporation invested the total proceeds of $625.0 million into 625,000 preferred shares, Series D, of 9101-0835 Québec Inc., a subsidiary of Quebecor Media Inc. These shares carry the right to receive an annual dividend of 11.6%, payable semi-annually.

On November 1, 2016, 9101-0835 Québec Inc., a subsidiary of Quebecor Media Inc., redeemed 1,660,000 preferred shares, Series B and 625,000 preferred shares, Series D for a total cash consideration of $2.29 billion, and settled cumulative unpaid dividends of $92.7 million. On the same day, the Corporation used the total proceeds of $2.29 billion to repay its subordinated loans contracted from Quebecor Media Inc.

The above transactions were carried out for tax consolidation purposes of Quebecor Media Inc. and its subsidiaries.

(tabular amounts in thousands of Canadian dollars, except for option data)

12. FIXED ASSETS

For the years ended December 31, 2016 and 2015, changes in the net carrying amount of fixed assets are as follows:

	Land and buildings	Furniture and equipment	Receiving and distribution networks	Customer equipment	Projects under development	Total
Cost:						
Balance as of December 31, 2014	$184,685	$ 522,953	$5,102,234	$592,987	$ 26,537	$6,429,396
Additions	20,226	45,650	295,014	124,607	144,579	630,076
Business acquisition (note 9)	9,617	1,564	—	—	—	11,181
Net change in additions financed with accounts payable	—	3	(404)	2,878	(22,838)	(20,361)
Retirement, disposals and other	(280)	(5,009)	(79,917)	(26,112)	(785)	(112,103)
Reclassification	—	5,105	97,974	—	(103,079)	—
Balance as of December 31, 2015	214,248	570,266	5,414,901	694,360	44,414	6,938,189
Additions	53,922	42,197	340,983	117,177	112,419	666,698
Business acquisition (note 9)	462	266	31,951	—	—	32,679
Net change in additions financed with accounts payable	—	10	10,183	(1,791)	(2,334)	6,068
Retirement, disposals and other	(726)	(10,986)	(253,295)	(34,060)	—	(299,067)
Reclassification	—	7,699	66,551	—	(74,250)	—
Balance as of December 31, 2016	**$267,906**	**$ 609,452**	**$5,611,274**	**$775,686**	**$ 80,249**	**$7,344,567**

(tabular amounts in thousands of Canadian dollars, except for option data)

12. FIXED ASSETS (continued)

	Land and buildings	Furniture and equipment	Receiving and distribution networks	Customer equipment	Projects under development	Total
Accumulated depreciation:						
Balance as of December 31, 2014	$ (56,211)	$ (274,631)	$(2,758,638)	$(339,100)	$ —	$(3,428,580)
Depreciation	(4,141)	(65,519)	(347,300)	(128,652)	—	(545,612)
Retirement and disposals	260	3,827	90,025	22,578	—	116,690
Balance as of December 31, 2015	(60,092)	(336,323)	(3,015,913)	(445,174)	—	(3,857,502)
Depreciation	(7,174)	(66,952)	(327,133)	(116,414)	—	(517,673)
Retirement and disposals	486	9,448	252,801	29,756	—	292,491
Balance as of December 31, 2016	**$ (66,780)**	**$ (393,827)**	**$(3,090,245)**	**$(531,832)**	**$ —**	**$(4,082,684)**
Net carrying amount:						
As of December 31, 2015	154,156	233,943	2,398,988	249,186	44,414	3,080,687
As of December 31, 2016	**$201,126**	**$ 215,625**	**$ 2,521,029**	**$ 243,854**	**$ 80,249**	**$ 3,261,883**

(tabular amounts in thousands of Canadian dollars, except for option data)

13. INTANGIBLE ASSETS

For the years ended December 31, 2016 and 2015, changes in the net carrying amount of intangible assets are as follows:

	Spectrum licences[1, 2]	Software, licences and other intangible assets	Projects under development	Total
Cost:				
Balance as of December 31, 2014	$ 787,877	$549,608	$ 2,995	$1,340,480
Additions	219,033	60,005	33,024	312,062
Business acquisition (note 9)	—	5,074	—	5,074
Net change in additions financed with accounts payable	—	16,339	(7,729)	8,610
Retirements and other	—	(6,908)	—	(6,908)
Reclassification	—	7,389	(7,389)	—
Balance as of December 31, 2015	1,006,910	631,507	20,901	1,659,318
Additions	—	99,663	25,819	125,482
Business acquisition (note 9)	—	15,574	—	15,574
Net change in additions financed with accounts payable	—	(5,828)	(2,068)	(7,896)
Retirements and other	—	(2,973)	—	(2,973)
Reclassification and other items	—	26,677	(26,677)	—
Balance as of December 31, 2016	**$1,006,910**	**$764,620**	**$ 17,975**	**$1,789,505**

1 *The Corporation has the option to sell its unused AWS spectrum licence in the Toronto area to Rogers Communications Partnership for a price of $180.0 million, subject to regulatory approvals. The spectrum licence was purchased at a cost of $96.4 million in 2008.*

2 *In 2015, the Corporation acquired four AWS-3 spectrum licences, covering the Province of Québec and the Ottawa region, and eighteen 2500 MHz spectrum licences, covering the Province of Québec, the Ottawa region and the cities of Toronto, Vancouver, Calgary and Edmonton, for a total price of $219.0 million.*

The cost of internally generated intangible assets, mainly composed of software, was $453.0 million as of December 31, 2016 ($396.8 million as of December 31, 2015). For the year ended December 31, 2016, the Corporation recorded additions of internally generated intangible assets of $57.2 million ($25.7 million in 2015 and $54.8 million in 2014).

(tabular amounts in thousands of Canadian dollars, except for option data)

13. INTANGIBLE ASSETS (continued)

	Spectrum licences	Software, licences and other intangible assets	Projects under development	Total
Accumulated amortization:				
Balance as of December 31, 2014	$(233,758)	$(276,137)	$ —	$ (509,895)
Amortization	(13,906)	(65,848)	—	(79,754)
Retirements	—	1,729	—	1,729
Balance as of December 31, 2015	(247,664)	(340,256)	—	(587,920)
Amortization	—	(78,392)	—	(78,392)
Retirements	—	64	—	64
Balance as of December 31, 2016	**$(247,664)**	**$(418,584)**	**$ —**	**$ (666,248)**
Net carrying amount:				
As of December 31, 2015	759,246	291,251	20,901	1,071,398
As of December 31, 2016	**$ 759,246**	**$ 346,036**	**$ 17,975**	**$1,123,257**

The accumulated amortization of internally generated intangible assets, mainly composed of software, was $249.8 million as of December 31, 2016 ($214.4 million as of December 31, 2015). For the year ended December 31, 2016, the Corporation recorded $35.4 million of amortization ($33.6 million in 2015 and $38.8 million in 2014) for its internally generated intangible assets.

The net carrying value of internally generated intangible assets was $203.2 million as of December 31, 2016 ($182.4 million as of December 31, 2015).

The net carrying amount of intangible assets as of December 31, 2016 and 2015 is allocated to the Telecommunications CGU.

(tabular amounts in thousands of Canadian dollars, except for option data)

14. GOODWILL

For the years ended December 31, 2016 and 2015, changes in the net carrying amount of goodwill are as follows:

Cost:	
Balance as of December 31, 2014	$462,563
Business acquisition (note 9)	19,612
Balance as of December 31, 2015	482,175
Business acquisition (note 9)	87,068
Balance as of December 31, 2016	**569,243**
Accumulated amortization:	
Balance as of December 31, 2016 and 2015	**$ (33,311)**
Net carrying amount:	
As of December 31, 2015	448,864
As of December 31, 2016	**$535,932**

The net carrying amount of goodwill as of December 31, 2016 and 2015 is allocated to the Telecommunications CGU.

Recoverable amount

The recoverable amount of the Telecommunications CGU was determined based on the higher of value in use or fair value less costs of disposal with respect to the impairment tests performed. The Corporation uses the discounted cash flow method to estimate the recoverable amount, consisting of future cash flows derived primarily from the most recent budget and three-year strategic plan approved by the Corporation's management and presented to the Board of Directors. These forecasts considered the CGU's past operating performance and market share as well as economic trends, along with specific and market industry trends and corporate strategies. In particular, specific assumptions are used for each type of revenue generated by the CGU or for each nature of expenses as well as for future capital expenditures. Such assumptions will consider, among many other factors, subscribers, competitive landscape, evolution of products and services offerings, wireless penetration growth, technology evolution, bargaining agreements, Canadian GDP rates and operating cost structures.

A perpetual growth rate is used for cash flows beyond the three-year strategic plan period. The discount rate used by the Corporation is a pre-tax rate derived from the weighted average cost of capital pertaining to the CGU, which reflects the current market assessment of (i) the time value of money, and (ii) the risk specific to the assets for which the future cash flow estimates have not been risk-adjusted. The perpetual growth rate was determined with regard to the specific markets in which the CGU participates.

(tabular amounts in thousands of Canadian dollars, except for option data)

14. GOODWILL (continued)

The following key assumptions were used to determine recoverable amounts in the most recent impairment tests performed:

	2016		2015	
CGU groups	**Pre-tax discount rate (WACC)**	**Perpetual growth rate**	Pre-tax discount rate (WACC)	Perpetual growth rate
Telecommunications	**8.5%**	**2.5%**	9.0%	2.5%

Sensitivity of the recoverable amount

An incremental increase in the pre-tax discount rate of 12.0% or an incremental decrease in the perpetual growth rate of 13.5% would have been required in the most recently performed test for the recoverable amount to equal the carrying value of the Telecommunications CGU in 2016.

15. OTHER ASSETS

	2016	2015
Deferred connection costs	**$13,555**	$18,189
Other	**3,309**	3,267
	$16,864	$21,456

16. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	2016	2015
Trade and accruals	**$332,281**	$304,702
Salaries and employee benefits	**85,090**	79,874
Interest payable	**36,728**	36,561
Stock-based compensation	**2,338**	1,632
	$456,437	$422,769

(tabular amounts in thousands of Canadian dollars, except for option data)

17. PROVISIONS AND CONTINGENCIES

Balance as of December 31, 2015	$70,848
Recognized in income	5,608
Payments	(193)
Other	286
Balance as of December 31, 2016	**$76,549**
Current portion	**$60,321**
Non-current portion[1]	**16,228**

[1] *The non-current portion of provisions and contingencies is included in other liabilities (note 19)*

The recognition of provisions, in terms of both timing and amounts, requires the exercise of judgment based on relevant circumstances and events that can be subject to change over time. Provisions are primarily comprised of the following:

Contingencies and legal disputes

There are a number of legal proceedings against the Corporation and its subsidiaries that are pending. In the opinion of the management of the Corporation and its subsidiaries, the outcome of those proceedings is not expected to have a material adverse effect on the Corporation’s results or on its financial position. Management of the Corporation, after taking legal advice, has established provisions for specific claims or actions considering the facts of each case. The Corporation cannot determine when and if any payment will be made related to those provisions.

Other

Other provisions are principally related to decommissioning obligations.

(tabular amounts in thousands of Canadian dollars, except for option data)

18. LONG-TERM DEBT

	Effective interest rate as of December 31, 2016	**2016**	2015
Bank credit facilities (i)	2.08%	**225,521**	273,515
Senior Notes (ii) (note 5)		**2,954,780**	3,012,600
Total long-term debt		**3,180,301**	3,286,115
Change in fair value related to hedged interest rate risk		**8,377**	11,450
Adjustments related to embedded derivatives		**(174)**	(312)
Financing fees, net of amortization		**(25,396)**	(30,611)
		(17,193)	(19,473)
		3,163,108	3,266,642
Less current portion		**(10,714)**	(10,714)
		$3,152,394	$3,255,928

(i) The bank credit facilities provide for a $630.0 million secured revolving credit facility that matures in July 2021, a $335.0 million unsecured revolving credit facility that matures in July 2021 and a $75.0 million secured export financing facility providing for a term loan that matures in June 2018. The revolving credit facilities bear interest at Bankers' acceptance rate, U.S. London Interbank Offered Rate ("LIBOR"), Canadian prime rate or U.S. prime rate, plus a margin, depending on the Corporation's leverage ratio. Advances under the export financing facility bear interest at Bankers' acceptance rate plus a margin. The secured bank credit facilities are secured by a first ranking hypothec on the universality of all tangible and intangible assets, current and future, of the Corporation and most of its wholly owned subsidiaries. As of December 31, 2016, the secured bank credit facilities were secured by assets with a carrying value of $5,804.3 million ($7,646.3 million in 2015). The bank credit facilities contain covenants such as maintaining certain financial ratios, limitations on the Corporation's ability to incur additional indebtedness, pay dividends, or make other distributions. As of December 31, 2016, $209.4 million had been drawn on the secured revolving credit facilities ($246.7 million in 2015), $16.1 million was outstanding on the export financing facility ($26.8 million in 2015) and no amount was drawn on the unsecured revolving credit facility.

(tabular amounts in thousands of Canadian dollars, except for option data)

18. LONG-TERM DEBT (continued)

(ii) The Senior Notes are unsecured and contain certain restrictions on the Corporation, including limitations on its ability to incur additional indebtedness, pay dividends or make other distributions. Some Notes are redeemable at the option of the issuer, in whole or in part, at a price based on a make-whole formula during the first five years of the term of the Notes and at a decreasing premium thereafter, while the remaining Notes are redeemable at a price based on a make-whole formula at any time prior to their maturity. The Notes are guaranteed by specific subsidiaries of the Corporation and, on a non-consolidated basis, the Corporation has no independent assets or operations, the guarantees are full and unconditional and joint and several and any non-guarantor subsidiaries are minor. The following table summarizes terms of the outstanding Senior Notes as of December 31, 2016:

Principal amount	Annual nominal interest rate	Effective interest rate (after discount at issuance)	Maturity date	Interest payable every 6 months on
$300,000	6.875%	6.875%	July 15, 2021	June and December 15
US$800,000	5.000%	5.000%	July 15, 2022	January and July 15
US$600,000[1]	5.375%	5.375%	June 15, 2024	June and December 15
$400,000	5.625%	5.625%	June 15, 2025	April and October 15
$375,000[2]	5.750%	5.750%	January 15, 2026	March and September 15

1 *The Notes were issued in April 2014 for net proceeds of $654.5 million, net of financing fees of $7.8 million.*
2 *The Notes were issued in September 2015 for net proceeds of $370.1 million, net of financing fees of $4.9 million.*

On December 31, 2016, the Corporation and its subsidiaries were in compliance with all debt covenants.

Principal repayments of long-term debt over the coming years are as follows:

2017	$ 10,714
2018	5,358
2019	—
2020	—
2021	509,449
2022 and thereafter	2,654,780

(tabular amounts in thousands of Canadian dollars, except for option data)

19. OTHER LIABILITIES

	Note	2016	2015
Defined benefit plans	27	**$ 71,024**	$ 68,983
Deferred revenue		**19,960**	18,166
Asset retirement obligation	17	**16,228**	15,284
Balance payable on a business acquisition	9	**5,553**	—
Stock-based compensation[1]	21	**1,823**	1,173
Other		**1,024**	966
		$115,612	$104,572

[1] *The current $2.3 million portion of stock-based compensation is included in accounts payable and accrued charges ($1.6 million in 2015) (note 16).*

20. CAPITAL STOCK

(a) Authorized capital stock

An unlimited number of Common Shares, without par value, voting and participating

An unlimited number of Preferred Shares, Series B, Series C, Series D, Series E, Series F, and Series H, without par value, ranking prior to the Common Shares with regards to payment of dividends and repayment of capital, non-voting, non-participating, a fixed monthly non-cumulative dividend of 1%, retractable and redeemable.

An unlimited number of Preferred Shares, Series G, ranking prior to all other shares with regards to payment of dividends and repayment of capital, non-voting, non-participating carrying the rights and restrictions attached to the class as well as a fixed annual cumulative preferred dividend of 11.25%, retractable and redeemable.

(b) Issued and outstanding capital stock

	Common Shares	
	Number	Amount
Balance as of December 31, 2016 and 2015	**172,516,829**	**$132,401**

On June 23, 2015, the Corporation issued 170,000,000 common shares to its parent corporation for a total cash consideration of $170.0 million.

On July 20, 2015 and July 30, 2015, the Corporation reduced its paid-up capital for a cash consideration of $21.0 million and $20.0 million, respectively.

(tabular amounts in thousands of Canadian dollars, except for option data)

21. STOCK-BASED COMPENSATION PLANS

(a) Ultimate parent corporation stock option plan

Under a stock option plan established by the ultimate parent corporation, 13,000,000 Class B Shares of the ultimate parent corporation have been set aside for directors, officers, senior employees, and other key employees of the ultimate parent corporation and its subsidiaries. The exercise price of each option is equal to the weighted average trading price of the ultimate parent corporation's Class B Shares on the Toronto Stock Exchange over the last five trading days immediately preceding the granting of the option. Each option may be exercised during a period not exceeding 10 years from the date granted. Options usually vest as follows: 1/3 after one year, 2/3 after two years, and 100% three years after the original grant. Holders of options under the stock option plan have the choice, when they exercise their options, of acquiring the Class B Shares at the corresponding option exercise price, or receiving a cash payment equivalent to the difference between the market value of the underlying shares and the exercise price of the option. The Board of Directors of the ultimate parent corporation may, at its discretion, affix different vesting periods at the time of each grant.

The following table gives details on changes to outstanding options for the years ended December 31, 2016 and 2015:

	2016		2015	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning and end of year	**50,000**	**$ 25.49**	50,000	$ 25.49
Vested options at end of year	**16,666**	**$ 25.49**	—	$ —

During the year ended December 31, 2016, none of the ultimate parent corporation's stock options were exercised.

The following table gives summary information on outstanding options as of December 31, 2016:

	Outstanding options			Vested options	
Exercise price	Number	Weighted average years to maturity	Weighted average exercise price	Number	Weighted average exercise price
$25.49	50,000	7.22	$ 25.49	16,666	$ 25.49

(tabular amounts in thousands of Canadian dollars, except for option data)

21. STOCK-BASED COMPENSATION PLANS (continued)

(b) Parent corporation stock option plan

Under a stock option plan established by the parent corporation, options have been set aside for officers, senior employees, directors and other key employees of the Corporation. 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 the parent corporation at the date of grant, as determined by its Board of Directors (if the Common Shares of the parent corporation 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 parent corporation on the stock exchange (s) where such shares are listed at the time of grant. As long as the Common Shares of the parent corporation 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 parent corporation on the stock exchange(s) where such shares are listed at the time of exercise or the fair market value of the Common Shares, as determined by the parent corporation's Board of Directors, and the exercise price of their vested options) or, subject to certain stated conditions, exercise their options to purchase Common Shares of the parent corporation at the exercise price. Except under specific circumstances, and unless the Human Resources and Corporate Governance Committee decides otherwise, options vest over a five-year period in accordance with one of the following vesting schedules as determined by the Human Resources and Corporate Governance 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 following table gives details on changes to outstanding options granted as of December 31, 2016 and 2015:

	2016		2015	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**386,611**	**$ 62.34**	241,211	$ 56.20
Transferred	—	—	58,750	55.40
Granted	—	—	145,000	70.56
Exercised	**(94,506)**	**56.84**	(57,150)	50.24
Cancelled	**(6,000)**	**70.56**	(1,200)	57.64
Balance at end of year	**286,105**	**$ 63.98**	386,611	$ 62.34
Vested options at end of year	**29,550**	**$ 59.94**	53,758	$ 56.70

During the year ended December 31, 2016, 94,506 of the Corporation's stock options were exercised for a cash consideration of $1.6 million (57,150 stock options for $1.2 million in 2015).

(tabular amounts in thousands of Canadian dollars, except for option data)

21. STOCK-BASED COMPENSATION PLANS (continued)

(b) Parent corporation stock-based compensation plan (continued)

The following table gives summary information on outstanding options as of December 31, 2016:

	Outstanding options			Vested options	
Range of exercise price	Number	Weighted average years to maturity	Weighted average exercise price	Number	Weighted average exercise price
$44.45 to $63.50	147,105	6.46	$ 57.77	23,950	$ 57.45
$63.51 to $70.56	139,000	8.22	70.56	5,600	70.56
	286,105	**7.31**	**$ 63.98**	**29,550**	**$ 59.94**

(c) Deferred share unit ("DSU") and performance share unit ("PSU") plans

On July 13, 2016, the ultimate parent corporation established a DSU plan and a PSU plan for its employees and those of its subsidiaries. Both plans are based on Quebecor Class B Subordinate Shares ("Quebecor Class B Shares"). The DSUs vest over six years and will be redeemed for cash only upon the participant's retirement or termination of employment, as the case may be. The PSUs vest over three years and will be redeemed for cash at the end of this period subject to the achievement of financial targets. DSUs and PSUs entitle the holders to receive additional units when dividends are paid on Quebecor Class B Shares. No treasury shares will be issued for the purposes of these plans. As of December 31, 2016, 17,125 DSUs and 20,936 PSUs were outstanding under these plans.

(d) Assumptions in estimating the fair value of stock-based awards

The fair value of stock-based awards under the stock option plans of the ultimate parent corporation and parent corporation was estimated using the Black-Scholes option pricing model. The following weighted-average assumptions were used to estimate the fair value of all outstanding stock options under the stock option plans as of December 31, 2016 and 2015:

December 31, 2016	Ultimate parent corporation	Parent corporation
Risk-free interest rate	1.21%	1.13%
Distribution yield	0.48%	1.33%
Expected volatility	19.26%	19.01%
Expected remaining life	3.7 years	3.2 years

December 31, 2015	Ultimate parent corporation	Parent corporation
Risk-free interest rate	0.91%	0.81%
Distribution yield	0.42%	1.50%
Expected volatility	20.46%	19.19%
Expected remaining life	4.7 years	3.8 years

(tabular amounts in thousands of Canadian dollars, except for option data)

21. STOCK-BASED COMPENSATION PLANS (continued)

(d) Assumptions in estimating the fair value of stock-based awards (continued)

Except for the parent corporation, the expected volatility is based on the historical volatility of the underlying share price for a period equivalent to the expected remaining life of the options. Since the Common Shares of the parent corporation are not publicly traded on a stock exchange, expected volatility is derived from the implied volatility of the ultimate parent corporation's stock. The expected remaining life of options granted represents the period of time that options granted are expected to be outstanding. The risk-free rate over the expected remaining life of the option is based on the Government of Canada yield curve in effect at the time of the valuation. Distribution yield is based on the current average yield.

(e) Liability of vested options

As of December 31, 2016, the liability for all vested options was $0.6 million as calculated using the intrinsic value ($0.7 million as of December 31, 2015).

(f) Consolidated compensation charge

For the year ended December 31, 2016, a consolidated charge related to all stock-based compensation plans was recorded in the amount of $3.0 million (charge of $1.3 million in 2015 and 2014).

22. ACCUMULATED OTHER COMPREHENSIVE LOSS

	Cash flow hedges	Defined benefit plans	Total
Balance as of December 31, 2013	$(14,753)	$ 5,644	$ (9,109)
Other comprehensive loss	(2,852)	(35,028)	(37,880)
Balance as of December 31, 2014	(17,605)	(29,384)	(46,989)
Other comprehensive loss	(22,831)	(7,024)	(29,855)
Balance as of December 31, 2015	(40,436)	(36,408)	(76,844)
Other comprehensive (loss) income	(10,756)	3,693	(7,063)
Balance as of December 31, 2016	**$(51,192)**	**$(32,715)**	**$(83,907)**

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 1/2 year period.

(tabular amounts in thousands of Canadian dollars, except for option data)

23. COMMITMENTS

The Corporation rents premises and equipment under operating leases and has entered into long-term commitments to purchase services and capital equipment that call for total future payments of $510.8 million, including an amount of $44.9 million for future rent payments to the ultimate parent corporation. The operating leases have various terms, escalation clauses, purchase options and renewal rights. The minimum payments for the coming years are as follows:

	Leases	Other commitments
2017	$41,250	$ 66,000
2018 to 2021	93,582	126,898
2022 and thereafter	41,599	141,510

The Corporation and its subsidiaries' operating lease expenses amounted to $54.2 million in 2016 ($52.1 million in 2015 and $48.9 million in 2014).

24. GUARANTEES

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

Operating leases

The Corporation has guaranteed a portion of the residual value of certain assets under operating leases for the benefit of the lessor. Should the Corporation terminate these leases prior to term (or at the end of the lease terms) and should the fair value of the assets be less than the guaranteed residual value, then the Corporation must, under certain conditions, compensate the lessor for a portion of the shortfall. As of December 31, 2016, the maximum exposure with respect to the guarantees was $14.0 million and no liability has been recorded in the consolidated balance sheet.

Business and asset disposals

In the sale of all or part of a business or an asset, in addition to possible indemnification relating to failure to perform covenants and breach of representations or warranties, the Corporation may agree to indemnify against claims related to the past conduct of the business. Typically, the term and amount of such indemnification will be limited by the agreement. The nature of these indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay to guaranteed parties. The Corporation has not accrued any amount in respect of these items in the consolidated balance sheet.

Outsourcing companies and suppliers

In the normal course of its operations, the Corporation enters into contractual agreements with outsourcing companies and suppliers. In some cases, the Corporation agrees to provide indemnifications in the event of legal procedures initiated against them. In other cases, the Corporation provides indemnification to counterparties for damages resulting from the outsourcing companies and suppliers. The nature of the indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay. No amount has been accrued in the consolidated balance sheet with respect to these indemnifications.

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Corporation's financial risk management policies have been established in order to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk-management policies are reviewed regularly to reflect changes in market conditions and in the Corporation's activities.

The Corporation uses a number of financial instruments, mainly cash and cash equivalents, accounts receivable, bank indebtedness, accounts payable and accrued charges, long-term debt, and derivative financial instruments. As a result of their use of financial instruments, the Corporation and its subsidiaries are exposed to credit risk, liquidity risk and market risks relating to foreign exchange fluctuations and interest rate fluctuations.

In order to manage its foreign exchange and interest rate risks, the Corporation uses derivative financial instruments (i) to set in CAN dollars future payments on debts denominated in U.S. dollars (interest and principal) and certain purchases of inventories and other capital expenditures denominated in a foreign currency, (ii) to achieve a targeted balance of fixed and floating rate debts, and (iii) to lock-in the value of certain derivative financial instruments through offsetting transactions. The Corporation does not intend to settle its derivative financial instruments prior to their maturity as none of these instruments is held or issued for speculative purposes.

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(a) Description of derivative financial instruments

(i) Foreign exchange forward contracts

Maturity	CAN dollar average exchange rate per one U.S. dollar	Notional amount sold (in millions of dollars)	Notional amount bought (in millions of dollars)
Less than 1 year	1.3249	$220.2	US$166.2
Less than 1 year [1]	1.3849	US$260.0	$360.1

[1] *See footnote 1 below Cross-currency interest rate swaps table.*

(ii) Cross-currency interest rate swaps

Hedged item	Hedging instrument			
	Period covered	Notional amount	Annual interest rate on notional amount in CAN dollars	CAN dollar exchange rate on interest and capital payments per one U.S. dollar
5.000% Senior Notes due 2022	2014 to 2022	US$543,125	6.01%	0.9983
5.000% Senior Notes due 2022	2012 to 2022	US$256,875	5.81%	1.0016
5.375% Senior Notes due 2024[1]	2008 to 2017	US$260,000	9.21%	1.2965
			Bankers' acceptance 3 months+	
5.375% Senior Notes due 2024	2014 to 2024	US$158,605	2.67%	1.1034
5.375% Senior Notes due 2024	2017 to 2024	US$441,395	5.62%	1.1039

[1] *The Corporation initially entered into these cross-currency interest rate swaps to hedge the foreign currency risk exposure under its 9.125% Senior Notes due in 2018 redeemed in 2014. These swaps are now used to set in CAN dollars all coupon payments through 2017 on US$441.4 million of notional amount under its 5.375% Senior Notes due in 2024 and issued in 2014. In conjunction with the repurposing of these swaps, the Corporation has entered into US$260.0 million offsetting foreign exchange forward contracts to lock-in the value of its hedging position related to the December 15, 2017 notional exchange.*

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

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value of financial instruments

In accordance with IFRS 13, *Fair value measurement*, the Corporation considers the following fair value hierarchy which reflects the significance of the inputs used in measuring its financial instruments:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs that are not based on observable market data (unobservable inputs).

The fair value of long-term debt is estimated based on quoted market prices when available or on valuation models using Level 1 and Level 2 inputs. When the Corporation uses valuation models, the fair value is estimated using discounted cash flows using year-end market yields or the market value of similar instruments with the same maturity.

The fair value of cash equivalents and bank indebtedness classified as held-for-trading and accounted for at their fair value on the consolidated balance sheets, is determined using Level 2 inputs.

The fair value of derivative financial instruments recognized in the consolidated balance sheets is estimated as per the Corporation's valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative instrument and factors observable in external market data, such as period-end swap rates and foreign exchange rates (Level 2 inputs). An adjustment is also included to reflect non-performance risk impacted by the financial and economic environment prevailing at the date of the valuation in the recognized measure of the fair value of the derivative instruments by applying a credit default premium estimated using a combination of observable and unobservable inputs in the market (Level 3 inputs) to the net exposure of the counterparty or the Corporation. Derivative financial instruments are classified as Level 2.

The fair value of early settlement options recognized as embedded derivatives is determined by option pricing models using Level 2 market inputs, including volatility, discount factors and the underlying instrument's adjusted implicit interest rate and credit premium.

(tabular amounts in thousands of Canadian dollars, except for option data)

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value of financial instruments (continued)

The carrying value and fair value of long term debt and derivative financial instruments as of December 31, 2016 and 2015 are as follows:

	2016		2015	
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1, 2]	**$(3,180,301)**	**$(3,266,417)**	$(3,286,115)	$(3,289,600)
Derivative financial instruments[3]				
Early settlement options	**417**	**417**	1,000	1,000
Foreign exchange forward contracts[4]	**2,467**	**2,467**	9,282	9,282
Cross-currency interest rate swaps[4]	**415,321**	**415,321**	484,915	484,915

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 rate risk, embedded derivatives and financing fees.*

2 *The fair value of long-term debt excludes the fair value of early settlement options, which is presented separately in the table.*

3 *The fair value of derivative financial instruments designated as hedges is an asset position of $417.8 million as of December 31, 2016 ($494.2 million as of December 31, 2015).*

4 *The value of foreign exchange forward contracts entered into to lock-in the value of existing hedging positions is netted from the value of the offset financial instruments.*

(c) Credit risk management

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

In the normal course of business, the Corporation continuously monitors the financial condition of its customers and reviews the credit history of each new customer. As of December 31, 2016, no customer balance represented a significant portion of the Corporation's consolidated accounts receivable. The Corporation establishes an allowance for doubtful accounts based on the specific credit risk of its customers and historical trends. The allowance for doubtful accounts amounted to $19.4 million as of December 31, 2016 ($16.6 million as of December 31, 2015). As of December 31, 2016, 7.7% of accounts receivable were 90 days past their billing date (7.4% as of December 31, 2015), of which 58.9% had an allowance for doubtful accounts (63.3% as of December 31, 2015).

The following table shows changes to the allowance for doubtful accounts for the years ended December 31, 2016 and 2015:

	2016	2015
Balance at beginning of the year	**$ 16,569**	$ 15,422
Charged to income	**33,811**	30,189
Utilization	**(31,169)**	(29,042)
Business acquisition (note 9)	**140**	—
Balance at the end of the year	**$ 19,351**	**$ 16,569**

(tabular amounts in thousands of Canadian dollars, except for option data)

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk management (continued)

The Corporation 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 Corporation does not believe that it is exposed to an unusual level of customer credit risk.

As a result of its use of derivative financial instruments, the Corporation is exposed to the risk of non-performance by a third party. When the Corporation enters into derivative contracts, the counterparties (either foreign or Canadian) must have credit ratings at least in accordance with the Corporation's risk-management policy and are subject to concentration limits. These credit ratings and concentration limits are monitored on an ongoing basis but at least quarterly.

(d) Liquidity risk management

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due or the risk that those financial obligations will have to be met at excessive cost. The Corporation manages this exposure through staggered debt maturities. The weighted average term of the Corporation's consolidated debt was approximately 6.8 years as of December 31, 2016 (7.6 years as of December 31, 2015).

The Corporation's management believes that cash flows and available sources of financing should be sufficient to cover committed cash requirements for capital investments, working capital, interest payments, debt repayments, pension plan contributions, and dividends (or distributions) in the future. The Corporation has access to cash flows generated by its subsidiaries through dividends and cash advances paid by its wholly owned subsidiaries.

As of December 31, 2016, 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	**$ 10,118**	$ 10,118	$ —	$ —	$ —
Accounts payable and accrued charges	**456,437**	456,437	—	—	—
Amounts payable to affiliated corporations	**66,534**	66,534	—	—	—
Long-term debt[1]	**3,180,301**	10,714	5,358	509,449	2,654,780
Interest payments[2]	**1,022,345**	115,067	304,945	294,683	307,650
Derivative instruments[3]	**(436,372)**	(18,346)	—	—	(418,026)
Total	**$4,299,363**	**$640,524**	**$310,303**	**$804,132**	**$2,544,404**

[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 rate risk, embedded derivatives and financing fees.*
[2] *Estimate of interest payable on long-term debt, based on interest rates, hedging of interest rates and hedging of foreign exchange rates as of December 31, 2016.*
[3] *Estimated future receipts, net of future disbursements, on derivative financial instruments related to foreign exchange hedging.*

(tabular amounts in thousands of Canadian dollars, except for option data)

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(e) Market risk

Market risk is the risk that changes in market prices due to foreign exchange rates and/or interest rates will affect the value of the Corporation's financial instruments. The objective of market risk management is to mitigate and control exposures within acceptable parameters while optimizing the return on risk.

Foreign currency risk

Most of the Corporation's consolidated revenues and expenses, other than interest expense on U.S.-dollar-denominated debt, purchases of set-top boxes, handsets and cable modems and certain capital expenditures, are received or denominated in CAN dollars. A large portion of the interest, principal and premium, if any, payable on its debt is payable in U.S. dollars. The Corporation has entered into transactions to hedge the foreign currency risk exposure on its U.S.-dollar-denominated debt obligations outstanding as of December 31, 2016, to hedge its exposure on certain purchases of set-top boxes, handsets, cable modems and capital expenditures and to lock-in the value of certain derivative financial instruments through offsetting transactions. Accordingly, the Corporation's sensitivity to variations in foreign exchange rates is economically limited.

The estimated sensitivity on income and on other comprehensive income, before income tax, of a variance of $0.10 in the year-end exchange rate of a CAN dollar per one U.S. dollar used to calculate the fair value of financial instruments as of December 31, 2016 is as follows:

Increase (decrease)	Income	Other comprehensive income
Increase of $0.10		
Gain on valuation and translation of financial instruments and derivative financial instruments	**$ 2,029**	**$ 27,605**
Decrease of $0.10		
Gain on valuation and translation of financial instruments and derivative financial instruments	**(2,029)**	**(27,605)**

A variance of $0.10 in the 2016 average exchange rate of CAN dollar per one U.S. dollar would had resulted in a variance of $4.0 million on unhedged purchase of goods and services in 2016 and $6.5 million on unhedged acquisitions of tangible and intangible assets in 2016.

Interest rate risk

The Corporation's bank credit facilities bear interest at floating rates based on the following reference rates: (i) Bankers' acceptance rate, (ii) LIBOR, (iii) Canadian prime rate and (iv) U.S. prime rate. The Senior Notes issued by the Corporation bear interest at fixed rates. The Corporation has entered into cross-currency interest rate swap agreements in order to manage cash flow risk exposure. As of December 31, 2016, after taking into account the hedging instruments, long-term debt was comprised of 85.5% fixed rate debt (84.0% in 2015) and 14.5% floating rate debt (16.0% in 2015).

The estimated sensitivity on interest payments of a 100 basis-point variance in the year-end Canadian Bankers' acceptance rate as of December 31, 2016 was $4.0 million.

(tabular amounts in thousands of Canadian dollars, except for option data)

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(e) Market risk (continued)

The estimated sensitivity on income and on other comprehensive income, before income tax, of a 100 basis-point variance in the discount rate used to calculate the fair value of financial instruments as of December 31, 2016, as per the Corporation's valuation models, was as follows:

Increase (decrease)	Income	Other comprehensive income
Increase of 100 basis points	**$(2,640)**	**$ (18,393)**
Decrease of 100 basis points	**2,640**	**18,393**

(f) Capital management

The Corporation's primary objective in managing capital is to maintain an optimal capital base in order to support the capital requirements of its various businesses, including growth opportunities.

In managing its capital structure, the Corporation takes into account the asset characteristics of its subsidiaries and planned requirements for funds. Management of the capital structure involves the issuance of new debt, the repayment of existing debt using cash flows generated by operations, and the level of distributions to the parent corporation. The Corporation has not significantly changed its strategy regarding the management of its capital structure since the last financial year.

The Corporation's capital structure is composed of equity, bank indebtedness, long-term debt and derivative financial instruments less cash and cash equivalents. The capital structure as of December 31, 2016 and 2015 is as follows:

	2016	2015
Bank indebtedness	**$ 10,118**	$ 11,698
Long-term debt	**3,163,108**	3,266,642
Derivative financial instruments	**(417,788)**	(494,197)
Cash and cash equivalents	**(961)**	(1,774)
Net liabilities	**2,754,477**	2,782,369
Equity	**$1,071,740**	$ 813,800

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

(tabular amounts in thousands of Canadian dollars, except for option data)

26. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

Key management personnel comprises members of the Board of Directors and key senior managers of the Corporation and its main subsidiaries. Their compensation is as follows:

	2016	2015	2014
Salaries and short-term benefits	**$4,410**	$5,100	$4,528
Post-employment benefits	**208**	225	167
Share-based compensation	**2,024**	1,226	1,105
Other long-term benefits	**1,534**	1,688	1,889
	$8,176	$8,239	$7,689

Operating transactions

During the years ended December 31, 2016, 2015 and 2014, the Corporation and its subsidiaries made purchases and incurred rent charges with the parent corporation and affiliated corporations, which are included in purchase of goods and services. The Corporation and its subsidiaries also made sales to the parent corporation and affiliated corporations. These transactions were accounted for at the consideration agreed between parties:

	2016	2015	2014
Ultimate parent and parent corporation :			
Revenues	**$ 455**	$ 696	$ 680
Purchase of goods and services	**8,037**	8,584	7,572
Operating expenses recovered	**(752)**	(597)	(682)
Corporations under common control :			
Revenues	**5,906**	8,059	10,349
Purchase of goods and services	**104,244**	103,435	81,148
Operating expenses recovered	**(1,275)**	(1,395)	(701)

(tabular amounts in thousands of Canadian dollars, except for option data)

26. RELATED PARTY TRANSACTIONS (continued)

Accounts receivable from affiliated corporations:

	2016	2015
Ultimate parent and parent corporation :		
Accounts receivable	**$ 224**	$ 474
Dividends receivable	**—**	7,455
Corporations under common control:		
Accounts receivable	**2,433**	4,401
	$2,657	$12,330

Accounts payable to affiliated corporations:

	2016	2015
Ultimate parent and parent corporation :		
Accounts payable	**$51,561**	$35,743
Interest payable	**—**	7,351
Corporations under common control:		
Accounts payable	**14,973**	19,819
	$66,534	$62,913

Management arrangements

The Corporation pays annual management fees to the parent corporation for services rendered to the Corporation, including internal audit, legal and corporate, financial planning and treasury, tax, real estate, human resources, risk management, public relations and other services. Management fees amounted to $53.0 million in 2016 ($48.0 million in 2015 and $43.5 million in 2014). The agreement provides for an annual management fee to be agreed upon for the year 2017. In addition, the parent corporation is entitled to the reimbursement of out-of-pocket expenses incurred in connection with the services provided under the agreement.

(tabular amounts in thousands of Canadian dollars, except for option data)

27. PENSION PLANS AND POSTRETIREMENT BENEFITS

The Corporation maintains various defined benefit and defined contribution plans. The Corporation also provides postretirement benefits to eligible retired employees, principally health care and cable services. The Corporation's pension plans are registered with a provincial or federal regulatory authority.

The Corporation's funding policy for its funded pension plans is to maintain its contribution at a level sufficient to cover benefits and to meet requirements of the applicable regulations and plan provisions that govern the funding of the plans. These provisions establish, among others, the future payment of amortization payments when the funding ratio of the pension plans is insufficient as defined by the relevant provincial and federal laws. Payments are determined by an actuarial report performed by an independent company at least every three years or annually, according to the applicable laws and in accordance with plan provisions.

By their design, the defined benefit plans expose the Corporation to the typical risks faced by defined benefit plans, such as investment performance, changes to the discount rates used to value the obligation, longevity of plan participants, and future inflation. The administration of the plans is assured by pension committees composed of members of the plans, independent members of the Corporation's management and independent members or by the Corporation in accordance with the provisions of each plan. Under the Corporation's rules of governance, the approval and oversight of the defined benefit plan policies are performed at different levels through the pension committees, the Corporation's management, or the Audit Committee. The risk management of pension plans is also performed under the leadership of these committees at various levels. The custody of securities and management of security transactions are assigned to trustees within a mandate given by the pension committee or the Corporation, as the case may be. Policies include those on investment objectives, risk mitigation strategies and the mandate to hire investment fund managers and monitor their work and performance. The defined benefit pension plans are monitored on an ongoing basis to assess the benefit, funding and investment policies, financial status, and the Corporation's funding requirement.

The following tables show a reconciliation of the changes in the plans' benefit obligations and the fair value of plan assets for the years ended December 31, 2016 and 2015:

	Pension benefits		Postretirement benefits	
	2016	2015	**2016**	2015
Change in benefit obligations				
Benefit obligations at the beginning of the year	**$355,410**	$309,394	**$34,690**	$31,617
Service costs	**22,902**	21,875	**1,474**	1,373
Interest costs	**14,476**	12,962	**1,438**	1,344
Plan participants' contributions	**6,946**	7,385	**—**	—
Actuarial loss arising from:				
Financial assumptions	**8,681**	7,870	**859**	792
Participant experience	**1,533**	5,742	**—**	—
Benefits and settlements paid	**(16,125)**	(10,355)	**(451)**	(436)
Other	**423**	537	**—**	—
Benefit obligations at the end of the year	**$394,246**	$355,410	**$38,010**	$34,690

(tabular amounts in thousands of Canadian dollars, except for option data)

27. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

	Pension benefits		Postretirement benefits	
	2016	2015	**2016**	2015
Change in plan assets				
Fair value of plan assets at the beginning of the year	**$321,117**	$285,125	**$ —**	$ —
Actual return on plan assets	**28,189**	15,800	**—**	—
Employer contributions	**20,682**	22,625	**451**	436
Plan participants' contributions	**6,946**	7,385	**—**	—
Benefits and settlements paid	**(16,125)**	(10,355)	**(451)**	(436)
Administrative fees	**423**	537	**—**	—
Fair value of plan assets at the end of the year	**$361,232**	$321,117	**$ —**	$ —

As of December 31, 2016, the weighted average duration of defined benefit obligations was 23.4 years (23.5 years in 2015). The Corporation expects future benefit payments of $16.6 million in 2017.

The investment strategy for plan assets takes into account a number of factors, including the time horizon of the pension plans' obligations and the investment risk. For each of the plans, an allocation range by asset class is developed whereby a mix of equities and fixed-income investments is used to optimize the risk-return profile of plan assets and to mitigate asset-liability mismatch.

Plan assets are comprised of:

	2016	2015
Equity securities:		
Canadian	**25.6%**	24.2%
Foreign	**36.8**	37.5
Debt securities	**37.5**	38.3
Other	**0.1**	—
	100.0%	100.0%

The fair value of plan assets is principally based on quoted prices in an active market.

Where funded plans have a net defined benefit asset, the Corporation determines if potential reductions in future contributions are permitted by applicable regulations. When a defined benefit asset is created, it cannot exceed the future economic benefit that the Corporation can expect to obtain from the asset. The future economic benefit represents the value of reductions in future contributions and expenses payable to the pension fund. It does not reflect gains that could be generated in the future that would allow reductions in contributions by the Corporation. When there is a minimum funding requirement, this could also limit the amount recognized in the balance sheet. A minimum funding requirement represents the present value of amortization payments based on the most recent actuarial financing reports filed.

(tabular amounts in thousands of Canadian dollars, except for option data)

27. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

The reconciliation of funded status to the net amount recognized in the consolidated balance sheets is as follows:

	Pension benefits		Postretirement benefits	
	2016	2015	**2016**	2015
Benefit obligations	**$(394,246)**	$(355,410)	**$(38,010)**	$(34,690)
Fair value of plan assets	**361,232**	321,117	**—**	—
Plan deficit and net amount recognized[1]	**$ (33,014)**	$ (34,293)	**$(38,010)**	$(34,690)

[1] *The net amount recognized for 2016 and 2015 is included in Other liabilities (note 19).*

Components of re-measurements are as follows:

	Pension benefits			Postretirement benefits		
	2016	2015	2014	**2016**	2015	2014
Actuarial loss on benefit obligations	**$(10,214)**	$(13,612)	$(51,203)	**$(859)**	$(792)	$(13,863)
Actual return on plan assets, less interest income anticipated in the interest on the net defined benefit liability calculation	**16,098**	4,790	16,134	**—**	—	—
Asset limit and minimum funding adjustment	**—**	—	1,014	**—**	—	—
Re-measurements gain (loss) recorded in other comprehensive income	**$ 5,884**	$ (8,822)	$(34,055)	**$(859)**	$(792)	$(13,863)

Components of the net benefit costs are as follows:

	Pension benefits			Postretirement benefits		
	2016	2015	2014	**2016**	2015	2014
Employee costs:						
Service costs	**$22,902**	$21,875	$16,384	**$1,474**	$1,373	$ 545
Administrative fees and other	**409**	384	437	**—**	—	—
Interest on net defined benefit liability	**1,975**	1,569	209	**1,438**	1,344	834
Net benefit costs	**$25,286**	$23,828	$17,030	**$2,912**	$2,717	$1,379

The expense related to defined contribution pension plans amounted to $13.2 million in 2016 ($12.1 million in 2015 and $10.8 million in 2014).

The expected employer contributions to the Corporation's defined benefit pension plans and post-retirement benefit plans will be $19.5 million in 2017 based on the most recent financial actuarial reports filed (contributions of $21.1 million were paid in 2016).

(tabular amounts in thousands of Canadian dollars, except for option data)

27. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Assumptions

The Corporation determines its assumption for the discount rate to be used for purposes of computing annual service and interest costs based on an index of high-quality corporate bond-yield and matched-funding yield curve analysis as of the measurement date.

The actuarial assumptions used in measuring the Corporation's benefit obligations as of December 31, 2016, 2015 and 2014 and current periodic benefit costs are as follows:

	Pension benefits			Postretirement benefits		
	2016	2015	2014	**2016**	2015	2014
Benefit obligations						
Rates as of year-end:						
Discount rate	**3.90%**	4.00%	4.10%	**3.90%**	4.00%	4.10%
Rate of compensation increase	**3.25**	3.25	3.25	**3.00**	3.00	3.00
Current periodic costs						
Rates as of preceding year-end:						
Discount rate	**4.00%**	4.10%	4.90%	**4.00%**	4.10%	4.90%
Rate of compensation increase	**3.25**	3.25	3.25	**3.00**	3.00	3.00

The assumed average retirement age of participants used was of 62 years in 2016, 2015 and 2014.

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligations was 6.5% at the end of 2016. These costs, as per the estimate, are expected to decrease gradually over the next 8 years to 4.5% and to remain at that level thereafter.

Sensitivity analysis

An increase of 10 basis points in the discount rate would have decreased the pension benefits obligation by $8.9 million and the postretirement benefits obligation by $0.9 million as of December 31, 2016. There are limitations to this sensitivity analysis since it only considers the impacts of an increase of 10 basis points in the discount rate assumption without changing any other assumptions. No sensitivity analysis was performed on other assumptions as a similar change to those assumptions would not have a significant impact on the consolidated financial statements.

Exhibit 1.29

[Translation]

Québec

CERTIFICATE OF CONSTITUTION

Companies Act, Part IA
(Q.L.R., c.C-38)

I hereby certify that the corporation

9176-6857 Québec inc.

has been constituted on **DECEMBER 5, 2006**, under Part IA of the Companies Act, as indicated in the Articles of Constitution attached hereto.

Québec
Enterprise
Registrar

Filed with the register on December 6, 2006
under Quebec registration number 1164114457

/s/ *(signature)*
Acting by interim Assistant Enterprise Registrar

E610I17Q54940DB

Registraire des entreprises Québec

Articles of Constitution
Articles of Continuance

Companies Act (R.S.Q., c. C-38, Part IA)

Mark an X in the appropriate box.

Articles of Constitution ☒ Articles of Continuance ☐

For articles of continuance only.

Québec enterprise number	
NEQ	1 1

1. Name - Constitution: Enter the company name, and its version in another language, if applicable. Leave blank if you are applying for a designating number rather than a name. Continuance: enter the current name, if you are keeping it, and its version if applicable, and N.A. in section 8 or enter the new name, and its version in another language if applicable.

9176-6857 QUÉBEC INC.

Mark an X in this box if you are applying for a designating number (numbered company) rather than a name. ☒

2. Québec judicial district of the company head office - Enter the judicial district, such as stipulated in the *Territorial Division Act* (R.S.Q., c. D-11). You can obtain additional information at the Court house, from Services Québec or online at www.justice.gouv.qc.ca/francais/recherche/district.asp.

Montreal

3. Precise number or minimum and maximum number of directors Minimum 1 - Maximum 10

4. Effective Date Enter the date of entry into force, if later than that on which the articles are filed.

Year	Month	Day

5. Describe the authorized capital stock and the limits imposed - Unless otherwise indicated in its articles, the company has unlimited capital stock with shares without par value. (See the section "Description of capital stock".)

Common shares without par value - unlimited number.

6. Restrictions on the transfer of shares and other provisions, if applicable.

The Schedule 1 attached hereto forming an integral part of these Articles.

7. Limits on activity, if applicable.

N/A

8. Name prior to the continuance (if different than the one mentioned in section 1)

9. Founders (for articles of constitution only) - Enter first and last names, address(es) of founder(s) or name and address of head office of the legal person acting in this capacity.

Last and first names or name of the legal person acting in the quality of founder: HIGGINS, DANIELLE Street and no., apartment/suite, city/province, postal code and country: 1981, av. McGill Collège, bureau 1100, Montreal (Quebec) H3A 3C1 Constituting act of the legal person acting in the quality of founder:	/s/ Danielle Higgins **Signature of founder or the person authorized by the legal person**
Last and first names or name of the legal person acting in the quality of founder: Street and no., apartment/suite, city/province, postal code and country: Constituting act of the legal person acting in the quality of founder:	**Signature of founder or the person authorized by the legal person**

Do not write in this space

Quebec

Filed on December 5, 2006

Enterprise Registrar

For articles of continuance only: ______________________

Signature of authorized director

If the space provided is not sufficient, include an appendix, in two copies, identifying the corresponding section. If necessary, number the pages.

Sign the two copies of this form and remit them, accompanied by the documents and the required payment.

Do not fax.

SCHEDULE 1
of the articles of constitution

RESTRICTIONS ON THE TRANSFER OF SHARES

The shares of the Company shall not be transferred without the consent of either (i) the directors as evidenced by a resolution passed or signed by them and recorded in the books of the Company or (ii) the holders of a majority in number of the outstanding voting shares of the share capital of the Company.

OTHER DISPOSITIONS

Whenever the Articles of the Company provide for a minimum and a maximum number of directors, the number between such minimum and maximum may be determined by the directors, by resolution, from time to time.

The shareholders of the Company may participate and vote at any shareholders' meeting by any means allowing all the participants to communicate with each other and particularly by telephone, the whole in accordance with Section 123.95 of the Companies Act (Québec).

Unless and until the Company has made a distribution to the public of its securities, any annual meeting of the shareholders may be held outside Québec or at such other place determined by the directors, from time to time.

All the securities of the Company, other than the shares and the non-convertible debt securities, shall not be transferred, except in accordance with the restrictions on their transfer set out in the applicable Shareholders' Agreement; in the absence of such restrictions, no transfer may be made without the consent of the secretary of the Company.

Exhibit 1.30

REZ-128 (2014-2015)

[Translation]

Certificate of Amendment

Business Corporations Act (R.S.Q., c. S-31.1)

I hereby certify that the following corporation:

9176-6857 QUÉBEC INC.

Amended its articles under the terms of the Business Corporations Act to incorporate the amendments mentioned in the attached Articles of Amendment.

On June 13, 2014

Filed with the Register on June 13, 2014
under registration number 1164114457

/s/ Hermel Grandmaison
Enterprise Registrar

Revenu Québec

Articles of Amendment

Québec enterprise number
NEQ 1 1 64114457

Business Corporations Act, R.S.Q., c. S-31.1

1 Identification of the corporation

Name of business corporation
9176-6857 Québec inc.
Version(s) of the name of the corporation in a language other than French, if applicable

2 Amendment of articles

2.1 Amendment to the name

Name of business corporation

Version(s) of the name of the corporation in a language other than French, if applicable

Designating number in lieu of a name

2.2 Other amendments (see below)

2.3 Date and time to be assigned to the certificate, if applicable

Date (Y M D) Time (hour minutes)

TO AMEND item 5 of the Corporation's articles of incorporation describing the authorized capital stock as follow: Common shares without par value - unlimited number - and replacing it by the creation of Class "A" Common Shares and Class "B" to "G" preferred shares as desribed in Schedule A attached. TO AMEND item 6 of the Corporation's articles of incorporation by replacing Schedule 1 by Schedule B.

3 Correction of articles

3.1 Articles and certificate concerned by the correction

The articles of (Type of articles) deposited in the enterprise register on (Y M D) contain illegal provisions, errors or irregularities. A certificate relating to these articles was issued by the Registraire des entreprises on (Y M D) and, where applicable, at (hour minutes).

3.2 Corrections requested

3.3 Rights of shareholders and creditors

The corrections

- ■ will not be prejudicial to the rights of shareholders;
- ■ will not be prejudicial to the rights of creditors;
- ■ could be prejudicial to the rights of shareholders;
- ■ could be prejudicial to the rights of creditors.

4 Signature

Name of authorized director or officer	Signature of authorized director or officer
CLAUDINE TREMBLAY	(signed)

Sign the form and return it along with the required documents and payment. Do not fax.

Do not use this area.

SCHEDULE A

SHARES CONVERSION

The shares issued by the Corporation prior to this amendment are converted as follows:

The common share issued prior to this amendment, without par value and having a paid-up capital of $1 per share is converted into a one Class “A” Common Share with no par value and a paid-up capital of $1 per share.

NEW SHARE CERTIFICATES

The holders of the shares issued by the Corporation prior to this amendment shall be entitled to receive, upon delivery of the certificates representing such shares, new shares certificates as per the conversion hereinabove mentioned.

SHARE CAPITAL

The unlimited share capital of the Corporation shall consist of seven (7) classes of shares, which shall carry the following rights:

(A) CLASS “A” COMMON SHARES: The number of Class “A” Common Shares is unlimited, and the consideration paid into the subdivision of the issued and paid-up share capital account relating to such shares is also unlimited; Class “A” Common Shares shall have no par value and shall carry the following rights, privileges, conditions and restrictions:

(1) Dividend and Participation. Subject to the rights and privileges conferred by the other classes of shares, the holders of Class “A” Common Shares shall be entitled to:

(a) participate in the property, profits and surplus assets of the Corporation and, to that end, receive any dividend declared by the Corporation, the amount, timing and terms of payment of which are at the sole discretion of the Board of Directors; and

(b) share in the remaining property of the Corporation upon liquidation or winding-up, whether or not voluntary, dissolution or any other distribution of the property of the Corporation.

(2) Restriction. In addition to the restrictions set forth in Sections 95 and 104 of the *Business Corporations Act* (Québec) (the “Act”), the Corporation may neither pay a dividend on Class “A” Common Shares nor purchase any such shares by private agreement if, as a result thereof, the book value of the net assets of the Corporation would be insufficient to redeem the Classese “B,” “C,” “D,” “E,” “F” and “G” Shares.

(3) Voting Right. The holders of Class “A” Common Shares shall be entitled to receive notice of, attend and vote at meetings of shareholders of the Corporation, except meetings at which only the holders of another class of shares are entitled to vote, and each Class “A” Common Share shall entitle the holder thereof to one (1) vote.

(B) CLASS “B” PREFERRED SHARES: The number of Class “B” Preferred Shares is unlimited, and the consideration paid into the subdivision of the issued and paid-up share capital account relating to such shares is also unlimited; Class “B” Preferred Shares shall have no par value and shall carry the following rights, privileges, conditions and restrictions:

(1) Ranking of Class “B” Preferred Shares. Class “B” Preferred Shares shall have priority over the Class “A” Common Shares and the Classes “C,” “D,” “E,” and “F” Preferred Shares, but not over the Class “G” Preferred Shares with respect to the order of payment of dividends and the distribution of the assets of the Corporation in the event of the liquidation, winding-up or dissolution of the Corporation, whether or not voluntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs.

(2) Right to Dividends. The holders of Class “B” Preferred Shares shall be entitled to receive, every year, in such manner and at such time as the Board of Directors may declare, a non-cumulative dividend at the fixed rate of 1% per month, calculated on the redemption price of the Class “B” Preferred Shares, payable in cash, property or through the issuance of fully paid shares of any class of the Corporation.

(3) Repayment. If, for any reason, including in the event of dissolution or liquidation or winding-up of the Corporation, whether or not voluntary, some or all of the assets of the Corporation are distributed among the shareholders, each holder of Class “B” Preferred Shares shall be entitled to repayment of the amount paid for the Class “B” Preferred Shares into the subdivision of the issued and paid-up share capital account relating to the Class “B” Preferred Shares.

(4) No Voting Right. Subject to the provisions of the Act or as otherwise expressly provided, the holders of Class “B” Preferred Shares shall not be entitled to receive notice of, attend or vote at the meeting of shareholders of the Corporation.

(5) Redemption Right. The Corporation shall be entitled, at its discretion, subject to the provisions of the Act in this regard, to redeem at any time all or from time to time part of the Class “B” Preferred Shares then outstanding upon giving notice to that effect, on payment to the holders of the Class “B” Preferred Shares of an aggregate redemption price equal to the consideration received by the Corporation at the time the Class “B” Preferred Shares were issued.

The Corporation shall, at least one (1) business day prior to the date fixed for redemption (the “Redemption Date”), give written notice, to each then registered holder of Class “B” Preferred Shares, of the Corporation’s intention to redeem such shares. Such notice shall set out the date and place at which the redemption is to take place and where payment is to occur and, in the case of partial redemption, the number of shares of each such holder of Class “B” Preferred Shares to be redeemed. If notice of redemption is given as aforesaid and an amount sufficient to redeem the Class “B” Preferred Shares called for redemption is deposited with the Corporation’s bankers or at any other place specified in the notice, on or before the Redemption Date, the holders of Class “B” Preferred Shares shall, after the Redemption Date, no longer have any right in or against the Corporation, except the right to receive payment of the Redemption Price and any accrued but unpaid dividends on such Class “B” Preferred Shares being redeemed, upon presentation and surrender of the certificates representing such number of shares to be redeemed.

(6) Retraction Right. Subject to the Act, each holder of Class “B” Preferred Shares shall be entitled, at any time and at such holder’s discretion, upon written notice, to require the Corporation to redeem all or part of such holder’s shares at a price equal to the “Redemption Value,” as described below, plus the amount of dividends declared but unpaid, if any, on the Class “B” Preferred Shares.

(a) Redemption Value

The “Redemption Value” of each share corresponds to the amount paid for such share into the subdivision of the issued and paid-up share capital account relating to the Class “B” Preferred Shares, plus a premium equal to the amount by which the fair market value of the consideration received by the Corporation at the time such Class “B” Preferred Share was issued exceeds the total of:

(i) the amount paid for such share into the subdivision of the issued and paid-up share capital account relating to the Class “B” Preferred Shares; and

(ii) the fair market value of any property, other than a Class “B” Preferred Share, given by the Corporation in payment of such consideration.

(b) Determination of Fair Market Value of the Consideration

Upon issuance of the Class “B” Preferred Shares, the Corporation and each subscriber of Class “B” Preferred Shares shall determine, by mutual consent and in good faith, based on a method deemed fair and reasonable, the fair market value of each of the assets that form part of the consideration received by the Corporation at the time the Class “B” Preferred Shares are issued.

(c) Adjustment of the Premium in Case of a Disagreement with the Department of Revenue

In the event of a disagreement with the federal or provincial department of revenue, or both, with respect to the appraisal of the fair market value of one or more of the assets that form part of the consideration received by the Corporation at the time the Class “B” Preferred Shares are issued, the appraisal by such department shall prevail. The amount of the premium relating to the redemption of the Class “B” Preferred Shares shall be adjusted accordingly if the department in question provides the Corporation and each holder of Class “B” Preferred Shares, or, where all of the shares are redeemed, the Corporation and each former holder of Class “B” Preferred Shares, with the opportunity to contest the appraisal with the department or before the courts. Where the federal and provincial appraisals differ, the amount of the premium shall be equal to the lower appraisal established in accordance with an uncontested assessment or another final judgment, as the case may be.

If, before the Redemption Value provided for in the foregoing sentence is adjusted, the Corporation pays, in cash or any other form of consideration, to a holder of Class “B” Preferred Shares, in connection with a redemption, retraction or purchase of Class “B”

Preferred Shares, a sum for the Class “B” Preferred Shares that differs from the adjusted Redemption Value, the holder or the Corporation, as the case may be, shall immediately pay to the holder or the Corporation, as the case may be, the difference between the amount paid in connection with the redemption, retraction or purchase and the adjusted Redemption Value. Moreover, if, at the time of the adjustment, dividends have already been declared and paid on the Class “B” Preferred Shares, such dividends shall be adjusted so as to reflect the adjustment of the Redemption Value.

(7) Right to Purchase by Private Agreement. Subject to the Act, the Corporation may, at any time, without giving notice and without taking into consideration the other classes of shares, purchase by private agreement and at the best possible price all or part of the issued and outstanding Class “B” Preferred Shares. However, such purchase price shall never exceed the Redemption Value mentioned above or the book value of the net assets of the Corporation.

(C) CLASS “C” PREFERRED SHARES: The number of Class “C” Preferred Shares is unlimited, and the consideration paid into the subdivision of the issued and paid-up share capital account relating to such shares is also unlimited; Class “C” Preferred Shares shall have no par value and shall carry the following rights, privileges, conditions and restrictions:

(1) Ranking of Class “C” Preferred Shares. Class “C” Preferred Shares shall have priority over the Class “A” Common Shares and the Classes “D,” “E” and “F” Preferred Shares, but not over the Classes “B” and “G” Preferred Shares with respect to the order of payment of dividends and the distribution of the assets of the Corporation in the event of the liquidation, winding-up or dissolution of the Corporation, whether or not voluntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs.

(2) Right to Dividends. The holders of Class “C” Preferred Shares shall be entitled to receive, every year, in such manner and at such time as the Board of Directors may declare, a non-cumulative dividend at the fixed rate of 1% per month, calculated on the redemption price of the Class “C” Preferred Shares, payable in cash, property or through the issuance of fully paid shares of any class of the Corporation.

(3) Repayment. If, for any reason, including in the event of dissolution or liquidation or winding-up of the Corporation, whether or not voluntary, some or all of the assets of the Corporation are distributed among the shareholders, each holder of Class “C” Preferred Shares shall be entitled to repayment of the amount paid for the Class “C” Preferred Shares into the subdivision of the issued and paid-up share capital account relating to the Class “C” Preferred Shares.

(4) No Voting Right. Subject to the provisions of the Act or as otherwise expressly provided, the holders of Class “C” Preferred Shares shall not be entitled to receive notice of, attend or vote at the meeting of shareholders of the Corporation.

(5) Redemption Right. The Corporation shall be entitled, at its discretion, subject to the provisions of the Act in this regard, to redeem at any time all or from time to time part of the Class “C” Preferred Shares then outstanding upon giving notice to that effect, on payment to the holders of the Class “C” Preferred Shares of an aggregate redemption price equal to the consideration received by the Corporation at the time the Class “C” Preferred Shares were issued.

The Corporation shall, at least one (1) business day prior to the date fixed for redemption (the "Redemption Date"), give written notice, to each then registered holder of Class "C" Preferred Shares, of the Corporation's intention to redeem such shares. Such notice shall set out the date and place at which the redemption is to take place and where payment is to occur and, in the case of partial redemption, the number of shares of each such holder of Class "C" Preferred Shares to be redeemed. If notice of redemption is given as aforesaid and an amount sufficient to redeem the Class "C" Preferred Shares called for redemption is deposited with the Corporation's bankers or at any other place specified in the notice, on or before the Redemption Date, the holders of Class "C" Preferred Shares shall, after the Redemption Date, no longer have any right in or against the Corporation, except the right to receive payment of the Redemption Price and any accrued but unpaid dividends on such Class "C" Preferred Shares being redeemed, upon presentation and surrender of the certificates representing such number of shares to be redeemed.

(6) Retraction Right. Subject to the Act, each holder of Class "C" Preferred Shares shall be entitled, at any time and at such holder's discretion, upon written notice, to require the Corporation to redeem all or part of such holder's shares at a price equal to the "Redemption Value," as described below, plus the amount of dividends declared but unpaid, if any, on the Class "C" Preferred Shares.

(a) Redemption Value

The "Redemption Value" of each share corresponds to the amount paid for such share into the subdivision of the issued and paid-up share capital account relating to the Class "C" Preferred Shares, plus a premium equal to the amount by which the fair market value of the consideration received by the Corporation at the time such Class "C" Preferred Share was issued exceeds the total of:

(i) the amount paid for such share into the subdivision of the issued and paid-up share capital account relating to the Class "C" Preferred Shares; and

(ii) the fair market value of any property, other than a Class "C" Share, given by the Corporation in payment of such consideration.

(b) Determination of Fair Market Value of the Consideration

Upon issuance of the Class "C" Preferred Shares, the Corporation and each subscriber of Class "C" Preferred Shares shall determine, by mutual consent and in good faith, based on a method deemed fair and reasonable, the fair market value of each of the assets that form part of the consideration received by the Corporation at the time the Class "C" Preferred Shares are issued.

(c) Adjustment of the Premium in Case of a Disagreement with the Department of Revenue

In the event of a disagreement with the federal or provincial department of revenue, or both, with respect to the appraisal of the fair market value of one or more of the assets that form part of the consideration received by the Corporation at the time the Class “C” Preferred Shares are issued, the appraisal by such department shall prevail. The amount of the premium relating to the redemption of the Class “C” Preferred Shares shall be adjusted accordingly if the department in question provides the Corporation and each holder of Class “C” Preferred Shares, or, where all of the shares are redeemed, the Corporation and each former holder of Class “C” Preferred Shares, with the opportunity to contest the appraisal with the department or before the courts. Where the federal and provincial appraisals differ, the amount of the premium shall be equal to the lower appraisal established in accordance with an uncontested assessment or another final judgment, as the case may be.

If, before the Redemption Value provided for in the foregoing sentence is adjusted, the Corporation pays, in cash or any other form of consideration, to a holder of Class “C” Preferred Shares, in connection with a redemption, retraction or purchase of Class “C” Preferred Shares, a sum for the Class “C” Preferred Shares that differs from the adjusted Redemption Value, the holder or the Corporation, as the case may be, shall immediately pay to the holder or the Corporation, as the case may be, the difference between the amount paid in connection with the redemption, retraction or purchase and the adjusted Redemption Value. Moreover, if, at the time of the adjustment, dividends have already been declared and paid on the Class “C” Preferred Shares, such dividends shall be adjusted so as to reflect the adjustment of the Redemption Value.

(7) Right to Purchase by Private Agreement. Subject to the Act, the Corporation may, at any time, without giving notice and without taking into consideration the other classes of shares, purchase by private agreement and at the best possible price all or part of the issued and outstanding Class “C” Preferred Shares. However, such purchase price shall never exceed the Redemption Value mentioned above or the book value of the net assets of the Corporation.

(D) CLASS “D” PREFERRED SHARES: The number of Class “D” Preferred Shares is unlimited, and the consideration paid into the subdivision of the issued and paid-up share capital account relating to such shares is also unlimited; Class “D” Preferred Shares shall have no par value and shall carry the following rights, privileges, conditions and restrictions:

(1) Ranking of Class “D” Preferred Shares. Class “D” Preferred Shares shall have priority over the Class “A” Common Shares and the Classes “E” and “F” Preferred Shares, but not over the Classes “B,” “C” and “G” Preferred Shares with respect to the order of payment of dividends and the distribution of the assets of the Corporation in the event of the liquidation, winding-up or dissolution of the Corporation, whether or not voluntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs.

(2) Right to Dividends. The holders of Class “D” Preferred Shares shall be entitled to receive, every year, in such manner and at such time as the Board of Directors may declare, a non-cumulative dividend at the fixed rate of 1% per month, calculated on the redemption price of the Class “D” Preferred Shares, payable in cash, property or through the issuance of fully paid shares of any class of the Corporation.

(3) Repayment. If, for any reason, including in the event of dissolution or liquidation or winding-up of the Corporation, whether or not voluntary, some or all of the assets of the Corporation are distributed among the shareholders, each holder of Class “D” Preferred

Shares shall be entitled to repayment of the amount paid for the Class “D” Preferred Shares into the subdivision of the issued and paid-up share capital account relating to the Class “D” Preferred Shares.

(4) No Voting Right. Subject to the provisions of the Act or as otherwise expressly provided, the holders of Class “D” Preferred Shares shall not be entitled to receive notice of, attend or vote at the meeting of shareholders of the Corporation.

(5) Redemption Right. The Corporation shall be entitled, at its discretion, subject to the provisions of the Act in this regard, to redeem at any time all or from time to time part of the Class “D” Preferred Shares then outstanding upon giving notice to that effect, on payment to the holders of the Class “D” Preferred Shares of an aggregate redemption price equal to the consideration received by the Corporation at the time the Class “D” Preferred Shares were issued.

The Corporation shall, at least one (1) business day prior to the date fixed for redemption (the “Redemption Date”), give written notice, to each then registered holder of Class “D” Preferred Shares, of the Corporation’s intention to redeem such shares. Such notice shall set out the date and place at which the redemption is to take place and where payment is to occur and, in the case of partial redemption, the number of shares of each such holder of Class “D” Preferred Shares to be redeemed. If notice of redemption is given as aforesaid and an amount sufficient to redeem the Class “D” Preferred Shares called for redemption is deposited with the Corporation’s bankers or at any other place specified in the notice, on or before the Redemption Date, the holders of Class “D” Preferred Shares shall, after the Redemption Date, no longer have any right in or against the Corporation, except the right to receive payment of the Redemption Price and any accrued but unpaid dividends on such Class “D” Preferred Shares being redeemed, upon presentation and surrender of the certificates representing such number of shares to be redeemed.

(6) Retraction Right. Subject to the Act, each holder of Class “D” Preferred Shares shall be entitled, at any time and at such holder’s discretion, upon written notice, to require the Corporation to redeem all or part of such holder’s shares at a price equal to the “Redemption Value,” as described below, plus the amount of dividends declared but unpaid, if any, on the Class “D” Preferred Shares.

(a) Redemption Value

The “Redemption Value” of each share corresponds to the amount paid for such share into the subdivision of the issued and paid-up share capital account relating to the Class “D” Preferred Shares, plus a premium equal to the amount by which the fair market value of the consideration received by the Corporation at the time such Class “D” Preferred Share was issued exceeds the total of:

(i) the amount paid for such share into the subdivision of the issued and paid-up share capital account relating to the Class “D” Preferred Shares; and

(ii) the fair market value of any property, other than a Class “D” Preferred Share, given by the Corporation in payment of such consideration.

(b) Determination of Fair Market Value of the Consideration

Upon issuance of the Class “D” Preferred Shares, the Corporation and each subscriber of Class “D” Preferred Shares shall determine, by mutual consent and in good faith, based on a method deemed fair and reasonable, the fair market value of each of the assets that form part of the consideration received by the Corporation at the time the Class “D” Preferred Shares are issued.

(c) Adjustment of the Premium in Case of a Disagreement with the Department of Revenue

In the event of a disagreement with the federal or provincial department of revenue, or both, with respect to the appraisal of the fair market value of one or more of the assets that form part of the consideration received by the Corporation at the time the Class “D” Preferred Shares are issued, the appraisal by such department shall prevail. The amount of the premium relating to the redemption of the Class “D” Preferred Shares shall be adjusted accordingly if the department in question provides the Corporation and each holder of Class “D” Preferred Shares, or, where all of the shares are redeemed, the Corporation and each former holder of Class “D” Preferred Shares, with the opportunity to contest the appraisal with the department or before the courts. Where the federal and provincial appraisals differ, the amount of the premium shall be equal to the lower appraisal established in accordance with an uncontested assessment or another final judgment, as the case may be.

If, before the Redemption Value provided for in the foregoing sentence is adjusted, the Corporation pays, in cash or any other form of consideration, to a holder of Class “D” Preferred Shares, in connection with a redemption, retraction or purchase of Class “D” Preferred Shares, a sum for the Class “D” Preferred Shares that differs from the adjusted Redemption Value, the holder or the Corporation, as the case may be, shall immediately pay to the holder or the Corporation, as the case may be, the difference between the amount paid in connection with the redemption, retraction or purchase and the adjusted Redemption Value. Moreover, if, at the time of the adjustment, dividends have already been declared and paid on the Class “D” Preferred Shares, such dividends shall be adjusted so as to reflect the adjustment of the Redemption Value.

(7) Right to Purchase by Private Agreement. Subject to the Act, the Corporation may, at any time, without giving notice and without taking into consideration the other classes of shares, purchase by private agreement and at the best possible price all or part of the issued and outstanding Class “D” Preferred Shares. However, such purchase price shall never exceed the Redemption Value mentioned above or the book value of the net assets of the Corporation.

(E) CLASS “E” PREFERRED SHARES: The number of Class “E” Preferred Shares is unlimited, and the consideration paid into the subdivision of the issued and paid-up share capital account relating to such shares is also unlimited; Class “E” Preferred Shares shall have no par value and shall carry the following rights, privileges, conditions and restrictions:

(1) Ranking of Class “E” Preferred Shares. Class “E” Preferred Shares shall have priority over the Class “A” Common Shares and the Class “F” Preferred Shares, but not over the Classes “B,” “C,” “D” and “G” Preferred Shares with respect to the order of payment of dividends and the distribution of the assets of the Corporation in the event of the liquidation, winding-up or dissolution of the Corporation, whether or not voluntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs.

(2) Right to Dividends. The holders of Class "E" Preferred Shares shall be entitled to receive, every year, in such manner and at such time as the Board of Directors may declare, a non-cumulative dividend at the fixed rate of 1% per month, calculated on the redemption price of the Class "E" Preferred Shares, payable in cash, property or through the issuance of fully paid shares of any class of the Corporation.

(3) Repayment. If, for any reason, including in the event of dissolution or liquidation or winding-up of the Corporation, whether or not voluntary, some or all of the assets of the Corporation are distributed among the shareholders, each holder of Class "E" Preferred Shares shall be entitled to repayment of the amount paid for the Class "E" Preferred Shares into the subdivision of the issued and paid-up share capital account relating to the Class "E" Preferred Shares.

(4) No Voting Right. Subject to the provisions of the Act or as otherwise expressly provided, the holders of Class "E" Preferred Shares shall not be entitled to receive notice of, attend or vote at the meeting of shareholders of the Corporation.

(5) Redemption Right. The Corporation shall be entitled, at its discretion, subject to the provisions of the Act in this regard, to redeem at any time all or from time to time part of the Class "E" Preferred Shares then outstanding upon giving notice to that effect, on payment to the holders of the Class "E" Preferred Shares of an aggregate redemption price equal to the consideration received by the Corporation at the time the Class "E" Preferred Shares were issued.

The Corporation shall, at least one (1) business day prior to the date fixed for redemption (the "Redemption Date"), give written notice, to each then registered holder of Class "E" Preferred Shares, of the Corporation's intention to redeem such shares. Such notice shall set out the date and place at which the redemption is to take place and where payment is to occur and, in the case of partial redemption, the number of shares of each such holder of Class "E" Preferred Shares to be redeemed. If notice of redemption is given as aforesaid and an amount sufficient to redeem the Class "E" Preferred Shares called for redemption is deposited with the Corporation's bankers or at any other place specified in the notice, on or before the Redemption Date, the holders of Class "E" Preferred Shares shall, after the Redemption Date, no longer have any right in or against the Corporation, except the right to receive payment of the Redemption Price and any accrued but unpaid dividends on such Class "E" Preferred Shares being redeemed, upon presentation and surrender of the certificates representing such number of shares to be redeemed.

(6) Retraction Right. Subject to the Act, each holder of Class "E" Preferred Shares shall be entitled, at any time and at such holder's discretion, upon written notice, to require the Corporation to redeem all or part of such holder's shares at a price equal to the "Redemption Value," as described below, plus the amount of dividends declared but unpaid, if any, on the Class "E" Preferred Shares.

(a) Redemption Value

The “Redemption Value” of each share corresponds to the amount paid for such share into the subdivision of the issued and paid-up share capital account relating to the Class “E” Preferred Shares, plus a premium equal to the amount by which the fair market value of the consideration received by the Corporation at the time such Class “E” Preferred Share was issued exceeds the total of:

(i) the amount paid for such share into the subdivision of the issued and paid-up share capital account relating to the Class “E” Preferred Shares; and

(ii) the fair market value of any property, other than a Class “E” Preferred Share, given by the Corporation in payment of such consideration.

(b) Determination of Fair Market Value of the Consideration

Upon issuance of the Class “E” Preferred Shares, the Corporation and each subscriber of Class “E” Preferred Shares shall determine, by mutual consent and in good faith, based on a method deemed fair and reasonable, the fair market value of each of the assets that form part of the consideration received by the Corporation at the time the Class “E” Preferred Shares are issued.

(c) Adjustment of the Premium in Case of a Disagreement with the Department of Revenue

In the event of a disagreement with the federal or provincial department of revenue, or both, with respect to the appraisal of the fair market value of one or more of the assets that form part of the consideration received by the Corporation at the time the Class “E” Preferred Shares are issued, the appraisal by such department shall prevail. The amount of the premium relating to the redemption of the Class “E” Preferred Shares shall be adjusted accordingly if the department in question provides the Corporation and each holder of Class “E” Preferred Shares, or, where all of the shares are redeemed, the Corporation and each former holder of Class “E” Preferred Shares, with the opportunity to contest the appraisal with the department or before the courts. Where the federal and provincial appraisals differ, the amount of the premium shall be equal to the lower appraisal established in accordance with an uncontested assessment or another final judgment, as the case may be.

If, before the Redemption Value provided for in the foregoing sentence is adjusted, the Corporation pays, in cash or any other form of consideration, to a holder of Class “E” Preferred Shares, in connection with a redemption, retraction or purchase of Class “E” Preferred Shares, a sum for the Class “E” Preferred Shares that differs from the adjusted Redemption Value, the holder or the Corporation, as the case may be, shall immediately pay to the holder or the Corporation, as the case may be, the difference between the amount paid in connection with the redemption, retraction or purchase and the adjusted Redemption Value. Moreover, if, at the time of the adjustment, dividends have already been declared and paid on the Class “E” Preferred Shares, such dividends shall be adjusted so as to reflect the adjustment of the Redemption Value.

(7) Right to Purchase by Private Agreement. Subject to the Act, the Corporation may, at any time, without giving notice and without taking into consideration the other classes of shares, purchase by private agreement and at the best possible price all or part of the issued and outstanding Class "E" Preferred Shares. However, such purchase price shall never exceed the Redemption Value mentioned above or the book value of the net assets of the Corporation.

(F) CLASS "F" PREFERRED SHARES: The number of Class "F" Preferred Shares is unlimited, and the consideration paid into the subdivision of the issued and paid-up share capital account relating to such shares is also unlimited; Class "F" Preferred Shares shall have no par value and shall carry the following rights, privileges, conditions and restrictions:

(1) Ranking of Class "F" Preferred Shares. Class "F" Preferred Shares shall have priority over the Class "A" Common Shares, but not over the Classes "B," "C," "D," "E" and "G" Preferred Shares with respect to the order of payment of dividends and the distribution of the assets of the Corporation in the event of the liquidation, winding-up or dissolution of the Corporation, whether or not voluntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs.

(2) Right to Dividends. The holders of Class "F" Preferred Shares shall be entitled to receive, every year, in such manner and at such time as the Board of Directors may declare, a non-cumulative dividend at the fixed rate of 1% per month, calculated on the redemption price of the Class "F" Preferred Shares, payable in cash, property or through the issuance of fully paid shares of any class of the Corporation.

(3) Repayment. If, for any reason, including in the event of dissolution or liquidation or winding-up of the Corporation, whether or not voluntary, some or all of the assets of the Corporation are distributed among the shareholders, each holder of Class "F" Preferred Shares shall be entitled to repayment of the amount paid for the Class "F" Preferred Shares into the subdivision of the issued and paid-up share capital account relating to the Class "F" Preferred Shares.

(4) No Voting Right. Subject to the provisions of the Act or as otherwise expressly provided, the holders of Class "F" Preferred Shares shall not be entitled to receive notice of, attend or vote at the meeting of shareholders of the Corporation.

(5) Redemption Right. The Corporation shall be entitled, at its discretion, subject to the provisions of the Act in this regard, to redeem at any time all or from time to time part of the Class "F" Preferred Shares then outstanding upon giving notice to that effect, on payment to the holders of the Class "F" Preferred Shares of an aggregate redemption price equal to the consideration received by the Corporation at the time the Class "F" Preferred Shares were issued.

The Corporation shall, at least one (1) business day prior to the date fixed for redemption (the "Redemption Date"), give written notice, to each then registered holder of Class "F" Preferred Shares, of the Corporation's intention to redeem such shares. Such notice shall set out the date and place at which the redemption is to take place and where payment is to occur and, in the case of partial redemption, the number of shares of each such holder of

Class “F” Preferred Shares to be redeemed. If notice of redemption is given as aforesaid and an amount sufficient to redeem the Class “F” Preferred Shares called for redemption is deposited with the Corporation’s bankers or at any other place specified in the notice, on or before the Redemption Date, the holders of Class “F” Preferred Shares shall, after the Redemption Date, no longer have any right in or against the Corporation, except the right to receive payment of the Redemption Price and any accrued but unpaid dividends on such Class “F” Preferred Shares being redeemed, upon presentation and surrender of the certificates representing such number of shares to be redeemed.

(6) Retraction Right. Subject to the Act, each holder of Class “F” Preferred Shares shall be entitled, at any time and at such holder’s discretion, upon written notice, to require the Corporation to redeem all or part of such holder’s shares at a price equal to the “Redemption Value,” as described below, plus the amount of dividends declared but unpaid, if any, on the Class “F” Preferred Shares.

(a) Redemption Value

The “Redemption Value” of each share corresponds to the amount paid for such share into the subdivision of the issued and paid-up share capital account relating to the Class “F” Preferred Shares, plus a premium equal to the amount by which the fair market value of the consideration received by the Corporation at the time such Class “F” Preferred Share was issued exceeds the total of:

(i) the amount paid for such share into the subdivision of the issued and paid-up share capital account relating to the Class “F” Preferred Shares; and

(ii) the fair market value of any property, other than a Class “F” Preferred Share, given by the Corporation in payment of such consideration.

(b) Determination of Fair Market Value of the Consideration

Upon issuance of the Class “F” Preferred Shares, the Corporation and each subscriber of Class “F” Preferred Shares shall determine, by mutual consent and in good faith, based on a method deemed fair and reasonable, the fair market value of each of the assets that form part of the consideration received by the Corporation at the time the Class “F” Preferred Shares are issued.

(c) Adjustment of the Premium in Case of a Disagreement with the Department of Revenue

In the event of a disagreement with the federal or provincial department of revenue, or both, with respect to the appraisal of the fair market value of one or more of the assets that form part of the consideration received by the Corporation at the time the Class “F” Preferred Shares are issued, the appraisal by such department shall prevail. The amount of the premium relating to the redemption of the Class “F” Preferred Shares shall be adjusted accordingly if the department in question provides the Corporation and each holder of Class “F” Preferred Shares, or, where all of the shares are redeemed, the Corporation and each former holder of Class “F” Preferred Shares, with the opportunity to contest the appraisal with the department or before the courts. Where the federal and provincial appraisals differ, the amount of the premium shall be equal to the lower appraisal established in accordance with an uncontested assessment or another final judgment, as the case may be.

If, before the Redemption Value provided for in the foregoing sentence is adjusted, the Corporation pays, in cash or any other form of consideration, to a holder of Class "F" Preferred Shares, in connection with a redemption, retraction or purchase of Class "F" Preferred Shares, a sum for the Class "F" Preferred Shares that differs from the adjusted Redemption Value, the holder or the Corporation, as the case may be, shall immediately pay to the holder or the Corporation, as the case may be, the difference between the amount paid in connection with the redemption, retraction or purchase and the adjusted Redemption Value. Moreover, if, at the time of the adjustment, dividends have already been declared and paid on the Class "F" Preferred Shares, such dividends shall be adjusted so as to reflect the adjustment of the Redemption Value.

(7) Right to Purchase by Private Agreement. Subject to the Act, the Corporation may, at any time, without giving notice and without taking into consideration the other classes of shares, purchase by private agreement and at the best possible price all or part of the issued and outstanding Class "F" Preferred Shares. However, such purchase price shall never exceed the Redemption Value mentioned above or the book value of the net assets of the Corporation.

(G) CLASS "G" PREFERRED SHARES: The number of Class "G" Preferred Shares is unlimited, and the consideration paid into the subdivision of the issued and paid-up share capital account relating to such shares is also unlimited. Class "G" Preferred Shares shall have no par value and shall carry the following rights, privileges, conditions and restrictions:

(1) Ranking of Class "G" Preferred Shares. Class "G" Preferred Shares shall have priority over the Class "A" Class "A" Common Shares and the other shares of the Corporation with respect to the order of payment of dividends and the distribution of the assets of the Corporation in the event of the liquidation or dissolution of the Corporation, whether or not voluntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs.

(2) Right to Dividends. The holders of record of the Class "G" Preferred Shares shall be entitled to receive, in each fiscal year of the Corporation, a fixed cumulative preferential dividend at the rate of 11.25% per annum per share, calculated daily on the Redemption Price (as defined below) of the Class "G" Preferred Shares. Such dividends shall be cumulative from the respective date of issue of each Class "G" Preferred Share.

For greater certainty, it is hereby declared that (a) wherever it is used in this Section 2, the expression "dividend at the rate of 11.25% per annum per share" shall mean, with respect to the Class "G" Preferred Shares, a dividend calculated at such rate for at least the number of days during which such share was outstanding in the fiscal year with respect to which the calculation is being made and (b) nothing herein contained or implied shall require prorating of dividends with respect to any share not outstanding during the entire period for or with respect to which such dividends are accrued. However, the directors of the Corporation may, at their discretion, prorate dividends with respect to any share not outstanding for the entire period for or with respect to which dividends are accrued if such right to prorate dividends was reserved by the Corporation at the time such shares were issued.

All dividends declared on the Class “G” Preferred Shares shall be payable semi-annually on a cumulative basis on the 20th day of the months of June and December in every year, at such place as the directors of the Corporation may determine, in cash or by certified cheque, bank draft or wire transfer, provided that, in respect of any payment of dividends denominated in a currency other than Canadian dollars, the applicable exchange rate shall be that published by the Bank of Canada in effect on the date of payment.

The holders of Class “G” Preferred Shares shall be entitled to receive only the aforementioned dividends. No dividends may be paid on any shares ranking junior to the Class “G” Preferred Shares, unless all dividends that have become payable on the Class “G” Preferred Shares have been paid or set aside for payment.

(3) Liquidation or Winding-Up. In the event of the liquidation, winding-up, dissolution or reorganization of the Corporation or any other distribution of its assets among its shareholders for the purpose of winding up its affairs, whether voluntarily or involuntarily, the holders of Class “G” Preferred Shares shall be entitled to receive, in preference to the holders of any other class of shares of the Corporation, an amount equal to the Redemption Price (as defined below) for each Class “G” Preferred Share held and any accrued but unpaid dividends on such shares.

(4) No Voting Right. The holders of Class “G” Preferred Shares shall not be entitled to receive notice of, attend or vote at the meetings of shareholders of the Corporation, unless the Corporation has failed to pay eight (8) semi-annual dividends on the Class “G” Preferred Shares, whether or not consecutive. In that event and only so long as the said dividends remain in arrears, the holders of Class “G” Preferred Shares shall be entitled to receive notice of, attend and vote at the meetings of shareholders of the Corporation, except meetings at which only the holders of another specified series or class of shares are entitled to vote. At each such meeting, each Class “G” Preferred Share shall entitle the holder thereof to one (1) vote.

(5) Redemption Right. The Corporation shall be entitled, at its discretion, subject to the provisions of the Act in this regard, to redeem at any time all or part of the Class “G” Preferred Shares then outstanding upon giving notice as hereinafter provided, on payment to the holders of the Class “G” Preferred Shares of an aggregate amount equal to the Redemption Price (as defined below) and any accrued but unpaid dividends on such Class “G” Preferred Shares being redeemed. In the case of partial redemption, the Class “G” Preferred Shares to be redeemed shall be selected *pro rata* among the holders of all Class “G” Preferred Shares then outstanding, except that, with the consent of all the holders of Class “G” Preferred Shares, the shares to be redeemed may be selected in another manner.

The Corporation shall, at least one (1) business day prior to the date fixed for redemption (the “Redemption Date”), give written notice, to each then registered holder of Class “G” Preferred Shares, of the Corporation’s intention to redeem such shares. Such notice shall set out the date and the place at which the redemption is to take place and where payment is to occur and, in the case of partial redemption, the number of shares to be redeemed from each such holder of Class “G” Preferred Shares. If notice of redemption is given as aforesaid and an amount sufficient to redeem the Class “G” Preferred Shares called for redemption is deposited with the Corporation’s bankers or at any other place or places specified in the notice, on or before the

Redemption Date, the holders of Class “G” Preferred Shares shall, after the Redemption Date, no longer have any right in or against the Corporation, except the right to receive payment of the Redemption Price and any accrued but unpaid dividends on such Class “G” Preferred Shares being redeemed, upon presentation and surrender of the certificates representing such number of shares to be redeemed.

(6) Retraction Right. Each holder of Class “G” Preferred Shares shall be entitled, at such holder’s discretion, upon prior written notice of no less than one (1) business day to the Corporation, to require the Corporation to redeem all or part of such holder’s Class “G” Preferred Shares for an aggregate amount equal to the Redemption Price (as defined below) and any accrued but unpaid dividends on such shares, payable, subject to the provisions of the Act in this regard, upon presentation and surrender by such holder of Class “G” Preferred Shares of the certificates representing the number of Class “G” Preferred Shares to be redeemed (the date on which such presentation and surrender occur being the “Retraction Date”). As of the Retraction Date, the Class “G” Preferred Shares shall be considered redeemed, and the Corporation shall pay to such holder of Class “G” Preferred Shares the Redemption Price (as defined below) and any accrued but unpaid dividends on such shares. In the event the Corporation is unable to pay the Redemption Price of the Class “G” Preferred Shares on the Retraction Date, it shall forthwith give the holder of Class “G” Preferred Shares written notice thereof.

(7) Redemption Price. The Redemption Price of the Class “G” Preferred Shares shall be an amount equal to $1,000 per Class “G” Preferred Share being redeemed. The Redemption Price may be paid in cash, or by certified cheque, bank draft or wire transfer, or by the delivery of assets having equivalent value, provided that in respect of any such payment denominated in a currency other than Canadian dollars, for the purposes of this Section (7), the applicable exchange rate shall be that published by the Bank of Canada in effect on the date of payment.

------------------End of Share Capital------------------

SCHEDULE B

RESTRICTIONS ON THE TRANSFER OF SHARES

No shares of capital stock of the Corporation shall be transferred without the approval of the Board of Directors as evidenced by a valid resolution. This approval may be given after the transfer has been registered in the books of the Corporation, in which case, unless such resolution provides otherwise, the transfer is valid and shall come into force on the date of its registration.

RESTRICTIONS ON THE TRANSFER OF SECURITIES

As long as the Corporation shall have the status of a « private issuer » as defined in *Regulation 45-106 on Prospectus Exemptions* (R.S.Q.c. V-1.1), all transfers of securities of the Corporation (other than shares and non-convertible debt securities) shall be subject to the consent of the Board of Directors of the Corporation as evidenced by a resolution passed or signed by them, or subject to the restrictions contained in a Shareholders' Agreement.

Exhibit 1.31

[TRANSLATION]

9176-6857 QUEBEC INC.
(the "Corporation")

BY-LAWS

A. INTERPRETATION

1. Definitions

In these by-laws, unless the context indicates otherwise,

"Act" means the *Business Corporations Act,* R.S.Q., c. S-31.1. Any reference to that statute or any provisions thereof in the Corporation's by-laws is interpreted as a reference to any amended or substituted provisions thereof;

"affairs" means the relationships among the Corporation, its affiliates and the shareholders, directors and officers of the Corporation and its affiliates but does not include the business carried on by the Corporation or its affiliates;

"affiliates": means legal persons one of whom is a subsidiary of the other, or legal persons who are controlled by the same person;

"associates" means, in relation to a person:

a) the person's spouse, children and relatives, and the children and relatives of the person's spouse;

b) a partner of the person;

c) a succession or trust in which the person has a substantial interest similar to that of a beneficiary or in respect of which the person serves as liquidator, trustee or other administrator of the property of others, mandatary or depositary; or

d) a legal person of whom the person owns securities making up more than 10% of a class of shares carrying voting rights at any shareholders meeting or the right to receive any declared dividend or a share of the remaining property of the legal person in the event of liquidation.

"group": means any legal person, any group of persons or any group of properties, including an organization, joint venture or trust;

"officer" means a person referred to in section 40 of these by-laws;

"resolution" or "ordinary resolution" means a resolution that requires a majority of the votes cast at a shareholders meeting by the shareholders entitled to vote on the resolution, or a resolution that requires the signature of all such shareholders;

"reporting issuer" means a reporting issuer within the meaning of the *Securities Act* (R.S.Q., chapter V-1.1);

“security” means a share, debenture, bond or note that is dealt in or traded on a securities exchange or financial market;

“shareholder” means a shareholder who is registered in the securities register of the Corporation, and includes a shareholder’s representative;

“special resolution” means a resolution that requires at least two thirds of the votes cast at a shareholders meeting by the shareholders entitled to vote on the resolution, or a resolution that requires the signature of all such shareholders.

2. Interpretation

a) in the event of contradiction between the Act and the articles or the by-laws of the Corporation, the Act shall prevail over the articles and the by-laws; and the by-laws; and the articles shall take precedence over the by-laws.

b) the powers of the directors, shareholders and officers of the Corporation are subject to the Act and by-laws of the Corporation and any reference to the exercise of any of these powers in the by-laws of the Corporation is subject to the limits, restrictions or conditions that are expressed therein.

c) the masculine gender includes both sexes, unless the contrary intention is evident by the context;

d) the singular number extends to more than one person or more than one thing of the same sort, whenever the context admits of such extension. The plural number can apply to one person only or to one thing only if the context so permits.

The headings used in these by-laws are for ease of reference only and do not form part of them.

B. HEAD OFFICE, ESTABLISHMENT AND SEAL

3. Head office

The head office of the Corporation shall be established in the judicial district of Montréal, in the Province of Quebec. The Corporation may relocate its head office in compliance with the Act.

4. Establishment

In addition to its head office, the Corporation may have other establishments, offices or agencies both within and outside Quebec.

5. Seal

The Board of Directors may adopt a seal but is not required to. The fact that a document of the Corporation is not sealed does not invalidate the document.

C. CORPORATE RECORDS

6. Records

The Corporation maintains, at its head office or at any other place designated by the Board of Directors, records containing:

a) the articles and the by-laws;

b) minutes of meetings of the shareholders and written resolutions of shareholders;

c) the names and domicile of the directors, and the dates of the beginning and end of their term of office; and

d) the securities register.

The secretary keeps such records up-to-date.

The shareholders may examine these records during its regular office hours, and obtain extracts from them. They may also, on request and without charge, obtain a copy of the articles and by-laws.

7. Accounting and Board records

The Corporation also maintains accounting records and books containing the minutes of meetings and written resolutions of the Board of Directors. If applicable, the Corporation also maintains books for all the committees of the Board of Directors.These records and books are kept at the Corporation's head office or at any other place designated by the Board of Directors.

The Corporation is required to retain all accounting records for a period of six years after the end of the fiscal year to which they relate.

Only the directors and the auditor may have access to the accounting records and books containing the minutes of the meetings as well as the written resolutions of the Board of Directors and of its committees. However, the shareholders may examine, during the Corporation's regular office hours, any part of the minutes of the deliberations of the Board of Directors or any other document in which a director or officer makes the disclosure of interest referred to in sections 22 and 45 below.

8. Securities register

The securities register of the Corporation contains the following information with respect to its shares:

a) the names, in alphabetical order, and the addresses of present and past shareholders;

b) the number of shares held by each such shareholder;

c) the date and details of the issue and transfer of each share; and

d) any amount due on any share.

The register must contain, if applicable, the same information with respect to the Corporation's debentures, bonds and notes, with the necessary modifications. Any person may examine the Corporation's securities register if that person complies with the provisions of the Act in this regard. Any person may, on request and on payment of a reasonable fee established by the Corporation, obtain a copy of the list of the Corporation's shareholders as provided for in the Act.

D. BOARD OF DIRECTORS

9. Functions and powers

The Board of Directors exercises all necessary powers to supervise the management of the business and affairs of the Corporation. Except to the extent provided by law, such powers may be exercised without shareholder approval.

Generally, the Board of Directors exercises the powers and takes the actions which the Corporation is authorized to take; it may also enter into any contract on behalf of the Corporation. The Board of Directors may, on behalf of the Corporation:

a) borrow money;

b) issue, reissue, sell or hypothecate its debt obligations;

c) enter into a suretyship to secure performance of an obligation of any person; and

d) hypothecate all or any of its property, owned or subsequently acquired, to secure any obligation.

10. Delegation of powers

The Board of Directors may create one of several committees composed of directors and may delegate certain powers to this or these committees. It can also delegate its powers to a director or an officer. However, the Board of Directors may not delegate its power:

a) to submit to the shareholders any question or matter requiring their approval;

b) to fill a vacancy among the directors or in the office of auditor;

c) to appoint or dismiss the president of the Corporation, the Chair of the Board of Directors, the chief executive officer, the chief operating officer or the chief financial officer regardless of their title, and to determine their remuneration;

d) to authorize the issue of shares;

e) to approve the transfer of unpaid shares;

f) to declare dividends;

g) to acquire, including by purchase, redemption or exchange, shares issued by the Corporation;

h) to split, consolidate or convert shares;

i) to authorize the payment of a commission to a person who purchases shares or other securities of the Corporation, or procures or agrees to procure purchasers for those shares or securities;

j) to approve the financial statements presented at the annual meetings of shareholders;

k) to adopt, amend or repeal by-laws;

l) to authorize calls for payment;

m) to authorize the confiscation of shares;

n) to approve articles of amendment allowing a class of unissued shares to be divided into series, and to determine the designation of and the rights and restrictions attaching to those shares or securities; or

o) to approve a short-form amalgamation.

11. Contracts

All contracts, deeds, agreements, documents, bonds, debentures and other instruments requiring execution by the Corporation may be signed by two directors or two officers of the Corporation or by one director and one officer of the Corporation or by such persons as the Board of Directors may otherwise authorize from time to time by resolution. Any such authorization may be general or confined to specific instances.

12. Proceedings

Any director or officer of the Corporation, or any other person appointed for that purpose by any director or officer of the Corporation, is authorized to bring any action, proceeding, motion, civil, criminal, administrative or other legal procedure, in the name of the Corporation or to appear and to answer on behalf of the Corporation to any writ, to any order or injunction issued by any court, to any examination on the facts relating to any litigation or any examination on discovery, as well as to any action, proceeding, motion or other legal procedure in which the Corporation is involved; to respond in the name of the Corporation to any garnishment in which the Corporation is garnishee and to prepare any affidavit or any solemn declaration related to such a garnishment or to any other legal procedure to which the Corporation is a party; to make any application for the assignment of property or any petitions for a receiving order against any debtor of the Corporation; to attend and to vote in any meeting of the creditors of debtors of the Corporation; to grant proxies and, in respect of any such action, proceeding, motion or other legal procedure, to take any other action which he or she deems to be in the best interests of the Corporation.

13. Number

The exact number of directors is determined by the Board of Directors as provided in the articles of the Corporation.

The directors in office do not cease to hold their position as a result of an amendment of the articles which reduces their number.

14. Qualifications

Any natural person may be a director of the Corporation, except:

a) a minor;

b) a person of full age under tutorship or curatorship;

c) a bankrupt;

d) a person prohibited by the court from holding such office;

e) a person declared incapable by decision of a court of another jurisdiction.

Unless otherwise provided in the articles, a director is not required to be a shareholder.

15. Election and term of office

The directors are elected each year at the annual shareholders meeting by a simple majority of the votes and remain in office until the next annual shareholders meeting or until their successors are appointed. Voting for the election of directors is conducted by a show of hands unless a ballot is demanded by a shareholder entitled to vote.

16. Cessation of office

A director ceases to hold office when he dies, becomes disqualified from being a director, resigns or is removed from office.

17. Resignation

A director may resign at any time. The resignation of a director becomes effective at the time the director's written resignation is received by the Corporation, or at the time specified in the resignation, whichever is later. The reason for the resignation need not be given.

18. Removal

The shareholders may by ordinary resolution at a special meeting remove any director or directors. If certain shareholders have an exclusive right to elect one or more directors, a director so elected may only be removed by ordinary resolution of those shareholders.

A director whose removal is to be proposed at a shareholders meeting may attend the meeting and be heard or, if not in attendance, may explain, in a written statement read by the person presiding over the meeting or made available to the shareholders before or at the meeting, why he opposes the resolution proposing his removal.

A vacancy created by the removal of a director may be filled at the shareholders meeting at which the director is removed or, if it is not, at a subsequent meeting of the Board of Directors.

19. Vacancy

A quorum of directors may fill any vacancy on the board unless there has been a failure to elect the fixed number or minimum number of directors required by the articles.

However, the directors then in office must without delay call a special shareholders meeting to fill the vacancies resulting from the lack of quorum or the failure to elect the fixed or minimal number of directors set out in the articles. If the directors refuse or fail to call a meeting, the meeting may be called by any shareholder.

A director appointed or elected to fill a vacancy holds office for the unexpired term of his predecessor.

20. Retiring director and updating declaration

A director who leaves office is authorized to sign on behalf of the Corporation and file in accordance with the *Act respecting the legal publicity of enterprises* an updating declaration indicating such change, unless he has received, within thirty (30) days of the date on which such change took effect, proof that the Corporation has filed such declaration.

21. Duties of directors

Subject to the provisions of the Act, the directors are bound by the same obligations as are imposed by the *Civil Code of Québec* on any director of a legal person. Consequently, in the exercise of their functions, the directors are duty-bound toward the Corporation to act with prudence and diligence, honesty and loyalty and in the interest of the Corporation.

More specifically, but without limiting the generality of the foregoing:

a) no director may mingle the property of the Corporation with his own property nor may he use for his own profit or that of a third person any property of the Corporation or any information he obtains by reason of his duties, unless he is authorized to do so by the shareholders of the Corporation;

b) unless he has obtained the express consent of the Board of Directors, a director must keep confidential the deliberations of the Board of Directors, any internal document and any other information to which he has access in the performance of his duties which is not publicly known and which has not been publicly disclosed by the Corporation;

c) a director must avoid placing himself in any situation where his personal interest would be in conflict with his obligations as a director of the Corporation;

d) a director must declare to the legal person any interest he has in an enterprise or association that may place him in a situation of conflict of interest and of any right he may set up against it, indicating their nature and value, where applicable.

22. Contracts or transactions – disclosure of interest

A director must disclose the nature and value of any interest he has in a contract or transaction to which the Corporation is a party. “Interest” means any financial stake in a contract or transaction that may reasonably be considered likely to influence decision-making. Furthermore, a proposed contract or a proposed transaction, including related negotiations, is considered a contract or transaction.

A director must also disclose a contract or transaction to which the Corporation and any of the following are a party:

a) an associate of the director;

b) a group of which the director is a director;

c) a group in which the director or an associate of the director has an interest.

The director satisfies the requirement if he discloses, in a case specified in subparagraph b), the directorship or office held within the group or, in a case specified in subparagraph c), the nature and value of the interest he or his associate has in the group.

Unless it is recorded in the minutes of the first meeting of the Board of Directors at which the contract or transaction is discussed, the disclosure of an interest, contract or transaction must be made in writing to the Board of Directors as soon as the director becomes aware of the interest, contract or transaction.

The disclosure must be made even in the case of a contract or transaction that does not require approval by the Board of Directors.

23. Contracts or transactions – voting

No director may vote on a resolution to approve, amend or terminate the contract or transaction described in the foregoing section, or be present during deliberations concerning the approval, amendment or termination of such a contract or transaction unless the contract or transaction:

a) relates primarily to the remuneration of the director or an associate of the director as a director of the Corporation or an affiliate of the Corporation;

b) relates primarily to the remuneration of the director or an associate of the director as an officer, employee or mandatary of the Corporation or an affiliate of the Corporation, if the Corporation is not a reporting issuer;

c) is for the indemnification of the directors in certain circumstances or liability insurance taken out by the Corporation;

d) is with an affiliate of the Corporation, and the sole interest of the director is as a director or officer of the affiliate.

If no quorum exists for the purpose of voting on a resolution to approve a contract or transaction only because a director is not permitted to be present during deliberations, the other directors present are deemed to constitute a quorum for the purpose of voting on the resolution.

If all the directors are required to abstain from voting, the contract or transaction may be approved solely by the shareholders entitled to vote, by ordinary resolution. The disclosure must be made to the shareholders in a sufficiently clear manner before the contract or transaction is approved.

24. Remuneration

The Board of Directors determines the remuneration of the directors from time to time, by resolution. The directors are also entitled to be reimbursed for travel costs and reasonable expenses incurred in the performance of their duties.

E. MEETINGS OF THE BOARD OF DIRECTORS

25. Place

The Board of Directors meets at the head office of the Corporation or at any other place within or outside Quebec which the Chair of the Board of Directors may choose.

26. Calling of meeting

The Board of Directors meets as often as the Chair of the Board considers necessary. Board meetings are called by the Chair of the Board, or by the secretary at the request of the Chair of the Board, or in the absence or in case of incapacity to act as Chair of the Board, at the request of two (2) directors. At least two (2) days' notice must be given.

In the event that the Chair of the Board (or the secretary, at the request of the Chair of the Board or in the absence or in case of incapacity to act as Chair of the Board, at the request of two (2) directors) considers, at his discretion, that it is deemed urgent to call a meeting of the Board of Directors, he must see that the notice of the meeting be sent out using any possible means at least two (2) hours before the meeting and such notice shall be deemed sufficient for the meeting to be called.

The notice must state the time and place of the meeting and, where applicable, specify any matter referred to in section 10 of these by-laws.

A notice of meeting must be sent to each director, at his last known civic or electronic address, by any means providing proof of its sending.

A meeting may be held without notice if all the directors are present or if the absent directors agreed to the holding of such meeting. The meeting of the Board of Directors immediately following the annual shareholders meeting may take place without notice.

27. Waiver of notice

A director may, in writing, waive notice of a meeting; waiver of the notice may be validly given before or after the meeting. However, attendance of a director at a meeting of the board is a waiver of notice of the meeting unless the director attends the meeting for the sole purpose of objecting to the holding of the meeting on the grounds that it was not lawfully called.

28. Participation by any means of communication

A director may participate in a meeting of the board by means of equipment - telephone, electronic or other - enabling all participants to communicate directly with one another. In such a case, the director is deemed to be present at the meeting.

29. Attendance

Only the directors may attend board meetings. Other persons may also attend as needed, with the authorization of the Chair of the Board or the majority of the directors present.

30. Quorum

A majority of the directors in office constitutes a quorum. A quorum of directors may validly exercise all the powers of the directors, despite any vacancy on the board.

31. Chair and secretary of the meeting

Meetings of the Board of Directors are chaired by the Chair of the Board or, by default, by the vice-chair of the board or by default by the president and chief executive officer or, in his absence, by a director assigned by the other participating directors. The secretary acts as meeting secretary, drafts the minutes of the meeting and co-signs the minutes with the Chair of the meeting.

32. Procedure

The Chair of the Board directs the meeting and ensures that it is conducted in an orderly manner. He submits the business to be discussed to the board. A director may also submit business to be discussed.

33. Voting

Unless otherwise provided in the articles, the Board of Directors decides any issue by a majority of the votes. Each director is entitled to one vote. Voting by proxy is not permitted.

Voting is by a show of hands or, at the request of the Chair of the Board or a director, by secret ballot. A vote by secret ballot may be requested before or after a vote by a show of hands.

If voting is by secret ballot, the secretary acts as scrutineer and counts the ballots. The Chair of the Board does not have a tie-breaking vote in the case of a tie.

34. Dissent

A director who is present at a meeting of the board or a committee of the board is deemed to have consented to any resolution passed at the meeting unless:

a) the director’s dissent has been entered in the minutes;

b) the director sends a written dissent to the secretary of the meeting before the meeting is adjourned; or

c) the director delivers a written dissent to the Chair of the Board, sends it to the Chair of the Board by any means providing proof of the date of receipt or delivers it to the head office of the Corporation immediately after the meeting is adjourned.

A director is not entitled to dissent after voting for or consenting to a resolution.

35. Dissent of an absent director

A director who was not present at a meeting of the board or a committee of the board at which a resolution was passed is deemed to have consented to the resolution unless the director records his dissent within seven days after becoming aware of the resolution, by written notice delivered to the Chair of the Board, or the president, or sent to the Chair of the Board, or the president, by any means providing proof of the date of receipt or delivered to the head office of the Corporation.

36. Adjournment

The Chair of the Board may, with the consent of the majority of the directors present, adjourn a meeting of the Board of Directors to a specified date, time and place without a new notice of meeting being required. The Chair of the Board may also adjourn a meeting *ex officio* if he considers it impossible to conduct it in an orderly manner.

The meeting is validly resumed if it is held on the specified date and at the specified place and if a quorum is present. If a quorum does not exist when the meeting resumes, the initial meeting is deemed to have ended immediately after it was adjourned.

37. Signed resolution

A resolution in writing, signed by all the directors entitled to vote on the resolution, has the same force as if it had been passed at a meeting of the board or, as the case may be, of a committee of the Board of Directors. These resolutions are kept with the minutes of meetings and the written resolutions of the Board of Directors.

The written resolutions that are signed electronically are as legally valid as a written signature.

38. Recording of deliberations

Only the secretary may record the deliberations of the Board of Directors, for the purpose of preparing the minutes. The secretary must destroy the recording once the concerned minutes have been approved.

F. OFFICERS

39. General

The officers of the Corporation are the Chair of the Board, the vice-chair of the Board (if applicable), the president and chief executive officer, the chief financial officer, the vice-presidents, the secretary, the treasurer and/or the assistant-secretary(ies). The Board of Directors may designate another person as an officer by resolution.

40. Qualifications

The officers need not be directors or shareholders of the Corporation except for the Chair of the Board of Directors who must be a director. The same person may hold more than one position as officer.

41. Term of office

Unless the Board of Directors provides otherwise when he is appointed, an officer holds office from his appointment until the first meeting of the Board of Directors following the annual meeting or until a replacement has been named.

42. Cessation of office

An officer may resign at any time. The resignation of an officer takes effect on the date the Corporation receives the written notice he gives or on the later date indicated therein.

The Board of Directors or the president and chief executive officer may remove an officer at any time and the reason for the removal is not required to be given. However, the removal of the president, the Chair of the Board, the chief executive officer, the chief operating officer, or the chief financial officer regardless of their title, as their appointment, is the responsibility of the Board of Directors.

43. Vacancy

The Board of Directors may fill any vacancy in an office at any time.

44. Powers of officers

An officer exercises the powers attached to his position. He also exercises all the powers which the Board of Directors can delegate to him. In the event an officer is unable to act, the powers of such officer are exercised by any other person designated by the Board of Directors.

45. Duties of officers

The officers are mandataries of the Corporation. In this capacity, in the exercise of their functions, the officers are bound, among other things, toward the Corporation to act with prudence and diligence, honesty and loyalty and in the interest of the Corporation.

An officer must disclose the nature and value of any interest he has in a contract or transaction to which the Corporation is a party. An officer must disclose any contract or transaction to which the Corporation and any of the following are a party:

a) an associate of the director or officer;

b) a group of which the director or officer is a director or officer;

c) a group in which the director or officer or an associate of the director or officer has an interest.

The officer satisfies the requirement if he discloses, in a case specified in subparagraph b), the directorship or office held within the group or, in a case specified in subparagraph c), the nature and value of the interest he or his associate has in the group.

In the case of an officer who is not a director, the disclosure must be made as soon as:

a) the officer becomes an officer;

b) the officer becomes aware that the contract or transaction is to be discussed or has been discussed at a meeting of the board; or

c) the officer or the officer's associate acquires an interest in the contract or transaction, if it was entered into earlier.

The disclosure must be made even in the case of a contract or transaction that does not require approval by the Board of Directors.

46. Chair or vice-chair of the Board

The Chair of the Board or if necessary, the vice-chair, shall be chosen from among the directors. The Chair of the Board or, in his absence, the president, presides over all the meetings of the directors and all shareholders meetings at which he is present and as such has all the powers and fulfils all his responsibilities that the Board of Directors may determine from time to time.

47. President

The president and chief executive officer controls and supervises the management of the activities and affairs of the Corporation. He signs the documents which require his signature. He also has the powers and fulfills all the responsibilities that the Board of Directors determines from time to time.

48. Vice-president

The vice-president (or vice presidents), exercises the powers and assumes the obligations that the Board of Directors determines from time to time. In the event of an absence, inability, refusal or omission to act as the president, the vice-president assigned by the directors can exercise his powers and fulfill all his responsibilities.

49. Secretary

The secretary is responsible for safekeeping the records and documents of the Corporation. He acts as secretary of the meetings of the Board of Directors and committees of the board as well as the meetings of shareholders. He signs the share certificates and other documents that require his signature and sends the directors and shareholders notice of meetings and other notices which may be required. He has all the powers and fulfills all the functions that the Board of Directors determines from time to time.

The assistant secretary fulfills all responsibilities assigned to him from time to time by the secretary.

50. Chief Financial Officer and/or Treasurer

He is in charge of the financial management of the Corporation. He oversees the financial situation of the Corporation and sees to the management of its property and the keeping of its accounting records. He reports periodically to the audit committee and to the Board of Directors on the financial situation of the Corporation. He signs the documents which require his signature.

51. Remuneration

The Board of Directors determines, from time to time, the remuneration of the president and chief executive officer, the Chair of the Board, the chief operating officer and of the chief financial officer, regardless of their title. The remuneration of the other officers is determined by management, subject to the powers devolved to the committee acting as the remuneration committees.

The officers are also entitled to be reimbursed the travel costs and all reasonable fees and expenses incurred in the performance of their duties.

G. COMMITTEES OF THE BOARD OF DIRECTORS

52. Creation

The Board of Directors may, by resolution, create one or more committees made up of directors. The resolution creating the committee sets out the number of directors making it up.

53. Powers

A committee of the Board of Directors exercises the powers delegated to it by the Board of Directors. However, the Board of Directors may not delegate the powers which it must exercise exclusively, according to the Act or section 10 of these by-laws.

A committee reports on its activities to the Board of Directors. Subject to the rights of third parties, the Board of Directors may overrule or modify a committee's decisions.

54. Cessation of office

A director may resign from a committee of the Board of Directors at any time. The resignation of a director becomes effective at the time the director's written resignation is received by the Corporation, or at the time specified in the resignation, whichever is later. The reason for the resignation is not required to be given.

The Board of Directors may, by resolution, replace a member of a committee of the board.

55. Vacancy

The Board of Directors may fill any vacancy on a committee of the board.

56. Meetings

Meetings of a committee of the board are called in the same manner as meetings of the Board of Directors.

57. Quorum

Unless otherwise provided in a resolution of the Board of Directors, the majority of the members of a committee of the board constitute a quorum.

58. Chair and secretary

Meetings of a committee of the board are chaired by the Chair of the committee; in his absence, the members present choose a meeting Chair from among themselves. The secretary of the Corporation acts as secretary of any committee of the board. The members present at a meeting can, if necessary, choose another person as meeting Chair or secretary.

59. Procedure

Meetings of committees of the Board of Directors are held in the same manner as the meetings of the Board of Directors.

60. Written resolution

A written resolution, signed by all the members of the committee entitled to vote on this resolution has the same force as if it had been passed at a meeting of the committee. The resolutions are kept with the minutes of the meetings and the written resolutions of the Board of Directors.

The written resolutions that are signed electronically are as legally valid as a written signature.

61. Remuneration

The members of a committee of the board may, as such, receive the remuneration set by resolution of the Board of Directors.

H. PROTECTION OF DIRECTORS AND OFFICERS

62. Presumption

A director is presumed to have fulfilled the obligation to act with prudence and diligence if the director relied, in good faith and based on reasonable grounds, on a report, information or an opinion provided by one of the following persons:

a) an officer of the Corporation who the director believes to be reliable and competent in the functions performed;

b) legal counsel, professional accountants or other persons retained by the Corporation as to matters involving skills or expertise the director believes are matters within the particular person’s professional or expert competence or as to which the particular person merits confidence; or

c) a committee of the Board of Directors of which the director is not a member if the director believes the committee merits confidence.

63. Relief Provided by the Act

A director cannot be held liable under sections 154, 155, 156, 287, 314 or 392 of the Act if the director acted with a reasonable degree of prudence and diligence in the circumstances. Furthermore, for the purposes of sections 155, 156, 287, 314 and 392 of the Act, the court may, after considering all the circumstances and on the terms the court considers appropriate, relieve a director, either wholly or partly, from the liability the director would otherwise incur if it appears to the court that the director has acted reasonably, honestly and loyally, and ought fairly to be excused.

I. INDEMNIFICATION AND LIABILITY INSURANCE

64. Indemnification

Subject to the following, the Corporation must indemnify a director or officer of the Corporation, a former director or officer of the Corporation, a mandatary, or any other person who acts or acted at the Corporation’s request as a director or officer of another group against all costs, charges and expenses reasonably incurred in the exercise of their functions, including an amount paid to settle an action or satisfy a judgment, or arising from any investigative or other proceeding in which the person is involved if

a) the person acted with honesty and loyalty in the interest of the Corporation or, as the case may be, in the interest of the other group for which the person acted as director or officer or in a similar capacity at the Corporation’s request; and

b) in the case of a proceeding that is enforced by a monetary penalty, the person had reasonable grounds for believing that his conduct was lawful.

The Corporation must also advance monies to such a person for the costs, charges and expenses of a proceeding referred to in the first paragraph.

However, in the event that a court or any other competent authority judges that the conditions set out in subparagraphs a) and b) above are not fulfilled, or that the person has committed intentional or gross fault, the Corporation may not indemnify the person and the person must repay to the Corporation any monies advanced.

The indemnity provided for in the preceding paragraphs can be obtained even if a person has ceased being a director, officer or representative of the Corporation. In case of death, the indemnity can be paid to the heirs, legatees, liquidators, assignees, authorized representants or beneficiaries of this person.

65. Actions by or on behalf of the Corporation

The Corporation may, with the approval of the court, in respect of an action by or on behalf of the Corporation or other group referred to in the preceding section against a person referred to in the preceding section, advance the necessary monies to the person or indemnify the person against all costs, charges and expenses reasonably incurred by the person in connection with the action, if the person fulfills the conditions set out in the preceding section.

66. Liability insurance

The Corporation must purchase and maintain insurance for the benefit of its directors, officers and other mandataries against any liability they may incur as such or in their capacity as directors, officers or mandataries of another group, if they act or acted in that capacity at the Corporation's request.

J. SHAREHOLDERS MEETINGS

67. General

The Corporation must hold an annual meeting of shareholders; it may hold one or more special meetings of shareholders as needed.

68. Annual meeting

An annual meeting must be held fifteen (15) months after the last preceding annual meeting. The following business is discussed at the annual meeting:

a) the presentation and examination of the financial statements of the Corporation for the fiscal year ended within six months of the date of the meeting;

b) the presentation and examination of any other financial information required by the articles or the by-laws to be presented to the shareholders;

c) the presentation and examination of the auditor's report, where applicable;

d) the renewal of the auditor's term, where applicable;

e) the election of directors.

The annual meeting may also examine and discuss any other business.

The Board of Directors calls the annual shareholders meeting. Otherwise, the meeting may be called by the shareholders in accordance with the rules for calling special meetings at the request of the shareholders as provided in the Act.

69. Place

A meeting is held within the province of Quebec at the place determined by the Board of Directors.

70. Calling of meeting

Notice of a shareholders meeting must be sent to each shareholder entitled to vote at the meeting and to each director at least twenty-one (21) days, but at the most sixty (60) days before the meeting.

If a director or a shareholder entitled to vote at a shareholders meeting gives written notice not less than ten (10) days before the meeting to the auditor or a former auditor of the Corporation, the auditor or former auditor attends the meeting at the Corporation's expense and answers any question relating to their duties as auditor.

71. Notice of meeting

The notice of a shareholders meeting must be sent to each shareholder able to vote and to each director, in writing, by any means providing proof of the date of sending. It is sent to such persons at the address indicated in the Corporation's records. If a person's address is not indicated in the Corporation's records, the notice of meeting must be sent to the address where, in the opinion of the person sending such notice, it is the most likely to reach the person the quickest.

The notice of meeting is sent to the shareholders entered in the securities register at the day the notice is transmitted.

A certificate from the secretary or any other duly authorized officer of the Corporation in office at the time of the preparation of such certificate, or any officer, transfer agent, or share transfer registrar of the Corporation constitutes proof of the sending of the notice of meeting and ties in each shareholder.

The notice of meeting indicates the date, time and place of the meeting as well as the business on the agenda. It also states, where applicable, the date by which the proxies of the shareholders wishing to be represented at the meeting must be received by the Corporation; such date may not be more than forty-eight (48) hours, excluding Saturdays and holidays, before the date of the meeting or any adjournment thereof.

The notice of meeting must state the business on the agenda in sufficient detail to permit the shareholders to form a reasoned judgment on it, and contain the text of any special resolution to be submitted to the meeting.

Irregularities in the notice of meeting or in its sending do not affect the validity of the meeting. Similarly, the unintentional failure to send a notice of meeting to a person entitled to it, or the failure to receive it by a person entitled to the notice, does not invalidate the resolutions passed at the meeting. In addition, the unintentional failure to include a matter to be discussed at the meeting in the notice does not prevent the meeting from discussing such business, unless the interests of a shareholder or director are or could be affected thereby.

72. Waiver

A shareholder or director may, in writing, waive notice of a shareholders meeting; waiver of the notice may be validly given before or after the meeting. Their attendance at the meeting is a waiver of notice of the meeting unless they attend the meeting for the sole purpose of objecting to the holding of the meeting on the grounds that it was not lawfully called or held.

73. Holding of or participation in meeting by electronic means

A shareholders meeting may be held solely by means of equipment enabling all participants to communicate directly with one another.

Furthermore, any person entitled to attend a shareholders meeting may participate in the meeting by means of any equipment enabling all participants to communicate directly with one another. A person participating in a meeting by such means is deemed to be present at the meeting.

Any shareholder participating in a shareholders meeting by means of equipment enabling all participants to communicate directly with one another may vote by any means enabling votes to be cast in a way that allows them to be verified afterwards and protects the secrecy of the vote when a secret ballot has been requested.

74. Quorum

A quorum of shareholders is present at a shareholders meeting if, at the opening of the meeting, one or several holders of 50% or more of the shares that carry the right to vote at the meeting are present in person or represented by proxy. The shareholders present in person or represented by proxy may discuss the business of such meeting, whether or not a quorum is maintained throughout the meeting.

In the absence of the quorum at the opening of a shareholders meeting, the shareholders present may adjourn the meeting to a specific day, time and place but may not transact any other business. Any matter that could have been brought before the adjourned meeting may then be brought before any adjournment thereof provided the quorum is duly constituted.

75. Meeting Chair and secretary

The Chair of the Board of the Corporation or, in his absence, the vice-chair of the Board, if any, or in his absence, the president and chief executive officer of the Corporation or any other person that may be named by the Board of Directors from time to time Chairs a shareholders meeting. The secretary of the Corporation acts as meeting secretary.

If the person who is to chair the meeting is not present at the meeting within 15 minutes after the time appointed for the meeting, the shareholders present choose one of their own to chair of the Board the meeting.

76. Procedure

The Chair of the meeting directs the meeting and ensures its orderly conduct. His decisions, including those relating to the validity of proxies, are final and binding on all the shareholders.

The Chair of a shareholders meeting must allow shareholders to raise and discuss, for a reasonable period of time, any matter the primary purpose of which relates to the business or affairs of the Corporation and which is not to enforce a personal claim or redress a personal grievance against the Corporation or its directors, officers or shareholders.

At a shareholders meeting, unless a vote is demanded, a declaration by the Chair of the Board of the meeting that a resolution of the shareholders has been carried and that an entry to that effect has been made in the minutes of the meeting is, in the absence of any evidence to the contrary, proof of that fact, without it being necessary to prove the number or proportion of the votes recorded for and against the resolution.

77. Voting

Unless otherwise provided in the articles, each share of the Corporation entitles the holder to one vote.

78. Majority decision

Unless otherwise provided in the law, the articles or the by-laws, a decision of the shareholders is adopted by ordinary resolution.

79. Tie-breaking vote

In the case of a tie, the Chair of the meeting has a tie-breaking vote.

80. Voting

Voting is conducted by a show of hands, open voice or secret ballot.

81. Voting by a show of hands

Voting is conducted by a show of hands unless an open voice vote or a ballot is demanded. In such a case, the shareholders or proxies vote by raising their hand and the number of votes is calculated according to the number of hands raised.

A proxyholder who has conflicting instructions from more than one shareholder may not vote by a show of hands.

82. Open voice voting

The Chair of the meeting, a shareholder or a proxyholder may demand an open voice vote unless a ballot has been demanded. In such a case, each shareholder or proxyholder verbally states his name, that of the shareholder or shareholders whose proxy he holds, the number of votes he holds and the breakdown of such votes.

83. Voting by secret ballot

Voting is conducted by secret ballot if the Chair of the meeting, a shareholder or a proxyholder so requests, in the manner indicated by the Chair of the meeting. Each shareholder or proxyholder gives the scrutineers a ballot indicating his name, that of the shareholder whose proxy he holds, the number of votes he holds and the breakdown of such votes.

A shareholder may demand a ballot either before or after a vote by show of hands. A demand for a secret ballot may be withdrawn any time before voting begins.

When voting is conducted by secret ballot, the meeting appoints one person to act as scrutineer.

84. Scrutineer

The Chair of any shareholders meeting can appoint one or two persons to act as scrutineers.

85. Voting by a group

A natural person authorized by a resolution of the Board of Directors or of the management of a shareholder who is a group may participate in and vote at a shareholders meeting.

86. Voting by the administrator of the property of others

A person acting for a shareholder as administrator of the property of others may participate in and vote at a shareholders meeting.

87. Voting by joint shareholders

If two or more persons hold shares jointly, one of those shareholders present at a shareholders meeting may, in the absence of the others, exercise the voting right attached to those shares. If more than one (1) shareholder are present, they shall vote as one shareholder.

88. Proxies

A shareholder may be represented at a shareholders meeting by a proxyholder. A shareholder so represented is deemed to be present at the meeting. Any person, whether or not a shareholder of the Corporation, may be appointed a proxyholder. A proxyholder has the same rights as the shareholder represented to speak at a shareholders meeting in respect of any matter and to vote at the meeting.

A proxy must be in writing and signed by the shareholder. In addition to the date, the proxy must include the name of the proxyholder and, if applicable, revoke any former proxy.

A proxy may also contain voting instructions which the proxyholder is required to follow. A proxy is not required to be witnessed.

Unless otherwise indicated, a proxy lapses one year after the date it is given. It may be revoked at any time.

A proxy may be in the following form:

"I, the undersigned shareholder of , hereby appoint or, in his absence, , as my proxy, with full power and authority to attend, vote at and otherwise act on my behalf at the annual (or special) meeting of the shareholders of the corporation which will take place at on the day of and at any adjournment thereof. I hereby revoke any former proxy.

Signed in this day of .

Shareholder`s signature"

A proxy may be filed with the secretary of the Corporation or any authorized person. A proxy mechanically reproduced or sent by fax or any other means of communication providing proof of the date of receipt is valid.

89. Preservation of ballots and proxies

The Corporation must, for at least three months after a shareholders meeting, keep at its head office the ballots cast and the proxies presented at the meeting. Any shareholder or proxyholder who was entitled to vote at the meeting may, without charge, inspect the ballots and proxies kept by the Corporation.

90. Adjournment

The Chair of the meeting may adjourn any shareholders meeting, with the consent of the shareholders present or represented by proxy. The Chair of the meeting may also adjourn a meeting *ex officio* if he believes it is impossible to conduct it in an orderly manner.

If a shareholders' meeting is adjourned for less than thirty (30) days, it is not necessary to give notice of the adjourned meeting other than by announcement at the original meeting. If a shareholders' meeting is adjourned by one or more adjournments for an aggregate of thirty (30) days or more, notice of the adjourned meeting must be given as for an original meeting.

The meeting is validly resumed if it is held on the date and at the time and place announced and if there is a quorum. In the absence of a quorum at the resumed meeting, the original meeting is deemed to have terminated immediately after its adjournment.

91. Signed resolution

A resolution in writing signed by all the shareholders entitled to vote on the resolution is as valid as if it had been passed at a shareholders meeting. The resolution must be kept with the minutes of the shareholders meetings and written resolutions.

The written resolutions that are signed electronically are as legally valid as a written signature.

K. SHARES AND CERTIFICATES

92. Issue of shares

Subject to the existence of a pre-emptive right granted to the shareholders, shares may be issued at the times, to the persons, including the directors or officers of the Corporation, and for the consideration the Board of Directors determines. In exercising this power, the Board of Directors may, by resolution, accept subscriptions, issue the unissued shares of the Corporation's share capital and grant an exchange right, option or right to acquire shares of the Corporation.

93. Payment of shares

The shares of the Corporation may be issued whether or not they are fully paid. However, shares may only be considered paid if consideration equal to the issue price (which may not be less than the par value, if any, of the shares) determined by the Board of Directors has been paid to the Corporation.

Consideration for the shares issued by the Corporation is payable in money, or in property or past services determined by the Board of Directors to be the fair equivalent of the money consideration, considering all the circumstances.

A promissory note or a promise to pay made by a person to whom shares are issued, or a person who does not deal at arm's length, within the meaning of that expression in the *Taxation Act* (R.S.Q., chapter I-3), with a person to whom shares are issued does not constitute consideration for the shares.

94. Share certificates

Shares issued by the Corporation may be certificated shares or uncertificated shares. A certificated share is represented by a paper certificate in registered form, and an uncertificated share is represented by an entry in the securities register in the name of the shareholder.

Unless otherwise provided in the articles of the Corporation, shares are issued as certificated shares unless the Board of Directors determines, by resolution, that the shares of any class or series of shares or certain shares of a class or series are to be issued as uncertificated shares.

The Board of Directors may also, by resolution, determine that certificated shares become uncertificated shares as soon as the paper certificate is surrendered to the Corporation.

95. Certificated shares

In the case of certificated shares, the Corporation must issue to the shareholder, without charge, a certificate in registered form. The Corporation is not required to issue more than one certificate for shares held jointly by two or more persons.

The Board of Directors adopts the form of the share certificate by resolution, as governed by the Act.

The share certificates of the Corporation must be signed by the secretary or by any director or any officer. This signature may be affixed by an automatic device or electronic process.

In the absence of any evidence to the contrary, the certificate is proof of the shareholder's title to the shares represented by the certificate.

The seal is not required to be affixed to the share certificate.

96. Uncertificated shares

In the case of uncertificated shares, the Corporation must send the shareholder a written notice containing the information prescribed by the Act.

97. Damaged, lost or destroyed certificates

If a shareholder claims that a share certificate has been lost, wrongfully taken or destroyed, the Corporation must issue a new certificate if the shareholder:

a) so requests before the Corporation has notice that the lost, wrongfully taken or allegedly destroyed share certificate has been delivered to a protected purchaser within the meaning of the *Act respecting the transfer of securities and the establishment of security entitlements*;

b) provides security sufficient in the Corporation's judgment to protect the Corporation from any loss that the Corporation may suffer by issuing a new certificate; and

c) satisfies any other reasonable requirements imposed by the Corporation.

98. Unpaid shares

Unless the terms of payment for shares are determined by contract, the Board of Directors may call for payment of all or part of the unpaid amounts on shares subscribed or held by the shareholders, the whole as provided by the Act.

99. Transfer of shares

The transfer of shares of the Corporation is governed by the *Act respecting the transfer of securities and the establishment of security entitlements.*

Shares that are not fully paid but for which no instalment is payable may only be transferred with the authorization of the Board of Directors. The directors must reasonably verify the acquirer's ability to pay for the shares before authorizing the transfer.

A share may not be transferred until all instalments payable up to the time of transfer have been fully paid.

100. Transmission of shares

In the event of a transfer of shares by will, the Corporation may consider as entitled to exercise the rights of a deceased shareholder, an heir or personal representative of the heirs or of the succession of that shareholder, upon reception of sufficient proof of their appointment. That person is entitled to become the registered holder of the shares of the deceased or to designate those holders upon delivery to the Corporation of an affidavit or declaration setting out the conditions of the transfer and, as the case may be, of (a) an original of the decision concerning the probate of the will or the notarized minutes of the probate, or a copy of one of the aforementioned documents certified by the Court which rendered the decision or by the notary who prepared the minutes, or by a trust company constituted under provincial or federal legislation or by an attorney or notary acting on behalf of that person, (b) a certified true copy of the notarial will.

L. DIVIDENDS

101. Declaration of dividends

Unless otherwise provided in the articles, the Board of Directors may declare and the Corporation may pay a dividend either in money or property or by issuing fully paid shares or options or rights to acquire fully paid shares of the Corporation.

The Corporation may not declare and pay a dividend, except by issuing shares or options or rights to acquire shares, if there are reasonable grounds for believing that the Corporation is, or would after the payment be, unable to pay its liabilities as they become due.

The Corporation may deduct from the dividends payable to a shareholder any amount due to the Corporation by the shareholder, on account of calls for payment or otherwise.

102. Record Date

The Board of Directors may fix, in advance, in accordance with applicable securities regulations, a record date for the determination of the shareholders entitled to receive dividends.

M. FISCAL YEAR AND AUDITOR

103. Fiscal year

The fiscal year of the Corporation ends on November 30th or on the date set by resolution of the Board of Directors.

104. Auditor

The shareholders of the Corporation appoint an auditor at each annual shareholders meeting. The auditor is appointed by ordinary resolution. The term of the auditor begins on appointment. The auditor's remuneration is fixed by ordinary resolution of the shareholders at the time of appointment. If it is not fixed at that time, it is fixed by the Board of Directors.

The shareholders may, by ordinary resolution at a special meeting, remove the auditor from office. They may appoint a new auditor by ordinary resolution at the same meeting.

Subject to the shareholders' right to fill the vacancy after removing an auditor, the Board of Directors fills a vacancy in the office of auditor without delay for the unexpired term.

105. Accountant

The shareholders of a corporation other than a reporting issuer may decide not to appoint an auditor. The decision must be made by unanimous resolution of the shareholders of the corporation, including shareholders not otherwise entitled to vote. The decision of the shareholders has effect only until the next annual shareholders meeting. It terminates the term of any auditor in office.

If the shareholders adopt such a resolution, the board of directors may decide to appoint until the next annual meeting one or more accountants to oversee the accounts and prepare the financial statements of the corporation. The board of directors fixes their remuneration.

If the accountant dies, resigns or is removed by the board of directors before the expiry of his term of office, the board of directors may fill the vacancy and appoint a replacement who will hold office for the unexpired portion of the term.

N. NOTICE

106. Shares registered in the name of more than one person (joint shareholders)

If two or more persons hold shares jointly, any notice or other document relating to such shares is sent to the first shareholder indicated in the Corporation's securities register. Such notice or other document is deemed to have been sent to all the other shareholders.

107. Registered shareholder

Before due presentation for registration of transfer of a certificated share or the receipt of an instruction for registration of transfer of an uncertificated share, the Corporation may treat the shareholder registered in the securities register as the person exclusively entitled to receive notices or other documents.

108. Address of shareholders

A shareholder must provide the Corporation with an address to which all notices or documents for him are sent.

109. Signing of notices

Notices sent by the Corporation are signed by a director, officer or any other authorized person. Their signature may be affixed by an automatic device or electronic process.

110. Calculation of time limits

Unless otherwise provided in these by-laws, in computing any time limit fixed by the articles or these by-laws:

a) the day which marks the start of the time limit is not counted, but the terminal day is counted;

b) non-juridical days within the meaning of the *Code of Civil Procedure* are counted; but when the last day is a non-juridical day, the time limit is extended to the next following juridical day;

c) Saturday is considered a non-juridical day.

O. OTHER PROVISIONS

111. Declarations in the enterprise register

A director, officer or any authorized person signs the declarations which must be sent by the Corporation to the enterprise registrar under the *Act respecting the legal publicity of enterprises.*

112. By-laws

Unless otherwise provided for in the unanimous shareholder agreement, the Board of Directors adopts the Corporation's by-laws. The by-laws are effective as of the date of the resolution of the board. The by-laws must be submitted to the shareholders for approval at the next shareholders meeting, and the shareholders may, by ordinary resolution, ratify, reject or amend them. They cease to be effective at the close of the meeting if they are rejected by or not submitted to the shareholders.

The rules of this section apply, with the necessary modifications to the amendment or repeal of by-laws.

Any new by-law adopted by the Board of Directors that has substantially the same purpose or effect as a by-law previously rejected by or not submitted to the shareholders at the meeting is not effective until confirmed by the shareholders.

Adopted by the Board of Directors on September 19, 2011 and ratified by the shareholders on September 19, 2011.

/s/ *(signature)*
Vice-President and Secretary

Exhibit 2.6

VIDEOTRON LTD. / VIDÉOTRON LTÉE

SUPPLEMENTAL INDENTURE

Dated as of June 20, 2016

Computershare Trust Company of Canada,

Trustee

SUPPLEMENTAL INDENTURE, dated as of June 20, 2016 (this **"Supplemental Indenture"**), by and among Videotron Ltd. / Vidéotron Ltée, a corporation under the laws of the Province of Québec (the "**Corporation**"), 9176-6857 Québec inc., a corporation under the laws of the Province of Québec (the "**Additional Subsidiary Guarantor**") and Computershare Trust Company of Canada ("**Computershare**" or the "**Trustee**"), as trustee, to each of (i) the Indenture, dated as of July 5, 2011, as supplemented through the date hereof, by and among the Corporation, each of the subsidiary guarantors party thereto, and Computershare, as trustee (the "**2011 Indenture**"), (ii) the Indenture, dated as of June 17, 2013, as supplemented through the date hereof, by and among the Corporation, each of the subsidiary guarantors party thereto, and Computershare, as trustee (the "**2013 Indenture**"), and (iii) the Indenture, dated as of September 15, 2015, as supplemented through the date hereof, by and among the Corporation, each of the subsidiary guarantors party thereto, and Computershare, as trustee (the "**2015 Indenture**" and collectively with the 2011 Indenture and the 2013 Indenture the "**Indentures**" and each an "**Indenture**").

WHEREAS, the Corporation, the existing subsidiary guarantors party thereto, and Computershare, as trustee, have entered into (i) the 2011 Indenture governing the Corporation's 6 7/8% Senior Notes due 2021 (the "**2021 Notes**"), (ii) the 2013 Indenture governing the Corporation's 5 5/8% Senior Notes due June 15, 2025 (the "**2025 Notes"**), and (iii) the 2015 Indenture governing the Corporation's 5 3/4% Senior Notes due 2026 (the "**2026 Notes**" and, collectively with the 2021 Notes and the 2025 Notes, the "**Notes**");

WHEREAS, Section 4.19 of each of the Indentures, respectively, provides that under certain circumstances the Corporation shall cause a Restricted Subsidiary to execute and deliver to the Trustee a supplemental indenture providing for a Subsidiary Guarantee of the payment of the notes issued thereunder by such Restricted Subsidiary;

WHEREAS, the parties hereto are desirous of further supplementing each Indenture in the manner hereinafter provided for the purpose of providing Subsidiary Guarantees by the Additional Subsidiary Guarantor in accordance with the terms of each Indenture;

WHEREAS, Section 9.01(5) of each Indenture, respectively, provides that the Corporation and the Trustee may amend or supplement such Indenture without the consent of any Holder to add additional guarantees with respect to the notes issued thereunder; and

WHEREAS, all things necessary have been done to make this Supplemental Indenture a valid agreement of the Corporation, the Additional Subsidiary Guarantor and the Trustee, in accordance with its terms.

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH:

For and in consideration of the premises contained herein, the parties hereto mutually covenant and agree as follows:

1. In respect of each the Indentures, respectively, terms used in this Supplemental Indenture that are not defined herein shall have the meanings set forth in such Indenture.

2. The Additional Subsidiary Guarantor hereby agrees to provide an unconditional Subsidiary Guarantee on the terms and subject to the conditions and limitations set forth in each Indenture, including but not limited to Article 10 of each Indenture.

3. This Supplemental Indenture shall be construed as supplemental to each Indenture, respectively, and shall form a part thereof, and each Indenture is hereby incorporated by reference herein and, as supplemented, modified and restated hereby, is hereby ratified, approved and confirmed.

4. This Supplemental Indenture shall be effective as of the date hereof. On and after the date hereof, each reference in each Indenture to "this Indenture," "hereunder," "hereof," or "herein" shall mean and be a reference to such Indenture as supplemented by this Supplemental Indenture unless the context otherwise requires.

5. Except as provided below, in the event of a conflict between the terms and conditions of each Indenture, respectively, and the terms and conditions of this Supplemental Indenture, the terms and conditions of this Supplemental Indenture shall prevail.

6. If any provision of this Supplemental Indenture limits, qualifies or conflicts with another provision of each Indenture, respectively, that is required to be included by the Trust Indenture Act of 1939, as amended (the "**Act**"), as in force at the date this Supplemental Indenture is executed, the provision required by said Act shall control.

7. This Supplemental Indenture shall be governed and construed in accordance with the laws of the Province of Quebec and the federal laws of Canada applicable therein. The parties hereby acknowledge that they have expressly required this Supplemental Indenture be drawn up in the English language only. *Les parties reconnaissent avoir expressément demandé que la présente convention soit rédigée en anglais seulement*.

8. This Supplemental Indenture may be signed in any number of counterparts with the same effect as if the signatures to each counterpart were upon a single instrument, and all such counterparts together shall be deemed an original of this Supplemental Indenture.

9. The recitals contained in this Supplemental Indenture shall be taken as the statements of the Corporation, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Supplemental Indenture.

[*SIGNATURES ON FOLLOWING PAGES*]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed as of the day and year first above written.

CORPORATION:

VIDÉOTRON LTÉE

By:	/s/ Hugues Simard	By :	/s/ Chloé Poirier
Name:	Hugues Simard	Name:	Chloé Poirier
Title:	Senior Vice President and Chief Financial Officer	Title:	Vice President and Treasurer

ADDITIONAL SUBSIDIARY GUARANTORS:

9176-6857 QUÉBEC INC.

By:	/s/ Hugues Simard	By :	/s/ Chloé Poirier
Name:	Hugues Simard	Name:	Chloé Poirier
Title:	Vice President, Finance	Title:	Vice President and Treasurer

TRUSTEE:

COMPUTERSHARE TRUST COMPANY OF CANADA

By:	/s/ Fabienne Pinatel	By :	/s/ Christel Ah-Knee
Name:	Fabienne Pinatel	Name:	Christel Ah-Knee
Title:	Corporate Trust Officer	Title:	Associate Trust Officer

Exhibit 2.12

VIDEOTRON LTD. / VIDÉOTRON LTÉE

THIRD SUPPLEMENTAL INDENTURE

Dated as of June 20, 2016

Wells Fargo Bank, National Association,

Trustee

THIRD SUPPLEMENTAL INDENTURE, dated as of June 20, 2016 (this **"Third Supplemental Indenture"**), by and among Videotron Ltd. / Vidéotron Ltée, a corporation under the laws of the Province of Québec (the "**Corporation**"), 9176-6857 Québec inc., a corporation under the laws of the Province of Québec (the "**Additional Subsidiary Guarantor**") and Wells Fargo Bank, National Association, as trustee (the "**Trustee**"), to the Indenture, dated as of March 14, 2012, as supplemented through the date hereof (the "**Indenture**"), by and among the Corporation, each of the subsidiary guarantors party thereto (collectively referred to as the "**Original Subsidiary Guarantors**"), and the Trustee.

WHEREAS, the Corporation, the Original Subsidiary Guarantors and the Trustee have entered into the Indenture governing the Corporation's 5% Senior Notes due July 15, 2022 (the "**Notes**");

WHEREAS, Section 4.19 of the Indenture provides that under certain circumstances the Corporation shall cause a Restricted Subsidiary to execute and deliver to the Trustee a supplemental indenture providing for a Subsidiary Guarantee of the payment of the Notes by such Restricted Subsidiary;

WHEREAS, the parties hereto are desirous of further supplementing the Indenture in the manner hereinafter provided for the purpose of providing Subsidiary Guarantees by the Additional Subsidiary Guarantor in accordance with the terms of the Indenture;

WHEREAS, Section 9.01(e) of the Indenture provides that the Corporation and the Trustee may amend or supplement the Indenture without the consent of any Holder to add additional guarantees with respect to the Notes;

WHEREAS, this Third Supplemental Indenture shall not result in a material modification of the Notes for purposes of the Foreign Account Tax Compliance Act; and

WHEREAS, all things necessary have been done to make this Third Supplemental Indenture a valid agreement of the Corporation, the Additional Subsidiary Guarantor and the Trustee, in accordance with its terms.

NOW, THEREFORE, THIS THIRD SUPPLEMENTAL INDENTURE WITNESSETH:

For and in consideration of the premises contained herein, the parties hereto mutually covenant and agree as follows:

1. Terms used in this Third Supplemental Indenture that are not defined herein shall have the meanings set forth in the Indenture.

2. The Additional Subsidiary Guarantor hereby agrees to provide an unconditional Subsidiary Guarantee on the terms and subject to the conditions and limitations set forth in the Indenture, including but not limited to Article 10 of the Indenture.

3. This Third Supplemental Indenture shall be construed as supplemental to the Indenture and shall form a part thereof, and the Indenture is hereby incorporated by reference herein and, as supplemented, modified and restated hereby, is hereby ratified, approved and confirmed.

4. This Third Supplemental Indenture shall be effective as of the date hereof. On and after the date hereof, each reference in the Indenture to “this Indenture,” “hereunder,” “hereof,” or “herein” shall mean and be a reference to the Indenture as supplemented by this Third Supplemental Indenture unless the context otherwise requires.

5. Except as provided below, in the event of a conflict between the terms and conditions of the Indenture and the terms and conditions of this Third Supplemental Indenture, the terms and conditions of this Third Supplemental Indenture shall prevail.

6. If any provision of this Third Supplemental Indenture limits, qualifies or conflicts with another provision of the Indenture that is required to be included by the Trust Indenture Act of 1939, as amended (the “**Act**”), as in force at the date this Third Supplemental Indenture is executed, the provision required by said Act shall control.

7. This Third Supplemental Indenture shall be governed and construed in accordance with the laws of the State of New York.

8. This Third Supplemental Indenture may be signed in any number of counterparts with the same effect as if the signatures to each counterpart were upon a single instrument, and all such counterparts together shall be deemed an original of this Third Supplemental Indenture.

9. The recitals contained in this Third Supplemental Indenture shall be taken as the statements of the Corporation, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Third Supplemental Indenture.

[SIGNATURES ON FOLLOWING PAGES]

IN WITNESS WHEREOF, the parties hereto have caused this Third Supplemental Indenture to be duly executed as of the day and year first above written.

CORPORATION:

VIDÉOTRON LTÉE

By:	/s/ Hugues Simard	By :	/s/ Chloé Poirier
Name:	Hugues Simard	Name:	Chloé Poirier
Title:	Senior Vice President and Chief Financial Officer	Title:	Vice President and Treasurer

ADDITIONAL SUBSIDIARY GUARANTORS:

9176-6857 QUÉBEC INC.

By:	/s/ Hugues Simard	By:	/s/ Chloé Poirier
Name:	Hugues Simard	Name:	Chloé Poirier
Title:	Vice President, Finance	Title:	Vice President and Treasurer

TRUSTEE:

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Yana Kislenko
Name: Yana Kislenko
Title: Vice President

Exhibit 2.24

VIDEOTRON LTD. / VIDÉOTRON LTÉE

THIRD SUPPLEMENTAL INDENTURE

Dated as of June 20, 2016

Wells Fargo Bank, National Association,

Trustee

THIRD SUPPLEMENTAL INDENTURE, dated as of June 20, 2016 (this **"Third Supplemental Indenture"**), by and among Videotron Ltd. / Vidéotron Ltée, a corporation under the laws of the Province of Québec (the "**Corporation**"), 9176-6857 Québec inc., a corporation under the laws of the Province of Québec (the "**Additional Subsidiary Guarantor**") and Wells Fargo Bank, National Association, as trustee (the "**Trustee**"), to the Indenture, dated as of April 9, 2014, as supplemented through the date hereof (the "**Indenture**"), by and among the Corporation, each of the subsidiary guarantors party thereto (collectively referred to as the "**Original Subsidiary Guarantors**"), and the Trustee.

WHEREAS, the Corporation, the Original Subsidiary Guarantors and the Trustee have entered into the Indenture governing the Corporation's 5 $^{3}/_{8}$% Senior Notes due June 15, 2024 (the **"Notes"**);

WHEREAS, Section 4.19 of the Indenture provides that under certain circumstances the Corporation shall cause a Restricted Subsidiary to execute and deliver to the Trustee a supplemental indenture providing for a Subsidiary Guarantee of the payment of the Notes by such Restricted Subsidiary;

WHEREAS, the parties hereto are desirous of further supplementing the Indenture in the manner hereinafter provided for the purpose of providing Subsidiary Guarantees by the Additional Subsidiary Guarantor in accordance with the terms of the Indenture;

WHEREAS, Section 9.01(e) of the Indenture provides that the Corporation and the Trustee may amend or supplement the Indenture without the consent of any Holder to add additional guarantees with respect to the Notes;

WHEREAS, this Third Supplemental Indenture shall not result in a material modification of the Notes for purposes of the Foreign Account Tax Compliance Act; and

WHEREAS, all things necessary have been done to make this Third Supplemental Indenture a valid agreement of the Corporation, the Additional Subsidiary Guarantor and the Trustee, in accordance with its terms.

NOW, THEREFORE, THIS THIRD SUPPLEMENTAL INDENTURE WITNESSETH:

For and in consideration of the premises contained herein, the parties hereto mutually covenant and agree as follows:

1. Terms used in this Third Supplemental Indenture that are not defined herein shall have the meanings set forth in the Indenture.

2. The Additional Subsidiary Guarantor hereby agrees to provide an unconditional Subsidiary Guarantee on the terms and subject to the conditions and limitations set forth in the Indenture, including but not limited to Article 10 of the Indenture.

3. This Third Supplemental Indenture shall be construed as supplemental to the Indenture and shall form a part thereof, and the Indenture is hereby incorporated by reference herein and, as supplemented, modified and restated hereby, is hereby ratified, approved and confirmed.

4. This Third Supplemental Indenture shall be effective as of the date hereof. On and after the date hereof, each reference in the Indenture to “this Indenture,” “hereunder,” “hereof,” or “herein” shall mean and be a reference to the Indenture as supplemented by this Third Supplemental Indenture unless the context otherwise requires.

5. Except as provided below, in the event of a conflict between the terms and conditions of the Indenture and the terms and conditions of this Third Supplemental Indenture, the terms and conditions of this Third Supplemental Indenture shall prevail.

6. If any provision of this Third Supplemental Indenture limits, qualifies or conflicts with another provision of the Indenture that is required to be included by the Trust Indenture Act of 1939, as amended (the **“Act”**), as in force at the date this Third Supplemental Indenture is executed, the provision required by said Act shall control.

7. This Third Supplemental Indenture shall be governed and construed in accordance with the laws of the State of New York.

8. This Third Supplemental Indenture may be signed in any number of counterparts with the same effect as if the signatures to each counterpart were upon a single instrument, and all such counterparts together shall be deemed an original of this Third Supplemental Indenture.

9. The recitals contained in this Third Supplemental Indenture shall be taken as the statements of the Corporation, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Third Supplemental Indenture.

[SIGNATURES ON FOLLOWING PAGES]

IN WITNESS WHEREOF, the parties hereto have caused this Third Supplemental Indenture to be duly executed as of the day and year first above written.

CORPORATION:

VIDÉOTRON LTÉE

By: /s/ Hugues Simard
Name: Hugues Simard
Title: Senior Vice President and Chief Financial Officer

By : /s/ Chloé Poirier
Name: Chloé Poirier
Title: Vice President and Treasurer

ADDITIONAL SUBSIDIARY GUARANTORS:

9176-6857 QUÉBEC INC.

By: /s/ Hugues Simard
Name: Hugues Simard
Title: Vice President, Finance

By : /s/ Chloé Poirier
Name: Chloé Poirier
Title: Vice President and Treasurer

TRUSTEE:

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Yana Kislenko
Name: Yana Kislenko
Title: Vice President

Exhibit 4.5

FIRST AMENDING AGREEMENT to the Amended and Restated Credit Agreement dated as of June 16, 2015, entered into in the City of Montreal, Province of Quebec, as of June 24, 2016,

AMONG: **VIDÉOTRON LTÉE**, a company constituted in accordance with the laws of Quebec, having its registered office at 612 St. Jacques Street, 18th floor, in the City of Montreal, Province of Quebec (hereinafter called the "**Borrower**")

AND: **THE LENDERS, AS DEFINED IN THE CREDIT AGREEMENT** (the "**Lenders**")

AND: **ROYAL BANK OF CANADA, AS ADMINISTRATIVE AGENT FOR THE LENDERS**, a Canadian bank, having a place of business at 200 Bay Street, 12th floor, South Tower, Royal Bank Plaza, in the City of Toronto, Province of Ontario (hereinafter called the "**Agent**")

WHEREAS the parties hereto are parties to a credit agreement originally dated as of November 28, 2000, as amended and restated as of July 20, 2011, as amended by a First Amending Agreement dated as of June 14, 2013, a Second Amending Agreement dated as of January 28, 2015, and a Third Amending Agreement creating an Amended and Restated Credit Agreement dated as of June 16, 2015 (the "**Original Credit Agreement**", and as amended pursuant to this Agreement, the "**Credit Agreement**");

WHEREAS the Borrower has requested certain amendments to the Original Credit Agreement to extend the Term of the Revolving Facility and the Unsecured Facility, provide for a mechanism for future extensions, adjust Margins, increase the amount of the Swing Line Commitment, add US$ borrowings, and other matters; and

WHEREAS the Lenders have unanimously agreed with the Borrower to the amendments contemplated hereby, and as such, the Lenders have complied with the provisions of Section 18.14 and 18.15 of the Original Credit Agreement, as evidenced by the signature of each party hereto on this Agreement;

NOW THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:

I. INTERPRETATION

All of the words and expressions which are capitalized herein shall have the meanings ascribed to them in the Original Credit Agreement unless otherwise indicated herein.

II. AMENDMENTS

1. Subsection 1.1.5 of the Original Credit Agreement is amended to add US$ borrowing options, and now provides as follows:

> "1.1.5 "**Advance**" means any advance by a Lender under this Agreement, including, with respect to (a) the Revolving Facility, direct Advances by way of Prime Rate Advances, Swing Line Advances, US Base Rate Advances and Libor Advances, and indirect Advances by way of BA Advances and the issuance of Letters of Credit, (b) the Unsecured Facility, direct Advances by way of Prime Rate Advances, US Base Rate Advances and Libor Advances, and indirect Advances by way of BA Advances and the issuance of Letters of Credit, and (c) the Finnvera Term Facility, the "Tranche A CDOR Advances" as defined in Schedule "P".".

2. Subsection 1.1.57 of the Original Credit Agreement is amended to add a reference to a Libor Advance, and now provides as follows:

> "1.1.57 "**Designated Period**" means, with respect to a Libor Advance or a BA Advance, a period designated by the Borrower in accordance with Sections 4.11, 6.1 and 6.4, respectively.".

3. New subsections 1.1.96A, 1.1.96B, 1.1.96C and 1.1.96D are added to the Original Credit Agreement to provide for Libor borrowings, as follows:

> "1.1.96A "**LIBOR**" means, with respect to any Designated Period of 1, 2, 3 or 6 months relating to a Libor Advance under the Revolving Facility or the Unsecured Facility, the average rate for deposits in US$ for a period comparable to the Designated Period which is quoted on Reuters Screen Libor01 Page, at or about 11:00 a.m. (London, England time), determined two Banking Days prior to the date on which a Libor Advance is to be made in accordance with Section 5.5, provided that if such rate is negative, it shall be deemed to be nil; if such quote is unavailable, then LIBOR shall be determined by the Agent as the average of the rate at which deposits in US$ for a period similar to the Designated Period and in amounts comparable to the amount of such Libor Advance are offered by the Libor Reference Lenders to prime banks in the London inter-bank market at or about 11:00 a.m. London, England time on the date of such determination.
>
> In any event, the rate determined in accordance with the above-mentioned Reuter's page or inter-bank offered rate (the "**Quoted Rate**") shall be adjusted for reserve requirements of any affected Lender in accordance with the following formula to obtain the applicable LIBOR:

$$\text{LIBOR} = \frac{\text{Quoted Rate}}{1.00 - \text{Reserve Percentage}}$$

where “**Reserve Percentage**” means the rate (expressed as a decimal) applicable to the Agent, during the relevant Designated Period under regulations, directives or guidelines issued from time to time by the Board of Governors of the Federal Reserve System (in the USA), by the Office of the Superintendent of Financial Institutions (in Canada) or by any other applicable regulatory agency, for determining the reserve requirement applicable to the Facilities or to facilities similar thereto (including any basic, supplemental, emergency or marginal reserve requirement) of the Agent, respectively, with respect to “Eurocurrency liabilities”, as that term is defined under such regulations or for the purposes of complying with such directives or guidelines. All adjustments to the Quoted Rate shall occur and be effective as of the effective date of any change in the Reserve Percentage (to the extent that the Lenders claiming entitlement to such adjustment are affected thereby), and the Agent will use reasonable efforts to advise the Borrower of any such change as soon as practicable (provided that the Agent shall not be liable if it fails to do so).

1.1.96B “**Libor Advance**” means, at any time, the part of the Advances with respect to which the Borrower has chosen to pay interest on the Libor Basis.

1.1.96C “**Libor Basis**” means the basis of calculation of interest on Libor Advances, or any part thereof, made in accordance with the provisions of Sections 5.3 and 5.4.

1.1.96D “**Libor Reference Lenders**” means Royal Bank of Canada, The Toronto-Dominion Bank and Bank of America, N.A., Canada Branch, or such other Lender(s) appointed by the Agent with the consent of the Borrower in replacement of the said Lender(s).”.

4. Subsection 1.1.101 of the Original Credit Agreement (definition of “**Margin**”) is deleted and replaced by the following:

“1.1.101 “**Margin**” means, (a) under the Revolving Facility, for Prime Rate Advances, US Base Rate Advances, Libor Advances, Stamping Fees, LC Fees and Standby Fees, the following annual percentages depending on the then-applicable Leverage Ratio (“x” in the table below), determined at the times and in the manner set out below the tables:

Revolving Facility

Leverage Ratio	Standby Fee	Prime Rate/US Base Rate Plus	Stamping Fees / LC Fees / LIBOR
x >4.50	0.5250%	1.625%	2.625%
4.50≥ x >4.00	0.4500%	1.25%	2.25%
4.00≥ x >3.50	0.4000%	1.00%	2.00%
3.50≥ x >2.75	0.3400%	0.70%	1.70%
2.75≥ x >1.75	0.2900%	0.45%	1.45%
x ≤ 1.75	0.2700%	0.35%	1.35%

and (b), under the Unsecured Facility**,** for Prime Rate Advances, US Base Rate Advances, Libor Advances, Stamping Fees, LC Fees and Standby Fees, the following annual percentages depending on the then-applicable Leverage Ratio ("x" in the table below), determined at the times and in the manner set out below the table:

Unsecured Facility

Leverage Ratio	Standby Fee	Prime Rate/US Base Rate plus	Stamping Fees / LC Fees / LIBOR
x >4.50	0.650%	2.00%	3.000%
4.50≥ x >4.00	0.600%	1.75%	2.75%
4.00≥ x >3.50	0.500%	1.50%	2.50%
3.50≥ x >2.75	0.415%	1.075%	2.075%
2.75≥ x >1.75	0.350%	0.80%	1.80%
x ≤ 1.75	0.330%	0.675%	1.675%

Each change resulting from a change in the Leverage Ratio shall be effective with respect to all outstanding Loan Obligations retroactively from the first day of each fiscal quarter of the Borrower, and shall be based on the financial statements and Compliance Certificates required by subsections 12.15.1 and 12.15.2, as applicable, and the Leverage Ratio derived from such financial statements. Thus, the financial statements and Compliance Certificates which shall be delivered 60 days after quarter-end and 90 days after year-end (based on unaudited results and subject to readjustment upon delivery of a second Compliance Certificate in accordance with the provisions of subsection 12.15.2(b)) will be used to calculate the Leverage Ratio applicable from the first day of the quarter in which such financial statements and Compliance Certificates were to be delivered. For example, the financial statements and Compliance Certificates to be delivered in respect of the quarter ending May 31 of any year of the Term shall be delivered by July 30 of that year, and shall be used to calculate the Leverage Ratio for the period from June 1 of that year to August 31 of that year. If, as a result of an increase in the Leverage Ratio, the Margin has increased, the Agent will advise the Borrower and the Lenders and the Borrower will pay all additional amounts that may be due to the Lenders within 2 Business Days of being advised of the amount due. If, as a result of a reduction in the Leverage Ratio, the Margin has been reduced, the Agent shall advise the Borrower and the Lenders and the amounts owed to the Borrower (a) will be deducted from the Stamping Fees otherwise payable in the case of a BA Advance, on the next Rollover Date of the relevant BA Advance, or (b) in the case of Prime Rate Advances, US Base Rate Advances or Libor Advances, will be deducted from the interest otherwise payable by the Borrower on the next interest payment date contemplated by Section 5.2 or Section 4.11, or (c) in the case of Letters of Credit, will be deducted from the LC Fees otherwise payable by the Borrower on the next LC Fee payment date contemplated by subsection 4.2.2, and (d) if no interest or Stamping Fees are payable during that period, the Lenders shall remit the necessary amounts to the Agent for payment to the Borrower.".

5. Subsection 1.1.109 of the Original Credit Agreement is amended to add provisions related to Libor Advances, and now provides as follows:

"1.1.109 "**Notice of Borrowing**" means, (i) with respect to the Revolving Facility or the Unsecured Facility, a notice substantially in the form of Schedule "B" transmitted to the Agent by the Borrower in accordance with the provisions of Section 4.1, 4.2 or 4.11, or of subsection 6.1.1, and (ii) with respect to the Finnvera Term Facility, a Tranche A Notice of Borrowing, as defined in Schedule "P".".

6. Subsection 1.1.125 of the Original Credit Agreement is amended by replacing the reference to Section 5.7 with a reference to Section 5.10. Consequently, subsection 1.1.125 now provides as follows:

"1.1.125 "**Revolving Facility Fees**" means the fees payable to the Agent and to the Revolving Facility Lenders, as set out in Section 5.10.".

7. Subsection 1.1.127 of the Original Credit Agreement is amended to add provisions related to Libor Advances, and now provides as follows:

"1.1.127 "**Rollover Date**" means, with respect to a Libor Advance or a BA Advance, the date of any such Advance, or the first day of any Designated Period.".

8. Subsection 1.1.132 of the Original Credit Agreement is amended to add provisions related to Libor Advances, and now provides as follows:

"1.1.132 "**Selected Amount**" means, with respect to a BA Advance, the amount of the Advances in Canadian Dollars which the Borrower has asked to obtain by the issuance of Bankers' Acceptances in accordance with Section 6.1, and with respect to a Libor Advance, the amount of the Advances in US Dollars in respect of which the Borrower has asked, in accordance with Section 4.11, that the interest payable thereon be calculated on the Libor Basis.".

9. Subsection 1.1.141 of the Original Credit Agreement is amended by replacing the reference to subsection 5.7.1 with a reference to subsection 5.10.1. Consequently, subsection 1.1.141 now provides as follows:

> "1.1.141 "**Standby Fee**" has the meaning ascribed to it in subsection 5.10.1.".

10. Subsection 1.1.145 of the Original Credit Agreement is amended by changing the amount from "$25,000,000" to "$35,000,000". Consequently, the subsection now provides as follows:

> "1.1.145 "**Swing Line Commitment**" means $35,000,000.".

11. Subsection 1.1.152 of the Original Credit Agreement is amended by deleting both of the dates "July 20, 2020", and replacing them with "July 20, 2021". Consequently, subsection 1.1.152 now provides as follows:

> "1.1.152 "**Term**" means, with respect to the Revolving Facility, the period commencing on the Closing Date and terminating on July 20, 2021, with respect to the Unsecured Facility, the period commencing on the Third Amendment Closing Date and terminating on the earlier of the Conversion Date-Total and July 20, 2021, and with respect to the Finnvera Term Facility, the period commencing on November 13, 2009 and terminating on the "Maturity Date" as defined in Schedule "P".".

12. Subsection 1.1.160 of the Original Credit Agreement is amended by replacing the reference to Section 5.7 with a reference to Section 5.10. Consequently, subsection 1.1.160 now provides as follows:

> "1.1.160 "**Unsecured Facility Fees**" means the fees payable to the Agent and to the Unsecured Facility Lenders, as set out in Section 5.10.".

13. Subsection 1.1.163 of the Original Credit Agreement is amended to permit US$ Advances in addition to those permitted pursuant to Original Credit Agreement via the Swing Line Advances. Consequently, subsection 1.1.163 now provides as follows:

> "1.1.163 "**US Base Rate Advance**" means, at any time, the part of the Advances in US Dollars with respect to which the Borrower has chosen, or, in accordance with the provisions hereof, is obliged, to pay interest on the US Base Rate Basis.".

14. The last paragraph of Section 2.1 of the Original Credit Agreement is amended by replacing the reference to subsection 5.7.1 with a reference to subsection 5.10.1. Consequently, the last paragraph of Section 2.1 now provides as follows:

> "Irrespective of whether or not any Swing Line Advances have been made or remain outstanding, the amount available under the Revolving Facility (other than for the purposes of the calculation under subsection 5.10.1) shall be deemed to be reduced by an amount equal to the Swing Line Commitment.".

15. Section 2.2 of the Original Credit Agreement is amended to permit US$ Advances in addition to those permitted pursuant to Original Credit Agreement via the Swing Line Advances, and now provides as follows:

"2.2 **<u>The Revolving Facility and the Unsecured Facility</u>**

All Advances under the Revolving Facility and the Swing Line Advances shall be in Canadian Dollars or US$ and may be repaid and re-borrowed by the Borrower at all times during the Term. All Advances under the Unsecured Facility shall be in Canadian Dollars or US$ and, subject to the provisions of Sections 4.1, 4.2, 4.10, 4.11, 6.1, and 6.13, may be repaid and re-borrowed by the Borrower at all times during the Term.".

16. Subsection 2.3.1 of the Original Credit Agreement is amended to add a reference to Section 4.11, and now provides as follows:

"2.3.1 <u>Intention of the Parties</u>. The Unsecured Facility is intended to be used to supplement the Credit available under the Revolving Facility, which is limited due to the restrictions described in the first sentence of subsection 2.3.2. Accordingly, as noted in Sections 4.1, 4.2, 4.10, 4.11, 6.1, and 6.13, the Revolving Facility is intended to be drawn up to the Threshold Amount at all times prior to any utilization of the Unsecured Facility, provided, however, that notwithstanding said intention and the aforementioned Sections, the Lenders and the Agents hereby acknowledge and agree that if at any time prior to the occurrence of a Default that is continuing or an Event of Default that has not been waived, the aggregate principal amount of the Advances outstanding under the Revolving Facility is less than the Threshold Amount, the Borrower shall not be required to repay, cash collateralize or cancel, as the case may be, any Bankers Acceptances, Libor Advances or Letters of Credit outstanding under the Unsecured Facility prior to their respective maturity or expiry dates.".

17. A new Section 2.5 is added to the Original Credit Agreement to provide for the possibility of annual extensions of the Term of the Revolving Facility and the Unsecured Facility, and Section 2.5 of the Original Credit Agreement becomes Section 2.6. The new Section 2.5 provides as follows:

"2.5 <u>Extension of Term - Revolving and Unsecured Facilities</u>

By notice in writing to the Agent for delivery to the Revolving Facility Lenders and the Unsecured Facility Lenders (in this Section, the "**Facility Lenders**") given at any time during the period commencing April 21 and terminating on May 21 of each year after 2016, the Borrower may request (a "**Renewal Request**") that the Facility Lenders extend the Term of the Revolving Facility and the Unsecured Facility (the "**Relevant Facilities**") for an additional period of one year from the date on which the Term of the Relevant Facilities would otherwise have expired. Each Renewal

Request must be made in respect of both of the Relevant Facilities, and any Facility Lender that responds to the Renewal Request shall be required to give the same decision (consent or no consent) in respect of both of the Relevant Facilities.

The Facility Lenders undertake to respond to the Renewal Request not more than 30 days from receipt. If any Facility Lender fails to so respond, such Facility Lender shall be deemed to be a Non-Consenting Lender, as defined below. Each Renewal Request must be consented to by Lenders holding not less than $^{2}/_{3}$ of the Commitments under each of the Relevant Facilities (herein the "**Special Majority Lenders**"), failing which it will be deemed to have been refused.

At the option and expense of the Borrower (including the fee payable under subsection 16.2.2(f) hereof), and provided the Special Majority Lenders have consented to the Renewal Request, any Facility Lender not consenting thereto (a "**Non-Consenting Lender**") may be replaced, in whole or in part, by one or more Facility Lenders, or by a new Facility Lender satisfactory to the Borrower, the Agent, the Issuing Lenders and the Swing Line Lenders, in each case acting reasonably. In such case, such Non-Consenting Lender shall promptly assign its rights, benefits and obligations as a Facility Lender to such other or new Facility Lender in accordance with the provisions of Section 16.2.2. If, and to the extent that, the full amount of the Commitments of any Non-Consenting Lender is not so assumed, (a) all Loan Obligations owed to such Non-Consenting Lender shall be fully repaid (together with interest and fees related thereto) by the Borrower to such Non-Consenting Lender on, and (b) the Commitments of such Non-Consenting Lender will terminate on, the then-applicable expiry date of the Term, without regard to the extension sought in the Renewal Request, and the Credit under the Relevant Facilities shall be reduced accordingly on that date.".

18. Section 4.1 of the Original Credit Agreement is amended to contemplate US Base Rate Advances and to change notification deadlines, and now provides as follows:

"4.1 **<u>Notice of Borrowing - Direct Advances</u>**

Subject to the applicable provisions of this Agreement, including Section 4.10, on any Business Day during the Disbursement Period, the Borrower shall be entitled to request Advances under the Revolving Facility, and/or, if the aggregate principal amount of the Advances outstanding under the Revolving Facility will not be less than the Threshold Amount (on the date said requested Advances under the Unsecured Facility are made), under the Unsecured Facility, on one or more occasions, up to the maximum amount of the Credit under the Revolving Facility and/or under the Unsecured Facility, as applicable, by way of Prime Rate Advances and US Base Rate Advances in minimum amounts of Canadian $1,000,000 or US$1,000,000 respectively, and whole multiples thereof, provided that at least one (1) Business Day prior to the day on which any Prime Rate Advance or US Base Rate Advance is required (other than a Swing Line Advance, which shall be made in accordance with the provisions of Section 4.3), the Borrower shall have provided to the Agent an irrevocable telephone notice at or before 12:00 p.m. on any Business Day, followed by the immediate delivery of a written Notice of Borrowing. Notices of

Borrowing in respect of Letters of Credit, Swing Line Advances, Libor Advances and BA Advances shall be given in accordance with the provisions of Sections 4.2, 4.3, 4.11, and 6.1, respectively.".

19. Subsection 4.3.1 of the Original Credit Agreement is amended by changing the time for notice. Consequently, subsection 4.3.1 now provides as follows:

"4.3.1 Subject to the terms and conditions of this Agreement, the Swing Line Lender agrees to make Swing Line Advances to the Borrower on any Business Day from time to time prior to the expiry of the Term. Swing Line Advances (other than by Letters of Credit) may be made or drawn by way of overdrafts on the Borrower's account with the Swing Line Lender or by way of irrevocable same Business Day telephone notice at or before 12:00 p.m. followed by the delivery on the same day of a written notice of confirmation. Swing Line Advances by Letter of Credit shall be subject to the prior notice as required by the Swing Line Lender in accordance with its normal practices and shall not exceed $1,000,000 in the aggregate outstanding at any time.".

20. Section 4.8 of the Original Credit Agreement is amended to refer to Libor Advances as well as Bankers' Acceptances, and now provides as follows:

"4.8 **Limits on BA Advances, Libor Advances and Letters of Credit**

Nothing in this Agreement shall be interpreted as authorizing the Borrower to issue Bankers' Acceptances or borrow by way of Libor Advances for a Designated Period expiring or, subject to subsection 4.2.1, to cause to be issued Letters of Credit maturing, on a date which is after the expiry of the Term.".

21. Section 4.9 of the Original Credit Agreement is amended to recognize that US$ borrowings can be made under either the Revolving Facility or the Unsecured Facility, and now provides as follows:

"4.9 **Excess Resulting From Exchange Rate Change**

Any time that, following one or more fluctuations in the exchange rate of the US Dollar against the Canadian Dollar, the sum of:

4.9.1 the Equivalent Amount in Canadian Dollars of Loan Obligations under the Revolving Facility or the Unsecured Facility in US Dollars; and

4.9.2 the Loan Obligations under the Revolving Facility or the Unsecured Facility in Canadian Dollars;

exceeds the amount of the Credit under the Revolving Facility or the Unsecured Facility then available, the Borrower shall promptly either (i) make the necessary payments or repayments to the Agent to reduce the Loan Obligations under the Revolving Facility or the

Unsecured Facility, as applicable, to an amount equal to or less than the available amount of the Credit under the Revolving Facility or the Unsecured Facility, as the case may be, or (ii) maintain or cause to be maintained with the Agent, deposits of Canadian Dollars in an amount equal to or greater than the amount by which the Loan Obligations under the Revolving Facility or the Unsecured Facility, as the case may be, exceed the available amount of the Credit under the Revolving Facility or the Unsecured Facility, as the case may be, such deposits to be maintained in such form and upon such terms as are acceptable to the Agent. Without in any way limiting the foregoing provisions, the Agent shall, on the date of each request for an Advance or on the date of any interest payment or on each Acceptance Date or Rollover Date, make the necessary exchange rate calculations to determine whether any such excess exists on such date and, if there is an excess, it shall so notify the Borrower.".

22. Subsection 4.10.2 of the Original Credit Agreement is amended to add a reference to US$ borrowings made under the Unsecured Facility, and now provides as follows:

"4.10.2 there are Prime Rate Advances or US Base Rate Advances outstanding under the Unsecured Facility;"

23. A new Section 4.11 is added to the Original Credit Agreement to permit Libor Advances, and provides as follows:

"4.11 **Libor Advances and Conversions**

Subject to the applicable provisions of this Agreement, including Section 4.10, on any Business Day during the Disbursement Period, upon an irrevocable telephone notice to the Agent given prior to 12:00 p.m., at least three Business Days prior to the date of a proposed Libor Advance, followed by the immediate delivery of a written Notice of Borrowing, the Borrower may request that (a) a Libor Advance be made, (b) that one or more US Base Rate Advances not borrowed as Libor Advances be converted into one or more Libor Advances, or (c) that a Libor Advance or any part thereof be extended, as the case may be, in each case, under the Revolving Facility. If the aggregate principal amount of the Advances outstanding under the Revolving Facility will not be less than the Threshold Amount on the date of a requested Libor Advance under the Unsecured Facility, the Borrower may also make such request under the Unsecured Facility. Each Selected Amount with respect to each Designated Period shall be in an amount of not less than US$1,000,000, and shall be in whole multiples of US$1,000,000. The Agent shall determine the LIBOR which will be in effect on the Rollover Date (which in such case must be a Banking Day), with respect to the Selected Amount or to each of the Selected Amounts, as the case may be, having a Designated Period of 10 to 180 days (or such other period as may be available and acceptable to the Agent) from the Rollover Date. However, if the Borrower has not delivered a notice to the Agent in a timely manner in accordance with the provisions of this Section 4.11, the Borrower shall be deemed to have chosen to have the interest on the amount of such Advance calculated on the US Base Rate Basis.

24. The title to Section 5.1 of the Original Credit Agreement is amended to contemplate US Base Rate Advances, and now provides as follows:

"5.1 **<u>Interest on the Prime Rate Basis and the US Base Rate Basis</u>**".

25. The title to Section 5.2 of the Original Credit Agreement is amended to contemplate US Base Rate Advances, and now provides as follows:

"5.2 **<u>Payment of Interest on the Prime Rate Basis and the US Base Rate Basis</u>**".

26. New Sections 5.3, 5.4 and 5.5 are added to the Original Credit Agreement to provide for Libor Advances, and Sections 5.3 to 5.8 of the Original Credit Agreement become Sections 5.6 to 5.11. The new Sections 5.3 to 5.5 provide as follows:

"5.3 **<u>Interest on the Libor Basis</u>**

The principal amount of any of the Libor Advances which at any time and from time to time remains outstanding shall bear interest, calculated daily, on the daily balance of such Libor Advance, from the date of each Libor Advance or Rollover Date, at the annual rate (calculated based on a 360-day year) applicable to each of such days which corresponds to the LIBOR applicable to each Selected Amount, plus the Margin, and shall be effective as and from the date of each Libor Advance or Rollover Date up to but excluding the last day of the Designated Period of such Libor Advance.

5.4 **<u>Payment of Interest on the Libor Basis</u>**

The interest payable in accordance with the provisions of Section 5.3 and calculated in the manner described therein on the amount outstanding from time to time is payable to the Agent for the account of the Lenders, in arrears,

5.4.1 on the last day of the applicable Designated Period when the Designated Period is 1 to 3 months,

5.4.2 when the applicable Designated Period exceeds 3 months, on the last Business Day of each period of 3 months during such Designated Period and on the last day of the applicable Designated Period.

provided that if any Designated Period would otherwise end on a day that is not a Business Day, such Designated Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Designated Period into another calendar month, in which event such Designated Period shall end on the immediately preceding Business Day.

5.5 **Fixing of LIBOR**

LIBOR shall be notified to the Borrower at approximately 11:00 a.m., two Banking Days prior to the relevant Rollover Date.”.

27. Subsection 6.1.1 of the Original Credit Agreement is amended by replacing the time “10:00 A.M.” with the time “12:00 p.m.”. Consequently, subsection 6.1.1 now provides as follows:

“6.1.1 Subject to the applicable provisions of this Agreement, including Section 6.13, on any Business Day during the Disbursement Period, as part of the Credit available under the Revolving Facility, and/or, if the aggregate principal amount of the Advances outstanding under the Revolving Facility will not be less than the Threshold Amount (on the date said requested Advances under the Unsecured Facility are made), as part of the Credit available under the Unsecured Facility, by providing to the Agent an irrevocable telephone notice at or before 12:00 p.m. on any Business Day followed by the immediate delivery of a written Notice of Borrowing to the Agent, given at least two (2) Business Days prior to the date of the Advance or the Rollover Date (for the purposes of this Article 6 called the “**Acceptance Date**”), the Borrower may request that a BA Advance be made, that one or more Advances not borrowed as BA Advances be converted into one or more BA Advances or that a BA Advance or any part thereof be extended, as the case may be (the “**BA Request**”).

Bankers’ Acceptances shall be issued on each Acceptance Date or Rollover Date, in a minimum Selected Amount, with respect to each Designated Period, of $5,000,000 or such greater amount which is an integral multiple of $1,000,000, shall have a Designated Period of 10 to 180 days (or such other period as may be available and acceptable to the Agent), subject to availability, and shall, in no event, mature on a date after the expiry of the applicable Term.”.

28. Subsection 6.4.3 of the Original Credit Agreement is amended by replacing the time “10:00 A.M.” with the time “12:00 p.m.”. Consequently, subsection 6.4.3 now provides as follows:

“6.4.3 at latest at 12:00 p.m., two (2) Business Days prior to the Rollover Date of each Bankers’ Acceptance then outstanding and reaching maturity, notify the Agent by way of a notice substantially in the form of Schedule “B-1” (but omitting paragraph 3 thereof) that it intends to deposit in its account for the account of the Lenders on the Rollover Date an amount equal to the principal amount of each such Bankers’ Acceptance.”.

29. The first paragraph of Section 7.4 of the Original Credit Agreement is amended to add a reference to Libor Advances, and now provides as follows:

“The Borrower shall indemnify each Lender against any loss or expense (including any loss or expense arising from interest or fees payable by such Lender to lenders of funds obtained by it in order to make or maintain any Advance and any loss or expense incurred in liquidating or re-employing deposits from which such funds were obtained) which such Lender may sustain or incur as a consequence of any: (a) default by the Borrower in the payment when due of the amount of or interest on any Loan Obligations or in the payment when due of any other amount hereunder, (b) default by the Borrower in obtaining an Advance after the Borrower has given notice hereunder that it desires to obtain such Advance, (c) default by the Borrower in making any voluntary reduction of the outstanding amount of any Loan Obligations after the Borrower has given notice hereunder that it desires to make such reduction, and (d) payment of any Bankers' Acceptance, Libor Advance or Tranche A CDOR Advance otherwise than on the maturity date thereof (including without limitation any such payment required pursuant to Section 8.1 or upon acceleration pursuant to Section 14.2). A certificate of the Agent or the Finnvera Facility Agent, as applicable providing reasonable particulars of the calculation of any such loss or expense shall be conclusive and binding in the absence of manifest error. If any Lender becomes entitled to claim any amount pursuant to this Section 7.4, it shall promptly notify the Borrower, through the Agent or the Finnvera Facility Agent, as applicable, of the event by reason of which it has become so entitled and reasonable particulars of the related loss or expense, provided that the failure to do so promptly shall not prejudice the Lenders' right to claim hereunder.".

30. Section 7.6 of the Original Credit Agreement is amended to add references to Libor Advances, and now provides as follows:

"7.6 **<u>Market Disruption</u>**

If, at any time or from time to time, the Requisite Disruption Lenders provide notice to the Agent that:

7.6.1 (a) with respect to BA Advances, there no longer exists a market for Bankers' Acceptances, or (b) with respect to Libor Advances, as a result of market conditions, (i) there exists no appropriate or reasonable method to establish LIBOR, for a Selected Amount or a Designated Period, or (ii) US Dollar deposits are not available to the Lenders in such market in the ordinary course of business in amounts sufficient to permit them to make a Libor Advance, for a Selected Amount or a Designated Period, or (c) with respect to BA Advances or Prime Rate Advances, (i) the Bankers' Acceptance Discount Rate is unavailable and the Agent is unable to provide the alternative rate described in the definition of "Bankers' Acceptance Discount Rate", or (ii) the Bankers' Acceptance Discount Rate does not adequately and fairly reflect the cost to each such Requisite Disruption Lender of funding such Advance as determined by each such Requisite Disruption Lender in good faith, or (iii) the Prime Rate or the US Base Rate at such time does not adequately and fairly reflect the cost to each such Requisite Disruption Lender of funding such Advance as determined by each such Requisite Disruption Lender in good faith;

any of the foregoing, a “**Market Disruption Event**”, then in any such case:

7.6.2 the Borrower and the Agent shall enter into negotiations (for a period of not more than 30 days) with a view to agreeing to a substitute basis for determining the applicable Bankers’ Acceptance Discount Rate or LIBOR. Any alternate basis (which may include having recourse to the Market Disruption Prime Rate and/or the Market Disruption US Base Rate) agreed upon pursuant to the foregoing sentence shall, with the prior consent of each of the Lenders affected by the Market Disruption Event and the Borrower, be binding on all of them;

7.6.3 failing such agreement, the substitute basis for determining the applicable Bankers’ Acceptance Discount Rate or LIBOR shall be as notified to the Borrower by each affected Lender, accompanied by a certificate of such affected Lender setting out the appropriate substitute rate for the particular form of Advance in question, and accompanied by reasonable explanations and calculations, provided that such substitute rate shall not exceed the relevant rate of non-affected Lenders by more than 1.50%; and

7.6.4 to the extent that the Advances affected by the Market Disruption Event are (a) US Base Rate Advances, the applicable US Base Rate for all affected Lenders shall be the Market Disruption US Base Rate, and (b) Prime Rate Advances, the applicable Prime Rate for all affected Lenders shall be the Market Disruption Prime Rate.”.

31. The first paragraph of Section 8.2 of the Original Credit Agreement is amended by adding a reference to US Base Rate Advances and to Libor breakage costs, and now provides as follows:

“On any Business Day during the Term, after having given notice to the Agent substantially in the form of Schedule “B-1” of one (1) Business Day with respect to the repayment of Prime Rate Advances and US Base Rate Advances and two (2) Business Days with respect to BA Advances and Libor Advances, and subject to Sections 4.10 and 6.13, the Borrower may repay in minimum amounts of $1,000,000 or US$1.000.000, or in whole multiples of such amount, all or part of the principal amount of the Loan Obligations under the Revolving Facility or under the Unsecured Facility, for the account of the Revolving Facility Lenders or the Unsecured Facility Lenders, respectively, provided that in respect of any Libor Advance, no repayment may be made on a day other than on the maturity date of such Libor Advance, save as permitted by the terms of Section 8.3, and in respect of a BA Advance, no repayment shall be made on a date other than a maturity date of the Bankers’ Acceptances outstanding at that time, save as provided in Section 8.3, with, in each case, all interest accrued and unpaid on the amounts so prepaid.”.

32. Section 8.3 of the Original Credit Agreement is amended by adding a second paragraph to contemplate breakage costs in the event of the prepayment of a Libor Advance, and now provides as follows:

> “8.3 **<u>Cash Collateralization of BA Advances and Payment of Losses Resulting From a Prepayment</u>**
>
> If a prepayment to be made would require the repayment of outstanding Bankers’ Acceptances prior to their maturity, the Borrower shall provide to the Agent cash collateral in an amount equal to the face amount of such Bankers’ Acceptances which cash collateral shall be held by the Agent in an interest bearing account and used to repay same at maturity.
>
> If a prepayment in respect of a Libor Advance is made on a date other than its maturity date, contrary to the provisions of this Agreement, simultaneously with such prepayment the Borrower shall pay to the Lenders the losses, costs and expenses suffered or incurred by the Lenders with respect to such prepayment, which are referred to in Section 7.4.”.

33. Section 8.5 of the Original Credit Agreement is amended by replacing the time “11:00 A.M.” with the time “12:00 p.m.”. Consequently, Section 8.5 now provides as follows:

> “8.5 **<u>Payments by the Borrower to the Agent</u>**
>
> All payments to be made by the Borrower in connection with this Agreement shall be made in funds having same day value to the Agent, at the Agency Branch, or at any other office or account in Toronto or Montreal designated by the Agent. Any such payment shall be made on the date upon which such payment is due, in accordance with the terms hereof, no later than 12:00 p.m.”.

34. Section 8.6 of the Original Credit Agreement is amended to refer to an exception for the repayment of Libor Advances set out in Section 5.4, and now provides as follows:

> “8.6 **<u>Payment on a Business Day</u>**
>
> Each time a payment, repayment or prepayment is due on a day that is not a Business Day, it shall be made on the following Business Day, subject to Section 5.4 with respect to interest payments on Libor Advances.”.

35. The first part of subsection 12.15.2 (b) of the Original Credit Agreement is amended by replacing the number “75” with the number “90”. Consequently, the portion in question of subsection 12.15.2 (b) now provides as follows:

> “(b) Within 90 days following the end of each financial year of the Borrower,”.

36. Subsection 12.15.3 (a) and (b) of the Original Credit Agreement are amended to provide for different delays, and now provide as follows:

> "(a) Within 90 days following the end of each financial year of the Borrower, the Annual Business Plan, which shall promptly be submitted to the Agent for the Lenders; and
>
> (b) Within 75 days following the end of each financial quarter of the Borrower (other than the 4^{th} quarter, in respect of which the delay shall be 90 days) in which the Leverage Ratio exceeded 4.0:1, a certificate of the Borrower signed by its chief financial officer or treasurer or another officer of the Borrower acceptable to the Agent, certifying a detailed calculation of Excess Cash Flow (in such form and providing such detail as the Agent may reasonably require) during such quarter (the "**Excess Cash Flow Certificate**"); and".

37. Schedule "B" of the Original Credit Agreement is amended to add references to US$ Advances. The new Schedule "B" is annexed to this First Amending Agreement.

III. REPRESENTATIONS AND WARRANTIES

The Borrowers and Guarantors hereby represent and warrant to the Lenders, the Agent, the Finnvera Lenders and the Finnvera Facility Agent as follows:

1. the execution, delivery and performance by the Borrowers and the Guarantors of this Amendment have been duly authorized by all necessary corporate and other action and do not and will not require any registration with, consent or approval of, or notice to or action by, any Person (including any Governmental Authority) in order to be effective and enforceable; and

2. this Amendment constitutes a legal, valid and binding obligation of the Borrower and each Guarantor, enforceable against each such Person in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity.

IV. EFFECTIVE DATE AND CONDITIONS

1. This First Amending Agreement shall become effective as of June 24, 2016 (the "**Effective Date**"), subject to the fulfilment of all conditions precedent set out herein.

2. On the Effective Date, the Original Credit Agreement shall be modified by the foregoing amendments. The parties hereto agree that the changes to the Original Credit Agreement set out herein and the execution hereof shall not constitute novation and all the Security shall continue to apply to the

Original Credit Agreement, as amended hereby, and all other obligations secured thereby. Without limiting the generality of the foregoing and to the extent necessary, (i) the Lenders, the Agent and the Finnvera Facility Agent reserve all of their rights under each of the Security Documents, and (ii) each of the Borrower and the Guarantors obligates itself again in respect of all present and future obligations under, *inter alia*, the Credit Agreement.

V. CONDITIONS PRECEDENT

1. The Borrower shall pay all fees and costs, including (a) the fees referred to in the Borrower's request letter dated June 8, 2016, and (b) legal fees associated with this Agreement incurred by the Agent as contemplated and restricted by the provisions of Section 12.14 of the Credit Agreement.

2. This First Amending Agreement shall have been signed by all of the parties hereto and fully executed counterparts shall have been received by the Agent.

3. The Borrower shall provide to the Agent and the Finnvera Facility Agent the opinion of its counsel, in form and substance acceptable to the Agent and the Lenders' counsel, with respect to (i) the power, capacity, and authority of the Borrower and each of the Guarantors to enter into or intervene in this Agreement and to perform its obligations hereunder, (ii) the enforceability of this Agreement in accordance with its terms, (iii) the continued enforceability (unaffected hereby) of all of the Security, and (iv) such other matters as may reasonably be requested by the Agent or its counsel.

4. The representations and warranties of the Borrower and each Guarantor set forth in the Credit Agreement shall be true and correct in all respects on and as of the Effective Date (except that where such representations and warranties are qualified by reference to a date, they shall be true and correct as at such date).

5. The representations and warranties in Article IV of this Amendment shall be true and correct in all material respects as of the date hereof.

6. At the time of and immediately after giving effect to this First Amending Agreement, no Default or Event of Default shall have occurred or be continuing.

VI. MISCELLANEOUS

1. All of the provisions of the Original Credit Agreement that are not amended hereby shall remain in full force and effect.

2. This Agreement shall be governed by and construed in accordance with the Laws of the Province of Quebec.

3. The parties acknowledge that they have required that the present agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto be drawn up in English. Les parties reconnaissent avoir exigé la rédaction en anglais de la présente convention ainsi que de tous documents exécutés, avis donnés et procédures judiciaires intentées, directement ou indirectement, relativement ou à la suite de la présente convention.

IN WITNESS WHEREOF THE PARTIES HERETO HAVE SIGNED THIS AGREEMENT ON THE DATE AND AT THE PLACE FIRST HEREINABOVE MENTIONED.

VIDÉOTRON LTÉE

Per: /s/ Chloé Poirier
Cholé Poirier
Vice President and Treasurer

Per: /s/ Jean-François Pruneau
Jean-François Pruneau
Vice President

ROYAL BANK OF CANADA, as Agent

Per: /s/ Rodica Dutka
Rodica Dutka
Manager, Agency

Per: N/A

THE REVOLVING FACILITY LENDERS AND UNSECURED FACILITY LENDERS:

ROYAL BANK OF CANADA

Per: /s/ Pierre Bouffard
Pierre Bouffard
Authorized Signatory

Per: ____________________

NATIONAL BANK OF CANADA

Per: /s/ Luc Bernier
Luc Bernier
Managing Director

Per: /s/ François Montigny
François Montigny
Managing Director

BANK OF AMERICA, N.A., Canada Branch

Per: /s/ Medina Sales de Andrade
Medina Sales de Andrade, VP

Per: ____________________

THE BANK OF NOVA SCOTIA

Per: /s/ Bob King
Bob King
Managing Director

Per: /s/ Sean Flinn
Sean Flinn
Associate Director

THE TORONTO-DOMINION BANK

Per: /s/ *(signature)*

Per: /s/ *(signature)*

BANK OF MONTREAL

Per: /s/ Martin Stevenson
Martin Stevenson
Managing Director

Per: ____________________

CAISSE CENTRALE DESJARDINS

Per: /s/ Catherine McCarthy
Catherine McCarthy
Directeur, Financement Corporatif
Director, Corporate Banking

Per: /s/ Dominique Parizeau
Dominique Parizeau
Directeur général
Gestion du Portefeuille, Grandes Entreprises
Managing Director
Portfolio Management, Corporate Banking

CANADIAN IMPERIAL BANK OF COMMERCE

Per: /s/ Philippe Boivin
Philippe Boivin
Director

Per: /s/ Anissa Rabia-Zeribi
Anissa Rabia-Zeribi
Executive Director

HSBC BANK CANADA

Per: /s/ *(signature)*

Per: /s/ *(signature)*

JPMORGAN CHASE BANK, N.A.

Per: /s/ Jeffrey Coleman
Jeffrey Coleman
Executive Director

Per: ______________________

THE BANK OF TOKYO–MITSUBISHI, LTD., CANADA BRANCH

Per: /s/ *(signature)*

Per: ______________________

CITIBANK, N.A., Canadian Branch

Per: /s/ Azita Taravati
Azita Taravati (Authorized Signatory)

Per: ______________________

MIZUHO BANK, LTD.

Per: /s/ W.M. McFarland
W. M. McFarland
Senior Vice President
Canada Branch

Per: ______________________

ICICI BANK CANADA

Per: /s/ Akshay Chaturvedi
Akshay Chaturvedi
Senior Vice President
Corporate & Commercial Banking
ICICI Bank Canada

Per: /s/ Sumit Chatterjee
Sumit Chatterjee
AVP, Credit Risk
ICICI Bank Canada

LAURENTIAN BANK OF CANADA

Per: /s/ Guylaine Couture
Guylaine Couture
Assistant Vice President

Per: /s/ Vanessa Thibault
Vanessa Thibault
Account Manager

HSBC BANK PLC, as Finnvera Facility Agent

Per: /s/ *(signature)*

Per: ____________________

THE FINNVERA TERM FACILITY LENDERS:

HSBC BANK PLC

Per: /s/ *(signature)*

Per: ____________________

THE TORONTO-DOMINION BANK

Per: /s/ Vince Chang
Vince Chang
Managing Director

Per: /s/ Sumit Paliwal
Sumit Paliwal
Director

SUMITOMO MITSUI BANKING CORPORATION OF CANADA

Per: /s/ Elwood R. Langley
Elwood R. Langley
Managing Director

The undersigned acknowledge having taken cognizance of the provisions of the foregoing First Amending Agreement and consent thereto, and agree that the Guarantees and Security executed by them (A) remain enforceable against them in accordance with their terms, and (B) continue to guarantee or secure, as applicable, all of the obligations of the Persons specified in such Guarantees and Security Documents in connection with the Credit Agreement as defined above, and as amended hereby:

9293-6707 QUÉBEC INC.

Per: /s/ Chloé Poirier
Cholé Poirier
Vice President and Treasurer

Per: /s/ Jean-François Pruneau
Jean-François Pruneau
Vice President

9230-7677 QUÉBEC INC.

Per: /s/ Chloé Poirier
Cholé Poirier
Vice President and Treasurer

Per: /s/ Jean-François Pruneau
Jean-François Pruneau
Vice President

VIDEOTRON L.P., represented by its general partner 9230-7677 QUÉBEC INC.

Per: /s/ Chloé Poirier
Cholé Poirier
Vice President and Treasurer

Per: /s/ Jean-François Pruneau
Jean-François Pruneau
Vice President

9227-2590 QUÉBEC INC.

Per: /s/ Chloé Poirier
Cholé Poirier
Vice President and Treasurer

Per: /s/ Jean-François Pruneau
Jean-François Pruneau
Vice President

9176-6857 QUÉBEC INC.

Per: /s/ Chloé Poirier
Cholé Poirier
Vice President and Treasurer

Per: /s/ Jean-François Pruneau
Jean-François Pruneau
Vice President

VIDEOTRON G.P.

Per: /s/ Chloé Poirier
Cholé Poirier
Vice President and Treasurer

Per: /s/ Jean-François Pruneau
Jean-François Pruneau
Vice President

VIDÉOTRON INFRASTRUCTURES INC.

Per: /s/ Chloé Poirier
Cholé Poirier
Vice President and Treasurer

Per: /s/ Jean-François Pruneau
Jean-François Pruneau
Vice President

9529454 CANADA INC.

Per: /s/ Chloé Poirier
Cholé Poirier
Vice President and Treasurer

Per: /s/ Jean-François Pruneau
Jean-François Pruneau
Vice President

FIBRENOIRE INC.

Per: /s/ Chloé Poirier
Cholé Poirier
Vice President and Treasurer

Per: /s/ Jean-François Pruneau
Jean-François Pruneau
Vice President

4DEGRÉS COLOCATION INC. / 4DEGREES COLOCATION INC.

Per: /s/ Chloé Poirier
Cholé Poirier
Vice President and Treasurer

Per: /s/ Jean-François Pruneau
Jean-François Pruneau
Vice President

8480869 CANADA INC.

Per: /s/ Chloé Poirier
Cholé Poirier
Vice President and Treasurer

Per: /s/ Jean-François Pruneau
Jean-François Pruneau
Vice President

SYSTEMES DE FIBRES P2P DU CANADA LTÉE/ CANADIAN P2P FIBRE SYSTEMS LTD.

Per: /s/ Chloé Poirier
Cholé Poirier
Vice President and Treasurer

Per: /s/ Jean-François Pruneau
Jean-François Pruneau
Vice President

SCHEDULE "B"- NOTICE OF BORROWING AND CERTIFICATE

TO: ROYAL BANK OF CANADA, as Agent

FROM: **VIDÉOTRON LTÉE** DATE:

1) This Notice of Borrowing and Certificate is delivered to you pursuant to the Amended and Restated Credit Agreement dated as of June 16, 2015, and as same may have been further amended (the "**Credit Agreement**"). All defined terms set forth in this Notice of Borrowing and Certificate shall have the respective meanings set forth in the Credit Agreement

2) We hereby request an Advance under the Revolving Facility/Unsecured Facility {s*elect one*} of the Credit Agreement as follows:

(a) Date of Advance: ______________________________
(b) Amount of Advance: ______________________________
(c) Currency of Advance ($ or US$): ______________________________
(d) Type of Advance: ______________________________
(e) Designated Period(s) (if any): ______________________________
(f) Maturity Date(s) (if applicable): ______________________________
(g) Payment Instruction (if any): ______________________________

3) We have understood the provisions of the Credit Agreement which are relevant to the furnishing of this Notice of Borrowing and Certificate. To the extent that this Notice of Borrowing and Certificate evidences, attests or confirms compliance with any covenants or conditions precedent provided for in the Credit Agreement, we have made such examination or investigation as was, in our opinion, necessary to enable us to express an informed opinion as to whether such covenants or conditions have been complied with.

4) WE HEREBY CERTIFY THAT, in our opinion, as of the date hereof:

(a) All of the representations and warranties of the Borrower contained in Article 11 of the Credit Agreement (except where qualified in Article 11 as being made as at a particular date) are true and correct on and as of the date hereof as though made on and as of the date hereof.

(b) All of the covenants of the Borrower contained in Articles 12 and 13 of the Credit Agreement together with all of the conditions precedent to an Advance and all other terms and conditions contained in the Credit Agreement have been fully complied with.

(c) If the requested Advance is under the Unsecured Facility, we confirm that the principal amount of the Advances outstanding under the Revolving Facility will not be less than the Threshold Amount on the date the requested Advance under the Unsecured Facility is made.

(d) No Event of Default has occurred and no Default has occurred and is continuing.

Yours truly,

VIDÉOTRON LTÉE

Per: ______________________________

____

Title: ______________________________

Exhibit 7.1

Videotron Ltd.

Statement Regarding Calculation of Ratio of Earnings to Fixed Charges as Disclosed in Videotron Ltd.'s Annual Report on Form 20-F for the Year Ended December 31, 2016

For the purpose of calculating the ratio of earnings to fixed charges disclosed in Videotron Ltd.'s Annual Report on Form 20-F for the year ended December 31, 2016, (i) earnings consist of net income plus income taxes, fixed charges, amortized capitalized interest, less interest capitalized, and (ii) fixed charges consist of interest expensed and capitalized, excluding interest on QMI subordinated loans, plus premiums and discounts amortization, financing fees amortization and an estimate of the interest within rental expense.

Exhibit 8.1

List of Subsidiaries of Videotron Ltd.

Name of Subsidiary	Jurisdiction of Incorporation or Organization
9227-2590 Québec inc.	Québec
9230-7677 Québec inc.	Québec
Videotron G.P.	Québec
Videotron Infrastructures Inc.	Canada
Videotron L.P.	Québec
Videotron US Inc.	Delaware
SETTE inc.	Québec
4Degrees Colocation Inc.	Canada
Fibrenoire Inc.	Canada

CODE OF ETHICS

TABLE OF CONTENTS

I. SCOPE

This Code of Ethics (the “**Code**”) applies to all directors, officers and employees (collectively the “**Employees**” or individually the “**Employee**”) of Quebecor Media Inc. (“**QMI**” or the “**Corporation**”) as well as to those of its subsidiaries (with the exception of TVA Group Inc. which has adopted its own code, similar to this one), its divisions and business units.

To facilitate the reading of this Code, the use of the singular shall include the plural and the use of the masculine shall include the feminine, and vice versa.

II. PURPOSE

The Corporation’s reputation and the trust and confidence of those with whom it deals, are an integral part of its success. The Corporation is committed to managing its business in accordance with a set of values that adhere to the highest standards of integrity and excellence.

Now, more than ever, corporations such as QMI must adopt certain guidelines to ensure that all Employees behave in accordance with these values.

III. RESPONSIBILITY

Every Employee is responsible for becoming generally familiar with and for following this Code, other Corporation’s policies, as well as all laws, rules and regulations that apply to their position with the Corporation and their level of responsibility.

This Code does not describe all of the Corporation’s policies. Needless to say, each Employee must also comply without restriction with all other existing Corporation’s policies.

The QMI Board of Directors, through its Audit Committee, is responsible for ensuring that a procedure is in place to denounce any violation to this Code.

The Vice President, Human Resources, along with the Vice President, Internal Audit and the Vice President and Secretary revise the Code when deemed appropriate and recommend any amendment to the QMI Audit Committee. Following the approval of the said committee, the revised Code is distributed to all Employees.

IV. WORK ENVIRONMENT

The Corporation respects and welcomes diversity among its Employees, customers, and suppliers.

Discrimination

The Corporation is committed to equal employment opportunity without regard to race, color, religion, gender, pregnancy, civil status, ethnic or national origin, age (except as provided by law), political convictions, language, social condition, a handicap or the use of any means to palliate a handicap, and sexual orientation, provided that the person is able to perform the functions that are incumbent to his position. It is the Corporation's policy to make decisions on hiring, job assignment and promotion, solely on the basis of personal qualifications, ability and performance.

The Corporation considers that all of its Employees are equal and, as such, they must be treated and treat each other with mutual respect. The Corporation is committed to fight against prejudice, discrimination and harassment in all forms within its organization. Consequently, discriminating against any Employee or person with whom the Corporation does business on the basis of race, color, religion, gender, pregnancy, civil status, ethnic or national origin, age (except as provided by law), political convictions, language, social condition, a handicap or the use of any means to palliate a handicap, sexual orientation or for any other reason is strictly prohibited.

Harassment

Harassment is defined as any vexatious behaviour in the form of repeated and hostile or unwanted conduct, verbal comments, actions or gestures, that affects an employee's dignity or psychological or physical integrity and that results in a harmful work environment for the employee. A single serious incidence of such behaviour that has a lasting harmful effect on an employee may also constitute psychological harassment. For example, unwelcome advances or requests for sexual favours, inappropriate comments or jokes, intimidation, bullying or physical contact, creating a hostile, intimidating or offensive work environment, are considered as harassment. The Corporation will not tolerate any form of harassment or violence in its workplace. This type of behaviour is unacceptable since it denies the right of every person to be treated with dignity and respect.

Workplace security

The Corporation seeks to provide each Employee with a clean, safe, and healthy workplace. To achieve that goal, all Employees must understand their share of responsibility for abiding by all safety rules and practices and must take the necessary precautions to prevent professional injuries.

Drugs and alcohol

A drug and alcohol-free workplace is important for maintaining the renown and the reputation of the Corporation, as well as for protecting the health and safety of its Employees. The use, possession, distribution or sale of illicit drugs or of alcohol on Corporation premises is strictly prohibited.

V. RELATIONS WITH CUSTOMERS AND SUPPLIERS

The Corporation is a customer-driven company committed to optimizing the contribution of its Employees, technology and other resources in order to meet or exceed customer expectations.

Employees should always act in a professional and courteous manner in their dealings with customers and suppliers. They must maintain an honest and loyal relationship with them, in full compliance with the Corporation's contractual obligations and the applicable laws and regulations.

No Employee must ever make false representations, and any misunderstanding should be clarified as soon as possible.

Each Employee has a duty to keep confidential any personal or business information about customers and suppliers to which the Employee gains or has access to in the course of his work or otherwise in QMI, whether be it verbal, written or electronic information. Examples are customer documentation, specifications, the content of their publications or information on the customer's company obtained in the course of doing business. In all cases, this information is strictly confidential and is of a proprietary nature belonging to the customer and can only be used to provide the services requested by the customer.

VI. CONFLICT OF INTEREST

The Corporation expects and requires its Employees to always act in its best interest. It also expects and requires its Employees to be and to remain, at all times, free of any conflicting interests or relationships and to refrain from acting or being in a situation of conflict of interests.

Directors

A director who finds himself in a conflict of interest during any Board or Committee meeting of the Corporation must immediately declare his interest and, within the limits of the applicable laws, refrain from participating in any discussion about the conflicting issue or from voting thereon.

Officers and other Employees

A conflict of interest arises whenever the private interest of an Employee interferes or conflicts in any way with that of the Corporation. In any decision taken in the course of his job, the Employee must always act in an objective manner based solely on the best interest of the Corporation and unaffected by any consideration of personal gain for the Employee or anyone personally associated with him, including friends or relatives. An Employee must always refrain from helping any other business or person in securing any contract with the Corporation from which he can derive a personal benefit.

It is impossible to provide an exhaustive list of all situations that could give rise to real or potential conflicts of interest. For instance, a conflict of interest would exist when an Employee:

1. Either for his benefit or that of any person, association or company, conducts activities during working hours that are neither directly related to, nor required, for his functions (except with the management's specific request or permission) and which deprive the Corporation from the Employee's services or prevent that Employee from devoting all efforts and attention to the Corporation's affairs.
2. Holds a position within the Corporation whereby the Employee can use his authority towards any relatives or friends and which may prevent that Employee from being impartial in his decision-making process.
3. As a result of an outside third party relationship, is in a position that could:
    a) make personal gain for the benefit of that Employee or any relative or friend;
    b) render the Employee partial towards the third party contrary to the best interest of the Corporation;
    c) place the Employee in an equivocal, embarrassing or ethically questionable position towards that third party; or
    d) reflect unfavourably on the integrity and honesty of the Employee.
4. Takes advantage of business opportunities that belong to the Corporation or are discovered through the use of the Corporation's resources, property, information or the Employee's position with the Corporation.
5. Uses the Corporation's property or information, or his position held within the Corporation, for personal gain, including to further his interest or that of relatives or friends.

6. Accepts gifts (other than of a nominal, symbolic or promotional nature) from a supplier, client or any other person which has, or may have dealings with the Corporation.
7. Directly or indirectly competes with the Corporation or has a direct or indirect interest or relationship that is actually harmful or detrimental to the Corporation's best interest.
8. Engages in business or gainful activities that might be detrimental to the best interest of the Corporation. The term "*gainful activities"* includes any professional activity, supervision or training of other persons, or consultation or advice, for any form of remuneration.

Every Employee who may find himself in, or be brought into a situation of conflict of interest or the appearance thereof, should make a full written disclosure of the circumstances to his superior or to the head of the Human Resources Department.

VII. CORPORATION PROPERTY

The Employees have a responsibility to protect the Corporation's property and assets and to ensure their use in accordance with their intended use.

Such property includes tangible assets such as buildings, equipment, money, inventories, documents, computers, networks, systems, applications, database, communication tools, etc. Intangible assets such as inventions, ideas, patents and other forms of intellectual property, as they relate to the Corporation's actual or anticipated business and which are created or conceived during or after working hours are also considered as Corporation property.

All possible safeguards must be taken to prevent theft, misuse, damage, loss or sabotage, carelessness and waste of the Corporation's property.

Corporation property is to be used by Employees for work and legitimate business purposes only and not for personal use.

Computer, telephone and internet networks

The Corporation may monitor the use of its property at all times including the computer and telecommunication networks and the data and communication transiting through them. Although a minimal occasional personal use of the telephone and the Internet is allowed (including social media), as long as it does not hinder work performance, no confidentiality exists for the Employees. Messages, communications and the use of the Internet may be monitored by the Corporation. In no circumstances can an Employee access sites involving games, pornography, racist or insulting subjects or words, social encounters or any site or other means offering content of such nature.

Electronic mail

The use of electronic mail requires the same level of attention and reserve than any other written communication. Language must be appropriate and the addressees must be only those to whom the message is relevant. Confidential information must not circulate electronically without appropriate measures being taken to protect them and prevent them from losing the protection that they would otherwise have. Electronic mail favours direct communication without nuance and reserve; consequently, it must not be used to discuss matters that could lead to contentious issues or to exchange comments related to such matters. It is obviously possible to communicate electronically with the Legal Affairs Department as long as the communications addressed to this department (directly or copied) bear the mention "To the attention of the Legal Affairs Department and protected by the solicitor-client privilege".

VIII. CORPORATION FUNDS

When an Employee's position involves the use of Corporation funds, it is the responsibility of the Employee to exercise his good judgment, on the Corporation's behalf, to ensure that the Corporation gets the best commercial value for every dollar spent.

Employees who incur expenses while on company business can only seek reimbursement for expenses that were actually paid for goods and services and that are reasonable and pre-authorized. They are required to provide all supporting documentation and appropriate receipts with their reimbursement request.

Employees who have access to Corporation funds in any form are expected to be familiar with the Corporation's prescribed practices and procedures pertaining thereto. "Corporation funds" are any monies, documents or records that have or represent financial value. Corporation funds include, but are not limited to, currency, cheques, share certificates, notes and promissory notes, vouchers, credit, receivables, payables, money orders, expenses, reimbursements and pay cheques.

It is clearly understood that Corporation funds are not for personal use or for business use without pre-approval.

No expenditure of Corporation funds will be approved unless the manager responsible for approving the expenditure is satisfied with the justification for and the amount of such expenditure. Whenever is the case, such approval shall be granted in accordance with the Corporation's Policy on Limits of Authority.

IX. CONFIDENTIAL INFORMATION

In the course of their employment, Employees may have access to confidential information about the Corporation or a corporation of the Quebecor Group, as well as their respective customers and suppliers, and about other Employees of the Corporation. "Confidential information" is information, either verbal or written, which is not generally known to the public and this includes, but is not limited to, information on technology, business data such as its order backlog, customer specific billing rates and financial data.

Measures must be taken to limit access to such confidential information to only those persons who "need to know" it in the performance of their duties and those privies thereto must be advised that they have the obligation to keep it confidential.

Outside parties privy to undisclosed material information concerning the Corporation must be advised that they cannot divulge such information to anyone without the Corporation's consent. The Corporation may request such outside parties to sign a confidentiality and non-disclosure agreement.

It is the responsibility of each Employee to act in good faith and to treat any confidential information with the utmost care. If necessary, the Employees are to refer to the *Disclosure Policy of Quebecor Media Inc.*

In order to prevent the misuse or inadvertent disclosure of important information, the procedures set forth below should be observed at all times:

- documents and files containing confidential information must be kept in a safe place to which access is restricted to Employees who "need to know" such information in the performance of their duties;
- confidential matters should not be discussed in public places (elevators, hallways, restaurants, airplanes, taxis, or elsewhere);
- confidential documents should not be read or remain visible in public places and should not be discarded where third parties can retrieve them;
- Employees must ensure that they maintain the confidentiality of information in their possession inside or outside the workplace;
- transmission of documents containing confidential information by electronic means or by fax should be made only where it is reasonable to believe that the transmission can be made and received under secure conditions; and
- unnecessary copying of confidential documents should be avoided and documents containing confidential information should be promptly removed from conference rooms and work areas after the meetings; extra copies should be shredded or otherwise destroyed in a safe manner.

The rules set out above apply not only to the Corporation's and the Quebecor Group's information, but also to information that belongs to a third party, such as a supplier, customer or competitor. Moreover, a new Employee may not disclose any confidential information about his previous employer.

Likewise, an Employee leaving the Corporation still remains bound by the obligation to safeguard its confidential information, even after he has left.

X. INSIDER TRADING

The Stock Exchange and Securities laws and regulations contain very strict provisions governing the use and disclosure of non-public information that may have a significant effect on the market price of a public corporation's shares. Any person that contravenes those provisions may be subject to heavy fines and damages.

Since the Corporation is a subsidiary of Quebecor Inc. ("**Quebecor**"), the shares of which are listed on the Toronto Stock Exchange, it is illegal for anyone to trade in shares of Quebecor and of Group TVA Inc. ("**TVA**"), if that person is aware of important information about a corporation of the Quebecor Group that has not been publicly disclosed. It is also illegal for anyone to inform any person about important non-public information, other than in the normal course of business.

Therefore, the Corporation's directors, officers and employees who are aware of confidential information that could have an effect on the market price of the securities of Quebecor, TVA or those of a counterparty with whom there are ongoing important negotiations, are prohibited from trading in shares of these corporations or that counterparty, until the information has been fully disclosed and a reasonable period of time has passed since the public disclosure of the information.

In addition, the directors and officers of the Corporation and all persons that are insiders of Quebecor and of TVA are prohibited from trading in the securities of these corporations during certain trading blackout periods stipulated under their respective *Policy relating to the use of privileged information.*

When an Employee is uncertain whether he may trade the securities of Quebecor or of TVA, he must refer to the *Disclosure Policy* and contact the Secretary of the Corporation.

XI. BUSINESS RECORDS

The Corporation follows extremely high standards with regard to the accuracy and integrity in which its business records are maintained. These serve as a base for the management of its business, the assessment and carrying out of its obligations towards its shareholders, Employees, clients and suppliers, as well as for assuring compliance with legal, fiscal and financial requirements. Consequently, Employees must record information with precision and integrity, so that all business records of the Corporation are reliable and accurate.

Employees must maintain the Corporation’s business records, including its books, accounts, financial statements, transaction files and litigation files with integrity and precision, in a manner that accurately reflects its commercial activities and in compliance with the legal and regulatory requirements and with other policies of the Corporation.

All the financial activities must be properly recorded in the accounting records and the accounting procedures must be supported by the appropriate internal controls.

Work orders, supporting documents, invoices, pay slips and other similar data must be factually accurate, true, complete and maintained according to the Corporation’s current practices. Employees must not remove or destroy any file or record without the authorization of their superior. Such authorization will only be granted in accordance with the applicable laws and Corporation policies.

Deliberate recording of wrong data on any report, record or memorandum constitutes a dishonest act which may have a serious impact on the Corporation’s operations and is therefore unacceptable.

XII. INTERACTIONS WITH THE PUBLIC

The Corporation wishes to maintain open and honest communication with the public, the investment community, the media and the securities regulatory authorities. To ensure that the Corporation complies with the law while protecting its interest and confidential issues, only the Corporation’s designated spokespersons are authorized to represent and deal on its behalf with the public, the investment community, the securities regulatory authorities and the media, the whole in conformity with the *Disclosure Policy of Quebecor Media Inc.*

Thus, Employees who are not designated spokespersons must not respond, under any circumstances, to inquiries from the public, the investment community, the media, the securities regulatory authorities or others, unless specifically asked to do so by a designated spokesperson. If an Employee receives such a request, whether verbal or written, the Employee must forthwith direct it to one of the Corporation’s designated spokespersons.

An Employee may not represent the Corporation in public, in any manner whatsoever, unless specifically requested to do so by the management, the Board of Directors, or a designated spokesperson. When an Employee expresses a personal view in a public forum, he may not use the Corporation's letterhead or its e-mail or any reference to his business address or title.

When an Employee is asked to make a public presentation about his job within the Corporation, that Employee must obtain the immediate superior's approval. In case of doubt, the immediate superior must seek advice from the Corporation's Communication Department.

XIII. SOCIAL MEDIA

Being a communications company, the Corporation recognizes the importance of social media (Facebook, MySpace, Twitter, LinkedIn, YouTube, blogs, etc.) as tools which facilitate communication, exchanges and transmission of information in a fast and efficient manner. However, the use of social media, even for personal use, comprises certain risks that could tarnish the Corporation's reputation. The speed of social media communications, the level of interactivity of its users, as well as the limitless access they provide, justify the need for higher vigilance. The distinction between personal and professional lives is stretched very thinly with the use of social media.

That is why Employees must be vigilant when posting any information or opinion regarding the Corporation on social media sites. Needless to say that the confidentiality and loyalty obligations of the Employee apply at all times and in all places. If an Employee posts comments on a Web site or a blog regarding the Corporation and its activities, it is imperative that he uses his personal electronic mail address, that he clearly identifies himself as an employee of the Corporation and includes a warning that any expressed opinions are of a personal note and does not reflect the opinion of the Corporation. Furthermore, the Employee must not declare or give the impression that he speaks in the name of the Corporation, unless having prior authorization from the Corporation to do so. We remind Employees of the importance of being vigilant in their communications as well as being respectful towards the Corporation, its products and services, its competitors and their colleagues, past and present.

An Employee who contravenes these rules exposes himself to disciplinary measures which could include termination.

XIV. RESPECT FOR THE ENVIRONMENT

The Corporation is concerned about the health and well-being of its Employees and of the communities surrounding its installations. Therefore, it is committed to respect the laws and regulations in force in matters of environment and will favour any procedure or initiative from its Employees aiming at reducing any negative impact on the quality of air, ground or water that could result from its activities.

XV. COMPETITION BEHAVIOUR

The Corporation seeks to outperform its competitors fairly and honestly and to achieve competitive advantages through superior performance. Employees should always strive to deal honestly with the Corporation's customers, suppliers, competitors and other Employees. No one should benefit from an undue commercial advantage of anyone through manipulation, concealment, abuse of privileged information, false representation, or any other unfair dealing practice.

The Employees must also respect all laws pertaining to competition. In addition, no Employee may participate in discussions, agreements, projects, arrangements, whether formal or informal, with competitors or potential competitors, on issues dealing with prices, pricing rates, territories or customers to be served.

Penalties imposed for non-compliance with the laws pertaining to competition are severe. They entail heavy fines, prison sentences and damages. The penalties are equally applicable to the Employees and the employer. Also, an investigation resulting from an alleged violation of the competition laws could seriously prejudice the Corporation.

Due to the complexity of the laws pertaining to competition, the Corporation recommends that its Employees consult, as needed, the Corporation's Legal Affairs Department on such matters.

XVI. LEGAL COMPLIANCE

As a general rule of conduct, all Employees of the Corporation must, at all times, comply with all laws and regulations applicable to the Corporation and to the citizens in general.

In order to become familiar with and comply with the laws and regulations that affect or govern their area of responsibility, Employees can consult with and be guided by their manager or the Corporation's Legal Affairs Department. Decisions regarding the application of such laws and regulations should not be made without the advice of the Corporation's Legal Affairs Department. Similarly, an Employee should avoid proceeding in a manner which, in the opinion of such Department, would be in violation of the law.

XVII. QUESTIONS AND REPORTING VIOLATIONS

If, at any time, an Employee is unsure about whether an act may contravene this Code or if he has any question in connection therewith, he should seek advice from the person in charge of the Human Resources Department. Equally, any question regarding ways to address ethical matters should be brought to the attention of his manager or the person in charge of the Human Resources Department.

Employees who become aware of any behaviour in violation of this Code, other Corporation policies or any law, rule or regulation applicable to the Corporation, must promptly report such violation to their manager. If this procedure is not appropriate under the circumstances or if no satisfactory answer is obtained, Employees should contact the person in charge of the Human Resources Department.

No Employee should accept any instruction from their manager that contravenes this Code, other Corporation policies or any applicable law, rule or regulation of which they are aware and an Employee should immediately report any instruction that contravenes this Code to the person in charge of the Human Resources Department or to the Vice President, Legal Affairs.

All reporting of a violation will be dealt with confidentially, within the limits imposed by law and the Corporation will not tolerate any kind of reprisal against any person who, in good faith, reports to the Corporation real or potential issues relating to violations of this Code, other Corporation policies or any applicable law, rule or regulation.

The Corporation recognizes that Employees may be reluctant to report certain types of violations or infractions. It is for that reason that the Corporation offers a confidential toll-free telephone line and Web site operated by an independent third party. This will allow Employees to anonymously report any and all complaints or all forms of suspicious acts or irregularities pertaining to accounting, internal controls, auditing matters, fraud, theft, illegal use of Corporation property and insider trading. In such cases, the Corporation hopes that its Employees will report those types of violations. For more information concerning this toll-free confidential telephone line and Web site, the Employees are invited to refer to Appendix 1 of this Code, which is entitled "ClearView Connects™ - Questions and Answers".

XVIII. VIOLATION

Any violation of this Code, other Corporation policies or applicable rules or regulations, may result in disciplinary measures, ranging from a simple warning or reprimand, to termination of employment.

Disciplinary measures may be taken against any Employee, for directly violating or enticing others to violate this Code, other Corporation policies or applicable laws or regulations. An Employee can also be subject to disciplinary action if he fails to cooperate with an investigation relating to any such violation, knowingly falsely accuses another Employee of a violation or retaliates against a person who reports a violation or suspects a violation.

Disciplinary measures will also be taken against any manager who is aware that one of his staff members is about to engage in a prohibited conduct and who fails to take preventive action. Managers may also be subject to disciplinary action if they fail to effectively supervise their staff.

Furthermore, non-compliance to laws and regulations could entail civil or criminal lawsuits resulting in potential fines and prison sentences.

XIX. COMMUNICATION OF THE CODE

QMI’s Vice President, Human Resources, has the responsibility of ensuring that each Employee of QMI receives a copy of the Code and that each new Employee of QMI signs the declaration included with the Code upon receipt of his copy.

APPENDIX 1

"CLEARVIEW CONNECTS™ - QUESTIONS AND ANSWERS"

Who provides the service?

ClearView Connects™ is a telephone service and a website operated by ClearView Strategic Partners Inc. ("ClearView"), an independent third party. Employees may access the website of ClearView Connects™ at **www.clearviewconnects.com.**

Why use this service?

QMI attaches a great deal of importance to the values of honesty and integrity. All Employees are encouraged to report all complaints or all forms of suspicious acts pertaining to accounting, internal controls, auditing matters, fraud, theft, illegal use of Corporation property and insider trading. If an Employee is uncomfortable reporting this type of information through the normal chain of command, then he is able to report it anonymously, without fear of reprisal through the toll-free confidential telephone line or secure website.

Who can use this service?

All Employees without distinction.

When to use this service?

You should use the ClearView Connects™ telephone service or website as soon as you notice a suspicious behaviour.

For example:

- Accounting irregularities;
- Falsification of the Corporation's records;
- Fraud;
- Misuse of confidential information (Insider Trading);
- Irregularity in the handling or reporting of financial transactions;
- Significant breach of internal controls;
- Theft.

You must keep in mind that if you wait too long before reporting the incident, it becomes more difficult to investigate the matter.

How is anonymity preserved?

You will never be asked to provide your name when you call ClearView Connects™. If you identify yourself, there can be no retaliation or reprisal. The service is offered to resolve situations of wrongdoing and not for the purpose of identifying the Employee who reported it.

When you use the ClearView Connects™ website, your e-mail address is automatically encrypted to preserve your identity. ClearView has formally undertaken not to divulge any confidential information received from an Employee (including his name) without that Employee's specific consent. Also, the Corporation has unconditionally undertaken to preserve the anonymity and confidentiality.

What happens when you use the toll-free telephone line?

When you call, a ClearView Agent with the necessary skills is automatically assigned to take the call in your language. You will have to provide forthwith the following information: the circumstances of the incident, the persons involved, and any other information (i.e. dates, time, names, places, and credible witnesses, if possible).

The ClearView Agent will ask you to identify the name of the Corporation, subsidiary or division where the incident you wish to report took place. In some cases, he may have to ask you to disclose the exact address. After gathering all the information pertaining to the incident, he will ask you to categorize the incident according to a pre-established list and will ask you specific questions relating to that particular category. The ClearView Agent will then provide you with a user code and login, which will be valid for a fourteen-day period only. You will have to write down that information, since ClearView will not keep any trace of it, so as to preserve your identity. If you lose that information, you will not be able to consult your incident report. The user code and login will enable you to call back ClearView and to verify the status of your report. If you call back, it is possible that the ClearView Agent will ask you to answer additional questions received from the Corporation's representatives who are responsible for reviewing and analyzing the incident reports.

What happens when you use the ClearView Connects™ website?

The procedure used to report an incident on the website is similar to the telephone reporting procedure.

When you access the ClearView Connects™ website, please follow the instructions.

To begin, you will have to first enter the name of the Corporation, subsidiary or division where the incident you wish to report took place. You may then access the Web page dedicated to the Corporation. You will be able to read the Corporation's welcome message and you will be invited to consult its Code of Ethics, which is posted on that

Web page. You will have to describe the incident and provide the following information: the circumstances of the incident, the persons involved, and any other information (i.e. dates, time, names, places, and credible witnesses, if possible). You will then have to categorize the incident according to a pre-established list by checking the appropriate box and answer specific questions relating to that particular category. Once you have replied to all the questions, you will be assigned a user code and a login, which will be valid for a fourteen-day period only. You will have to write down that information, since ClearView will not keep any trace of it, so as to preserve your identity. If you loose that information, you will not be able to consult your incident report. This will enable you to verify the status of your incident report which will be posted on the ClearView Connects™ website. After a preliminary review of the incident report, the Corporation's representatives (who are responsible for reviewing and analyzing the incident report) will be able to add additional questions in the report, if deemed necessary.

Who may investigate?

The Vice-President, Internal Audit of QMI has the exclusive authority to investigate. Since he reports to the Audit Committee, this guarantees his independence.

How to use this confidential service?

To use the telephone service, the Employees must dial **1-877-821-5801**.

The Employees may access the ClearView Connects™ website at **www.clearviewconnects.com.**

When is the service available?

It is available 24 hours a day, 7 days a week.

Will the Employees filing a complaint be informed of the results of any investigation?

No, not directly.

EMPLOYEE DECLARATION

I, the undersigned, hereby acknowledge that I have received a copy of the Code of Ethics of Quebecor Media Inc. and that I agree to comply with its provisions.

____

Name (in capital letters)

____

Service / Location

____

Signature

____

Date

The sections related to the reporting of violations apply only to those areas where it is permitted by laws and regulations.

Exhibit 12.1

Certification of the Principal Executive Officer of
Videotron Ltd.
pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Manon Brouillette, President and Chief Executive Officer of Videotron Ltd. (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, 2017

/s/ Manon Brouillette
Name: Manon Brouillette
Title: President and Chief Executive Officer

Exhibit 12.2

Certification of the Principal Financial Officer of
Videotron Ltd.
pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Hugues Simard, Senior Vice President and Chief Financial Officer of Videotron Ltd. (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, 2017

/s/ Hugues Simard
Name: Hugues Simard
Title: Senior Vice President and Chief Financial Officer

Exhibit 13.1

Certification of the Principal Executive Officer of
Videotron Ltd.
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 Videotron Ltd. (the "Company") on Form 20-F for the year ending December 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Manon Brouillette, 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, 2017

/s/ Manon Brouillette
Name: Manon Brouillette
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 Videotron Ltd. 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 Videotron Ltd. (the "Company") on Form 20-F for the year ending December 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Hugues Simard, Senior Vice President and Chief Financial Officer, 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, 2017

/s/ Hugues Simard
Name: Hugues Simard
Title: Senior Vice President and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.