

ANNUAL INFORMATION FORM

OCTOBER 26, 2011

ANNUAL
INFORMATION
FORM

2011

5 PLACE VILLE MARIE
SUITE 1700
MONTREAL, QUEBEC
H3B 0B3



TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS	1
ACRONYMS	1
1. CORPORATE STRUCTURE	2
1.1. NAME, ADDRESS AND INCORPORATION	2
1.2. INTERCORPORATE RELATIONSHIPS	2
1.3. CORPORATE CHART	3
2. GENERAL DEVELOPMENT OF THE BUSINESS	4
2.1. PROFILE	4
2.2. HISTORY	4
3. DESCRIPTION OF THE CANADIAN BUSINESS	5
3.1. CUSTOMERS	5
3.2. SERVICES	6
3.3. CABLE NETWORKS	7
3.4. LICENCES AND CONTRACTS	8
3.5. RENEWAL OF CONTRACTS	8
3.6. EMPLOYEES	9
3.7. COMPETITIVE CONDITIONS	9
3.8. RECENT REGULATORY DEVELOPMENTS	10
3.9. TRADEMARKS	11
3.10. CYCLES	11
4. DESCRIPTION OF THE EUROPEAN BUSINESS	11
4.1. CUSTOMERS	12
4.2. SERVICES	12
4.3. CABLE NETWORKS	13
4.4. LICENCES AND CONTRACTS	13
4.5. RENEWAL OF CONTRACTS	14
4.6. EMPLOYEES	14
4.7. COMPETITIVE CONDITIONS	14
4.8. RECENT REGULATORY DEVELOPMENTS	14
4.9. TRADEMARKS	15
4.10. CYCLES	15
5. REORGANIZATIONS	15
6. RISK FACTORS	16
7. DIVIDENDS	16
8. CAPITAL STRUCTURE	16
8.1. GENERAL DESCRIPTION OF CAPITAL STRUCTURE	16
8.2. CONSTRAINTS ON ISSUE AND TRANSFER OF SHARES	17
9. MARKET FOR SECURITIES	18
10. DIRECTORS AND EXECUTIVE OFFICERS	18
10.1. DIRECTORS	18
10.2. EXECUTIVE OFFICERS	19
11. LEGAL PROCEEDINGS	20
12. TRANSFER AGENT AND REGISTRAR	20
13. MATERIAL CONTRACTS	20
14. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	20
15. AUDIT COMMITTEE DISCLOSURE	21
15.1. CHARTER	21
15.2. COMPOSITION OF THE AUDIT COMMITTEE	26
15.3. EDUCATION AND EXPERIENCE OF AUDIT COMMITTEE MEMBERS	26
15.4. POLICY REGARDING NON-AUDIT SERVICES RENDERED BY AUDITORS	26
15.5. REMUNERATION OF AUDITORS	27
16. ADDITIONAL INFORMATION	27

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Information Form (“AIF”) may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to COGECO’s future outlook and anticipated events, business, operations, financial performance, financial condition or results and, in some cases, can be identified by terminology such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “intend”, “estimate”, “predict”, “potential”, “continue”, “foresee”, “ensure” or other similar expressions concerning matters that are not historical facts. Particularly, statements regarding COGECO’s future operating results and economic performance, objectives and strategies are forward-looking statements. These statements are based on certain factors and assumptions including expected growth, results of operations, performance and business prospects and opportunities which COGECO believes are reasonable as of the current date. While management considers these assumptions to be reasonable based on information currently available to COGECO, they may prove to be incorrect. Forward looking-information is also subject to certain factors, including risks and uncertainties, that could cause actual results to differ materially from what COGECO currently expects. These factors include technological changes, changes in market and competition, governmental or regulatory developments, general economic conditions, the development of new products and services, the enhancement of existing products and services and the introduction of competing products having technological or other advantages, many of which are beyond COGECO’s control. Therefore, future events and results may vary significantly from what management currently foresees. COGECO cautions the reader that the economic downturn experienced over the past few years makes forward-looking information and the underlying assumptions subject to greater uncertainty and that, consequently, they may not materialize, or the results may significantly differ from COGECO’s expectations. It is impossible for COGECO to predict with certainty the impact that the current economic uncertainties may have on future results. For more exhaustive information on these risks and uncertainties, the reader should refer to the “Uncertainties and Main Risks Factors” section of COGECO’s Annual Report for the year ended August 31, 2011 which is available at www.sedar.com. The reader should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While management may elect to do so, COGECO is under no obligation (and expressly disclaims any such obligation) and does not undertake to update or alter this information at any particular time, except as required by law.

ACRONYMS

BDU	BROADCASTING DISTRIBUTION UNDERTAKING
DOCSIS	DATA OVER CABLE SERVICE INTERFACE SPECIFICATIONS
DVR	DIGITAL VIDEO RECORDER
€	EURO CURRENCY
HD	HIGH DEFINITION
HSI	HIGH SPEED INTERNET
IP	INTERNET PROTOCOL
Mbps	MEGABITS PER SECOND
MHz	MEGAHERTZ
RGU	REVENUE-GENERATING UNITS INCLUDING BASIC CABLE, HSI, DIGITAL TELEVISION AND TELEPHONY SERVICE CUSTOMERS
SD	STANDARD DEFINITION
SVOD	SUBSCRIPTION VIDEO ON DEMAND
VOD	VIDEO ON DEMAND
VoIP	VOICE OVER IP
WI-FI	WIRELESS FIDELITY

In this AIF, the terms “COGECO” and the “Corporation” refer collectively to COGECO Inc. and, unless the context otherwise requires or indicates, to its subsidiaries and controlled entities.

All dollar figures are in Canadian dollars, unless stated otherwise.

The information provided in this AIF is presented as at the last day of the Corporation’s most recently completed financial year (i.e. August 31, 2011), except where it is specified in the AIF that the information is presented at another date.

1. CORPORATE STRUCTURE

1.1. NAME, ADDRESS AND INCORPORATION

COGECO is a diversified Canadian communications company with operations in the cable and radio sectors. The name of the Corporation is an abbreviation of **Compagnie Générale de Communications**.

COGECO was incorporated under Part I of the *Companies Act* (Québec) on July 24, 1957 and was continued under the authority of Part IA of the same Act by virtue of a certificate of continuance dated November 8, 1984. Certificates of amendment were issued to the Corporation on July 8, 1985, November 7, 1985, December 19, 1988, August 15, 1989, July 11, 1990 and February 15, 1993 to change the composition of its share capital. As a result of these changes, the share capital of the Corporation is comprised of subordinate voting shares (the "Subordinate Shares"), of multiple voting shares (the "Multiple Shares"), of class A preferred shares (the "Class A Shares") and of class B preferred shares (the "Class B Shares"), each of which shares of preferred shares may be issued in series.

The July 8, 1985 amendment created an unlimited number of preferred shares at a par value of \$1 per share and provided for the convertibility of common shares into preferred shares on a share for share basis at the option of the holder of common shares before the close of business on August 31, 1985.

The November 7, 1985 amendment cancelled the preferred shares created on July 8, 1985 and created an unlimited number of Subordinate Shares, an unlimited number of Multiple Shares, an unlimited number of Class A Shares and an unlimited number of Class B Shares, all without par value, and provided for the conversion of all issued and outstanding common shares into Subordinate Shares and Multiple Shares.

The December 19, 1988 amendment created a first series of 800,000 convertible Class A Shares at an issue price of \$25 per share.

The August 15, 1989 amendment created a first series of 7,500,000 convertible Class B Shares at an issue price of \$9 per share.

The July 11, 1990 amendment created a second series of 29,374 convertible Class A Shares at an issue price of \$25 per share.

The February 15, 1993 amendment provided for the mandatory redemption, by the Corporation, of all the outstanding Class B Shares, series 1.

On December 28, 1993, the Corporation redeemed all the outstanding Class A Shares.

On February 14, 2011, COGECO, as all other companies structured under Part IA of the existing *Companies Act* (Québec), was automatically continued under the new *Québec Business Corporations Act* ("BCA") which came into force on that same date and which replaced Parts I and IA of the *Companies Act* (Québec).

The head office of the Corporation is located at 5 Place Ville Marie, Suite 1700, Montréal, Québec, H3B 0B3.

1.2. INTERCORPORATE RELATIONSHIPS

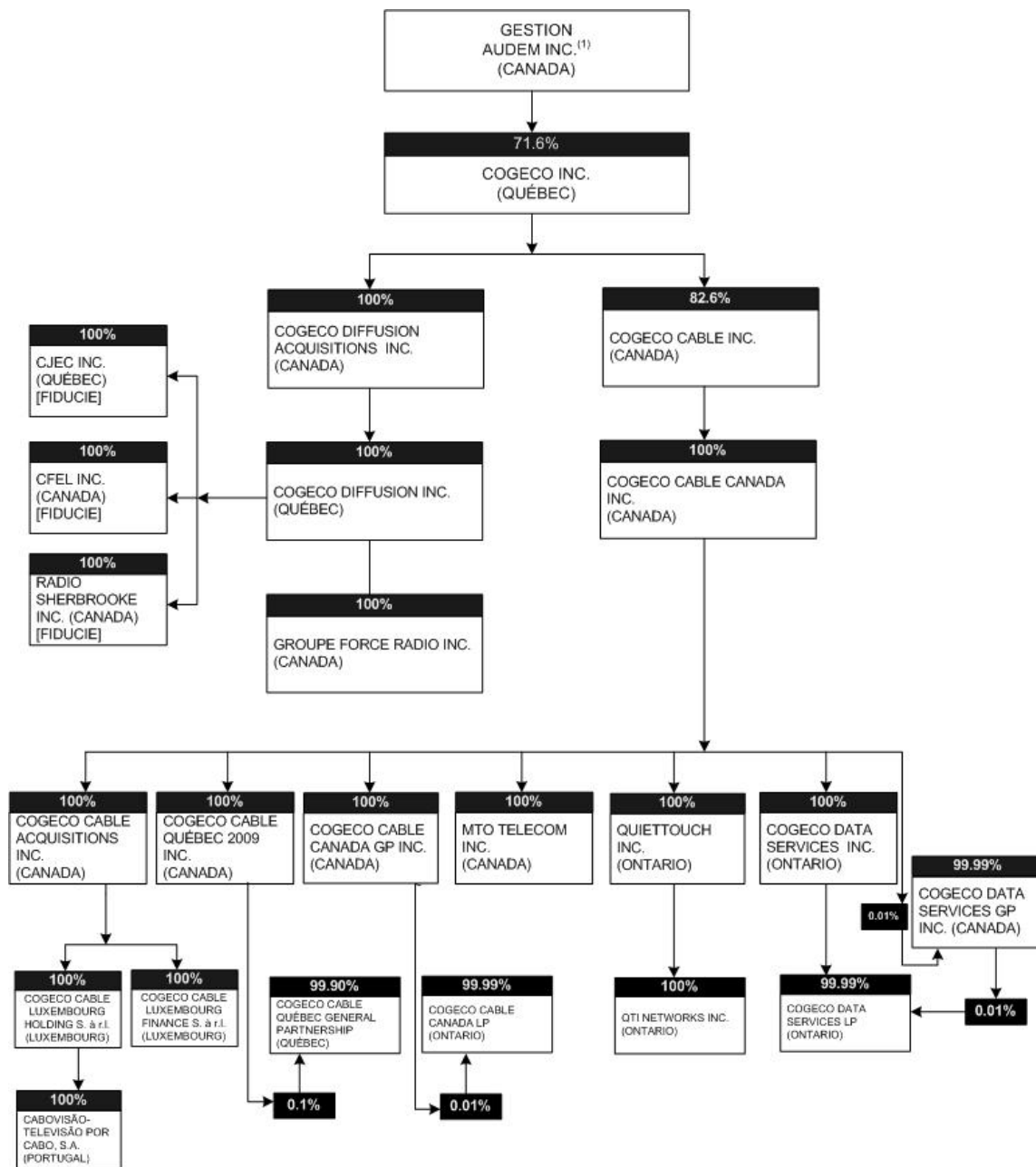
As at August 31, 2011, the only subsidiaries or other entities of the Corporation which represented more than 10% of the Corporation's consolidated assets or more than 10% of the Corporation's consolidated sales and operating revenues (the "10% Threshold") were Cogeco Cable Inc. ("Cogeco Cable") and its subsidiaries or other entities operating in Ontario and Québec, namely Cogeco Cable Canada LP ("CCC LP") and Cogeco Cable Québec General Partnership ("CCQ GP"). As at such date, the European business of Cabovisão Televisao por Cabo S.A. ("Cabovisão") had ceased to meet the 10% Threshold, but a description of this business has nevertheless been included for information purposes in section 4 below. The business telecommunications services operated through Cogeco Data Services LP ("CDS LP") are growing and with the recent additions, and integration during the current fiscal year, of Quiettouch Inc. ("Quiettouch") and MTO Telecom Inc. ("MTO"), CDS LP may meet the 10% Threshold by August 31, 2012.

Cogeco Cable is a corporation incorporated under the *Canada Business Corporations Act* which was organized as a subsidiary of COGECO for the purpose of holding all the cable assets of the COGECO Group of companies. COGECO holds 32.2% of Cogeco Cable's equity shares which represent 82.6% of all voting rights attached to the shares of Cogeco Cable. CCC LP is a limited partnership under the *Limited Partnerships Act* in Ontario operating all of Cogeco Cable's systems in Ontario. CCQ GP is a general partnership under a General Partnership Agreement formed under the *Civil Code of Québec*, operating all of Cogeco Cable's systems in Québec. CDS LP is a limited partnership under the authority of the *Limited Partnerships Act* in Ontario, which carries on the business of telecommunication services in the Greater Toronto Area.

Other than its shareholding interest in Cogeco Cable, the only other asset of COGECO is the interest in its radio stations held by wholly-owned subsidiaries, Cogeco Diffusion Inc. ("CDI") and Cogeco Diffusion Acquisitions Inc. ("CDAI"). Such radio interest constitutes a non-material asset of COGECO at this time and do not require separate disclosure.

1.3. CORPORATE CHART

The following chart illustrates the structure of the Corporation, including the jurisdiction of incorporation/establishment of the various entities and percentage of voting rights held therein as at August 31, 2011.



(1) A PRIVATE COMPANY CONTROLLED BY MR. HENRI AUDET, A CANADIAN CITIZEN.

2. GENERAL DEVELOPMENT OF THE BUSINESS

2.1. PROFILE

COGECO is a diversified holding company with subordinate voting shares listed on the Toronto Stock Exchange ("TSX"), under the symbol CGO. The Corporation's current holdings are heavily concentrated in the cable telecommunications sector.

Cogeco Cable, the cable subsidiary also with subordinate voting shares listed in the TSX, is a telecommunications company and the second largest hybrid fibre coaxial cable operator in Ontario, Québec and Portugal. Through its two-way broadband cable networks, Cogeco Cable provides its residential customers with Audio, Analogue and Digital Television, as well as HSI and Telephony services. Cogeco Cable provides 3,407,460 RGUs to the 2,528,162 homes passed by its cable network in the territories it serves. Cogeco Cable also provides to its commercial customers data networking, e-business applications, video conferencing, hosting services, Ethernet, private line, VoIP, HSI access, data storage, data security, colocation services, managed IT services, cloud services and other advanced communication solutions.

Cogeco Cable focuses its attention on the satisfaction of residential and business customers' varied electronic communication needs by investing in state-of-the-art broadband network facilities, delivering a wide range of services over these facilities with great speed and reliability at attractive prices, and striving to provide superior customer service and growing profitability.

COGECO indirectly holds radio stations in the province of Québec through the two following wholly-owned subsidiaries:

- CDI, which owns and operates the RYTHME FM network which has three radio stations in the Province of Québec, in Montréal and in the Mauricie and Eastern Townships regions, as well as radio station 93 FM in Québec City.
- CDAI, which owns and operates the CKOI network, which has four stations in the Province of Québec, in Montréal, Trois-Rivières, Gatineau and Sherbrooke, the FM radio stations 98.5 and 92.5 The Beat in Montréal, CIME FM in the Laurentides region and Radio Circulation 730 AM in Montréal, all of which were acquired from Corus Entertainment Inc. ("Corus") on February 1, 2011. See heading 2.2 "History".

CDI also operates Groupe Force-Radio Inc., a corporation constituted under the authority of Part IA of the *Companies Act* (Québec) and continued under the new BCA since February 14, 2011, for the sale of advertising to national advertisers for the radio stations owned and operated by CDI and CDAI.

COGECO intends to focus on the communications sector through sound investments in facilities and the offering of leading edge communications services while pursuing increased profitability.

2.2. HISTORY

In 1957, the Corporation started its operations with the establishment of a television station in Trois-Rivières affiliated to the *Société Radio-Canada* ("SRC") network. The Corporation then expanded its activities into Cable Television in 1972 and into radio in 1987.

On February 1, 2011, COGECO completed the acquisition of Corus' Québec radio stations for \$80 million, subject to customary closing adjustments and conditions. As required by the Canadian Radio-television and Telecommunications Commission's ("CRTC"), the stations CJEC-FM and CFEL-FM in Québec and CJTS-FM in Sherbrooke were put up for sale following the closure of the transaction with Corus on February 1, 2011, and a trustee was appointed to manage the stations until such time. The sale of these radio stations is ongoing.

During fiscal 2008, Cogeco Cable completed several acquisitions in Ontario through (i) the acquisition of the assets of MaXess Networkx® which was the telecommunications division of the City of Windsor's energy company, (ii) the acquisition of the assets of FibreWired Burlington Hydro Communications which was the telecommunications division of the City of Burlington's energy company, and (iii) the acquisition of all the outstanding shares of Toronto Hydro Telecom Inc. ("THTI") which was a telecommunications subsidiary of Toronto Hydro Corporation. THTI was renamed Cogeco Data Services Inc. ("CDS"). The assets of CDS were transferred to CDS LP in 2009 which now operates the growing telecommunications activities of the Corporation.

During fiscal 2011, Cogeco Cable further expanded its activities in the telecommunication business market and completed the following acquisitions:

- On August 2, 2011, Cogeco Cable completed the acquisition of all of the shares of Quiettouch, a leading independent provider of outsourced managed information technology and infrastructure services to mid-market and larger enterprises in Canada. Quiettouch offers a full suite of differentiated services that allow customers to outsource their mission-critical information technology infrastructure and application requirements, including managed infrastructure and hosting, virtualization, firewall services, data backup with end-to-end monitoring and reporting, and enhanced and traditional colocation services. Quiettouch operates three data centres in Toronto and Vancouver, as well as a fibre network within key business areas of downtown Toronto.
- On August 31, 2011, Cogeco Cable completed the acquisition of all the shares of MTO, the largest private telecommunications provider in the Greater Montréal Area and the Province of Québec. With over 1,500 kilometres of network, MTO offers high-performance Ethernet broadband connectivity services to carrier, enterprise and public sector customers

3. DESCRIPTION OF THE CANADIAN BUSINESS

The cable assets of Cogeco Cable in Québec, referred to herein as “Cable Québec”, are managed from a main business office located in the City of Trois-Rivières, Québec. The cable assets of Cogeco Cable in Ontario, referred to herein as “Cable Ontario”, are managed from a main business office located in the City of Burlington (neighbouring Toronto), Ontario. While each operating group manages its systems for the distinctive French-language and English-language markets respectively, certain services, which are not of a market-specific nature, notably in the areas of procurement, engineering, information systems, human resources, marketing and accounting, are shared by the two units for greater efficiency.

The business telecommunications activities of CDS LP, Quiettouch and MTO, are managed from a main office located in the City of Toronto, Ontario. While CDS LP manages its business telecommunications systems, Cogeco Cable provides various support services to CDS LP which are not of a market-specific nature.

3.1. CUSTOMERS

The following table presents the total number of homes passed, RGU, Basic Cable service customers and the penetration rate of Basic Cable service for Cogeco Cable Canadian operations, which are in the provinces of Québec and Ontario, as at August 31, 2011:

HOMES PASSED	RGU	BASIC CABLE SERVICE CUSTOMERS	PERCENTAGE OF PENETRATION OF BASIC CABLE SERVICE
1,622,420	2,575,795	877,985	54.1

The following table presents the number of customers subscribing to Basic Cable service and the penetration rate of Basic Cable service, Digital Television service, HSI service and Telephony service from August 31, 2007 to August 31, 2011:

AS AT AUGUST 31,	BASIC CABLE SERVICE CUSTOMERS	PERCENTAGE OF PENETRATION OF BASIC CABLE SERVICE	DIGITAL TELEVISION SERVICE CUSTOMERS AS A % OF BASIC CABLE SERVICE ⁽¹⁾	HSI SERVICE CUSTOMERS AS A % OF BASIC CABLE SERVICE ⁽¹⁾	TELEPHONY SERVICE CUSTOMERS AS A % OF BASIC CABLE SERVICE ⁽¹⁾
2007	849,157	57.2	45.8	52.2	21.7
2008	857,094	56.0	52.4	57.7	30.5
2009	864,805	55.3	58.5	62.0	36.1
2010	874,505	54.9	64.8	66.2	44.4
2011	877,985	54.1	78.2	70.6	51.3

(1) CALCULATED ON THE BASIS OF THE CABLE SYSTEMS WHERE THE SERVICE IS OFFERED.

3.2. SERVICES

Cogeco Cable offers a wide range of broadcasting and telecommunication services to its residential and business customers in Canada, including Analogue and Digital Television services, HSI service and Telephony service. Cogeco Cable actively bundles these services into double-play and triple-play offerings at competitive prices to encourage cross-selling within its customer base and to attract new customers.

3.2.1. BROADCASTING DISTRIBUTION SERVICES

Cogeco Cable's broadcasting distribution services are offered in Canada, on a subscription basis, in analogue or digital format. The offering of broadcasting distribution services is subject to varied and extensive regulatory requirements, mainly under the authority of federal statutes governing broadcasting, telecommunications, radiocommunication and copyright. Under the *Broadcasting Act*, the CRTC is responsible for regulating and supervising all aspects of the Canadian broadcasting system with a view to implementing certain broadcasting policy objectives enunciated in that Act. In order to provide broadcasting distribution services, Cogeco Cable must hold valid broadcasting licences issued by the CRTC under the authority of the *Broadcasting Act* (or operate pursuant to an exemption order issued thereunder), as well as broadcasting certificates issued pursuant to the *Radiocommunication Act*.

ANALOGUE TELEVISION SERVICE

Analogue Television service customers receive a Basic Cable service that includes Canadian conventional and specialty services mandated for distribution, as well as United States conventional services. The subscription fee for the Basic Cable service offered by Cogeco Cable is no longer regulated by the CRTC.

The Analogue discretionary service tier is no longer offered to customers since July 1, 2010 in Québec and since September 1, 2011 in Ontario. Nevertheless, existing Analogue tier customers can still enjoy this discretionary service tier.

DIGITAL TELEVISION SERVICE

Digital Television service customers generally receive all the channels included in the Analogue Basic Cable service plus digital quality audio channels, an interactive program guide and various additional Digital Television specialty services.

Subject to CRTC requirements, Digital Television service customers can obtain additional programming services by subscribing to one of the various service packages, including pre-assembled packages as well as flexible packages offering customers the choice between various theme packages or *à la carte* channel selection. Digital Television service customers also have access to a large selection of pay television services and Pay-per-View channels.

Digital Television service customers have access to the VOD service and can, by using the remote control of their digital terminal, order a movie or program of their choice from an inventory of approximately 5,500 titles. The movie or program selected by the customer remains accessible to be viewed for a period of 24 hours. Customers are only charged for the movies they watch. Digital Television customers can also subscribe to the SVOD services that allow access, for a fixed monthly fee, to a wide variety of on demand content when it is convenient for them and have access to a large selection of free on demand content.

Digital Television customers who rent or purchase a HD set-top box can also subscribe, in most of Cogeco Cable's markets, to HD Television services and receive the HD version of various SD channels they subscribe to. HD Television services are offered in most of Cogeco Cable's markets in Canada. More HD channels are added on an ongoing basis.

3.2.2. TELECOMMUNICATIONS SERVICES

The offering of telecommunications services by facilities-based telecommunication carriers (Canadian carriers) is federally regulated under the authority of the *Telecommunications Act*. The CRTC is responsible under the *Telecommunications Act* for the regulation of telecommunications carriers, which includes the regulatory oversight of Cogeco Cable's HSI, Telephony and data communications services. Canadian carriers are not subject to licensing requirements, but the offering and provision of any telecommunications service by a Canadian carrier are subject to any conditions imposed by the CRTC or included in a tariff approved by the CRTC. The CRTC has now largely forborne from economic regulation of telecommunications services

HSI SERVICE

Residential

Cogeco Cable offers three HSI packages with different transfer speeds, monthly data transfer capacities and service attributes in all of its territory and three additional packages of greater speeds in areas where it has deployed the DOCSIS 3.0 technology. A comprehensive security package is available to Cogeco Cable HSI customers.

Cogeco Cable HSI service customers can connect wirelessly to the Internet at no extra cost from over 450 designated wireless Wi-Fi Internet hotspots in its Canadian footprint. Non-Cogeco HSI customers can also connect to the Internet from these wireless hotspots on a pay-per-use basis using text messaging on their cellular telephones.

Business

Cogeco Cable also offers, in Canada, various types of HSI access for business customers that are customized to fit the size of their business. A security package is offered at no extra cost to HSI service business customers. Cogeco Cable also offers a variety of web hosting packages designed to help small business customers establish a presence on the web.

THIRD-PARTY INTERNET ACCESS (“TPIA”) SERVICE

Cogeco Cable provides Internet Service Providers (“ISPs”) access to its facilities in order for ISPs to provide their own retail HSI service throughout Cogeco’s Internet serving territory. This TPIA service is offered under rates, terms and conditions approved by the CRTC. A few ISPs have subscribed to this service.

TELEPHONY SERVICE

Residential

Cogeco Cable Telephony service in Canada uses IP to transport digitised voice signals over the same Cogeco Cable private network that brings Cable Television and HSI services to subscribers. Residential Telephony Service customers can subscribe to one of the two following packages: the Select package and the Freedom package, to which they can add the calling features of their choice. Residential Telephony Service is also available *à la carte*, i.e. a local line to which any calling features can be added and long distance calls being charged by the minute. All Cogeco Cable residential Telephony Service customers have access to direct international calling.

Business

Cogeco Cable’s business Telephony Service is available to business customers requiring up to 12 phone lines. It is sold as an all-inclusive package which includes various calling features and North American Long Distance.

DATA SERVICES

Cogeco Cable offers directly throughout its territory or through CDS LP in Toronto and large parts of Central and Southwestern Ontario, data centre and managed storage, voice and connectivity services. With its acquisition of Quiettouch in August, 2011, the Corporation has also added a suite of managed information technology services to its portfolio, including in the Vancouver area. In addition, the acquisition of MTO on August 31, 2011 has added an extensive fibre optic network in the Greater Montréal Area, to better service its business customers. As a result, the Corporation now has a suite of business communications solutions (data centre and management IT services, managed voice and connectivity services) that can be supplied to its customers with fast, reliable and secure ability to access, manage, move and store large amounts of data.

3.3. CABLE NETWORKS

Cogeco Cable provides its residential and business customers cable, data and telecommunication services in Canada through state-of-the-art fibre optic and two-way broadband distribution networks. It is Cogeco Cable’s general policy to fully own its distribution networks, head-ends and data centres as well as its transmission equipment and access facilities. As at August 31, 2011, Digital Television, VOD and Telephony services were available to approximately 99%, 97% and 93% of homes passed, respectively, and approximately 97% of homes passed were served by a two-way cable plant.

Cogeco Cable’s inter-city optical fibre network extends over 10,779 kilometres and includes 111,227 kilometres of optical fibre. Cogeco Cable has deployed optical fibre to nodes serving clusters of typically 1,000 or less homes passed, with multiple fibres per node in most cases, which allows the Corporation to rapidly extend the capacity of the fibre plant to clusters of 500 homes or less if and when necessary. This process, known as “Node Splitting”, leads to further improvement in the quality and reliability while increasing the capacity of two-way services such as HSI, VOD and Telephony.

Cogeco Cable currently uses DOCSIS 1.1, DOCSIS 2.0 and DOCSIS 3.0 standards within its IP platform. The DOCSIS standard includes numerous features including the prioritization of packets to ensure a continuous transmission and quality. This prioritization is important for services that need to be transmitted in real time, such as those of the Telephony service. In addition, when required, DOCSIS 2.0 and DOCSIS 3.0 features can be activated to achieve increased speed and capacity in the return path by using advanced modulation or features that can allow the use of portions of the spectrum that are not otherwise usable. This gives Cogeco Cable a flexible and expandable platform for providing other products like symmetrical services, which are particularly well suited for commercial customer applications. The DOCSIS 3.0 standard, while still compatible with the earlier versions, makes it possible to further increase IP transmission speeds up to 160 Mbps and beyond. Cogeco Cable upgraded most of its headends to DOCSIS 3.0 and is in the process of a gradual deployment of DOCSIS 3.0 customer premise equipment.

Cogeco Cable has implemented an infrastructure with 550 MHz and 750 MHz capacity, depending on the cable system and customer needs. The infrastructure with 550 MHz capacity allows for the transmission of up to 80 analogue channels and the 750 MHz infrastructure allows for the transmission of up to 110 analogue channels. For reference purposes, each analogue channel (representing 6 MHz of bandwidth), with the current compression, multiplexing and modulation technologies used by the Corporation, allows for the transmission of up to 15 SD digital television signals, or up to 3 HD signals.

Cogeco Cable is in the process of deploying the Switched Digital Video (“SDV”) technology and the Digital Terminal Adapter (“DTA”) technology in its systems where and when bandwidth capacity is required. SDV technology allows the Corporation to selectively broadcast only the Digital Television channels that are currently being viewed by customers, effectively allowing Cogeco Cable to offer a greater selection of digital channels, and is used particularly for low viewership content and channels. DTA technology converts Digital Television signals to analogue signals in the viewer’s home through a device installed on the television set. Deployment of this technology allows for a broader use of Digital Television service and for the further conversion of analogue channel capacity and is expected to be completed by the end of fiscal 2012 in most of Corporation’s markets.

Cogeco Cable is deploying the Fibre to the Home (“FTTH”) technology in new residential subdivision developments which meet specific criteria of size, proximity to the existing plant and service penetration rate. The FTTH topology selected is Radio Frequency Over Glass (“RFoG”). The primary benefit of RFoG is the ability to leverage existing Cable Modem Termination Systems (“CMTS”), cable modem investments and back-office systems, all while maintaining service continuity with existing video, VoIP, and preparing for higher speed Internet services.

With the recent acquisitions of Quiettouch and MTO, the CDS LP fibre optic network now extends to 2,250 km in the Greater Toronto Area and in the Greater Montréal Area, and connects over 1,075 commercial buildings within these two areas.

3.4. LICENCES AND CONTRACTS

Cogeco Cable’s business in Canada is substantially dependent on some important licences and contracts. In order to provide broadcasting distribution services, unless exempted, broadcasting distribution undertakings must hold broadcasting licences issued by the CRTC under the authority of the *Broadcasting Act* (Canada) as well as broadcasting certificates pursuant to the *Radiocommunication Act* (Canada). Broadcasting licences are issued for a maximum term of seven years and are generally renewed upon application by the licensee, except in case of serious breach. Cogeco Cable is licensed on a regional basis in Ontario and Québec, which means that in each province, Cogeco Cable is authorized under a single licence to operate a number of cable systems of a certain class (defined by the number of subscribers). Smaller non-interconnected cable systems are licence-exempt. The licences of all Cogeco Cable’s Canadian systems were renewed in 2006 and 2007 for a period of seven years.

The distribution of certain audio and video programming services such as specialty programming, pay television, VOD and SVOD services, requires the execution of various agreements, including affiliation agreements, which are for the most part negotiated with a small number of large integrated broadcasting groups and major studios. During fiscal 2011, Cogeco Cable concluded affiliation agreements with various specialty services and content providers for the distribution of existing and new services, including HD services and On Demand services.

The construction and operation of cable systems also requires the execution of contracts with public utilities and sometimes, with municipalities, in order to obtain cost-effective and timely access to municipal rights-of-way and existing public utility support structures. The use by cable companies of support structures owned by incumbent telecommunications carriers, such as Bell Canada (“Bell”), is subject to CRTC approved tariffs. The CRTC also has jurisdiction under the authority of the *Telecommunications Act* (Canada) to set terms for access to municipal street allowances and property for cable and other telecommunications carrier facilities in case of a dispute between the parties. The use of support structures owned by electric power utilities is generally regulated by provincial public utility boards and commissions.

The offering of Cogeco Cable’s Telephony service in Canada requires the execution of agreements with strategic providers, in order to secure the delivery as well as the growth and quality of this service. To that end, Cogeco Cable entered into major agreements with various suppliers such as Telus Communications Company (“Telus”) which provides telecommunication services through a long-term contractual arrangement.

3.5. RENEWAL OF CONTRACTS

The contracts with the two largest electric power utility suppliers of support structures for the Corporation’s cable plant, Hydro One in Ontario and Hydro-Québec in Québec, have been in effect for many years and are both renewed from time to time in the normal course of business.

Cogeco Cable regularly negotiates renewals of programming affiliation agreements. The market for audio and video programming services in Canada is characterized by high levels of supplier integration. While Cogeco Cable

has been able to conclude satisfactory distribution agreements with Canadian and foreign programming service suppliers to date, network fees may increase by larger increments in future years. The risks associated with supplier integration may be mitigated to some extent as a result of the CRTC's recent decision on vertical integration. The CRTC has introduced a Code of Conduct that prohibits Canadian vertically integrated program suppliers from, among other things, imposing commercially unreasonable terms with respect to wholesale rates and packages, including the tied selling of services. Nevertheless, it is still possible that programming service suppliers will change other material terms of distribution agreements or extend preferences for the distribution of their content to competing distributors, or push for distribution over the Internet in the future. In the case of a dispute with a Canadian programming service, the CRTC can set distribution terms, including wholesale fees payable to the programming service supplier. The CRTC has also indicated that it may impose financial penalties in cases of non-compliance with the Code of Conduct, in the form of a required contribution to a fund that benefits the Canadian broadcasting system.

3.6. EMPLOYEES

As at August 31, 2011, the number of employees of the Corporation in Canada, including the employees at the head office in Montréal and the employees of its affiliates and controlled entities, totalled 3,036 full-time equivalent employees. 564 full-time equivalent employees of Cable Québec, 58 full-time equivalent employees of CDS LP and 174 full-time equivalent employees of CDAI (including its affiliate CDI) are subject to collective agreements, being approximately 26% of the Corporation's aggregate workforce. The employees of Cable Québec are grouped in two units for collective bargaining purposes. Negotiations for the renewal of the collective agreements were concluded in December 2010. The parties signed a six-year agreement, effective January 1, 2009 to December 31, 2014.

The collective agreement in effect for certain employees of CDS LP expired on January 31, 2009 and was renewed for four years, until January 31, 2013. There are no collective agreements in Cable Ontario.

The employees of CDI and CDAI are grouped into six units for collective bargaining purposes. Negotiations are underway, in the normal course of business, for the renewal of some of these collective agreements and the impact of the renewal terms will not be known until negotiations are concluded. While COGECO does not anticipate any labour disruption, it is not possible, at this time, to assess the impact of the negotiations of the collective agreements of CDI and CDAI employees on operations or future operating costs.

Labour relations are considered satisfactory with these collective bargaining groups.

3.7. COMPETITIVE CONDITIONS

In Canada, Cogeco Cable currently faces competition in its service areas mainly from a few large integrated telecommunications service providers. The largest, Bell, offers through its various operating entities a full range of competitive voice, data and video services to residential, as well as to business customers in the Provinces of Québec and Ontario through a combination of fixed wireline, mobile terrestrial wireless and satellite platforms. Bell is actively marketing Internet Protocol Television ("IPTV") services over its fixed copper and optical fibre wireline network.

Telus competes with all of Cogeco Cable's services in the Lower St. Lawrence area of the Province of Québec through the use of its copper and optical fibre wireline network, and throughout Cogeco Cable's Canadian footprint through the use of its mobile telecommunications network. However, Cogeco Cable's Telephony service is provided with the assistance of certain Telus carrier services through a long-term contractual arrangement.

Shaw Direct, the direct-to-home satellite service of Shaw Communications Inc. ("Shaw"), competes for video and audio distribution services throughout Cogeco Cable's Canadian footprint.

Rogers Wireless Communications Inc., a subsidiary of Rogers Communications Inc. ("Rogers"), operates a mobile telecommunications network in Ontario and Québec and is the owner of the Inukshuk broadband wireless network in partnership with Bell. Rogers Cablesystems Inc., the cable subsidiary of Rogers, is licensed to extend its services in the Burlington, Oakville and Milton areas, which are part of Cogeco Cable's footprint in Ontario, although there has not been any significant cable overwiring to date.

Videotron Ltd. ("Videotron"), an indirect subsidiary of Quebecor Inc., offers competitive telecommunications services in Cogeco Cable's Québec footprint and is actively marketing its mobile telecommunications services in Québec. Other advanced wireless service mobile telecommunications service operators, including Wind and Public Mobile, are also operating in the market in Ontario and Québec. Incumbents Rogers, Bell and Telus are responding to new entrants with more attractive pricing and flexible service options, which may cause substitution between wireline and wireless telecommunications services to accelerate.

Cogeco Cable also competes within its network footprint with other telecommunications service providers, including third parties using Cogeco Cable's wireline network facilities pursuant to its third party Internet access tariff.

Cogeco Cable also faces illicit competition from the unauthorized reception of direct-to-home satellite signals. The level of piracy of television signals and the actual penetration of illicit reception of television distribution services in households within the Corporation's service areas may also have a significant effect on the Corporation's business and the competitiveness of its service offerings.

3.8. RECENT REGULATORY DEVELOPMENTS

On September 1, 2011, the Canadian conventional television industry largely completed its switch from analog to digital transmission. Private broadcasters in large and medium-sized markets were required by the CRTC to shut down their analog transmitters on August 31, 2011. The Canadian Broadcasting Corporation ("CBC") was granted a one-year extension, until August 31, 2012, to turn off its analog transmitters in mandatory markets.

Also on September 1, 2011, the CRTC made significant amendments to the *Broadcasting Distribution Regulations*, which are the regulations governing cable BDUs such as Cogeco Cable. Among other things, these amendments include changes to implement the new regulatory framework for BDUs that was issued by the CRTC in 2008, as well as policies related to the digital transition and the new community television framework.

The Canadian broadcasting industry experienced further consolidation over the course of the fiscal year ended August 31, 2011. The CRTC in late 2010 and early 2011 approved applications by Shaw and Bell Canada Enterprises ("BCE") to acquire the broadcasting assets of CanWest Global Television and CTVglobemedia, respectively. As a result of these transactions, Canada's broadcasting industry is now dominated by four large and vertically integrated ownership groups (Shaw, BCE, Rogers and Quebecor Media Inc.).

On June 20, 2011, the CRTC commenced a public hearing to consider the regulatory impact of increasing industry consolidation and vertical integration. Cogeco Cable, along with a number of other non-integrated entities, argued before the CRTC that competitive safeguards are necessary to prevent abuse by the vertically integrated companies of their market power. The CRTC issued its decision in this important proceeding on September 21, 2011. Recognizing the serious risks of anticompetitive behaviour posed by vertically integrated companies, the CRTC announced a number of safeguards to mitigate these risks, including most of the safeguards that had been sought by Cogeco. These include: a prohibition on exclusivity on all distribution platforms with respect to traditional television content; a Code of Conduct prohibiting commercially unreasonable terms regarding wholesale rates and packaging, including the tied selling of services; "stand-still" provisions to ensure that independent BDUs are not threatened with the withdrawal of popular programming services or forced to accept unreasonable terms and conditions during disputes; introduction of mandatory mediation of disputes; and protection of confidential information through non-disclosure agreements. While the CRTC lacks the statutory authority to impose monetary penalties, it concluded that in the case of non-compliance it does have the jurisdiction to impose a financial remedy in the form of an order to contribute to a fund to benefit the Canadian broadcasting system. These and other elements of the decision will be implemented through amendments to various CRTC regulations, which may not come into effect before the end of 2011.

Also as part of its vertical integration decision, the CRTC concluded that it should not impose a "skinny basic" (i.e. a smaller but lower price version of basic channels currently available) on BDUs. It did, however, direct the vertically integrated entities to report back to the CRTC by April 1, 2012, on how they have provided consumers with more choice and flexibility in the services that they can subscribe to, while at the same time providing them with the ability to only pay for the services they want to watch (such as a pick and pay model). The CRTC also decided in the vertical integration decision to maintain its current policy of not applying the benefits test on transfers of ownership or changes of control of BDUs.

The CRTC last year approved a policy framework that would allow privately-owned Canadian conventional over-the-air television broadcasters to negotiate a fee to be paid by Canadian cable and satellite broadcasting distributors for the carriage of local and regional signals. In light of conflicting legal opinions regarding its authority under the *Broadcasting Act* to implement such a regime, the CRTC referred the question of its jurisdiction to the Federal Court of Appeal. In a 2-1 majority decision issued on February 28, 2011, the Federal Court of Appeal upheld the CRTC's proposed framework. Cogeco Cable, Rogers, Shaw and Telus subsequently sought leave to appeal the decision to the Supreme Court of Canada. On September 29, 2011, the Supreme Court granted leave. A date for the appeal has not yet been set, but it will likely be heard in the spring of 2012. Although it is unclear if the CRTC still intends to implement its "value for signal" regime in light of recent industry consolidation, if the decision is ultimately upheld and implemented, it could have an adverse impact on the cost of basic cable service and hence, on RGU growth and the purchase of optional television tiers or on-demand television services.

On December 2, 2010, the CRTC approved new company-specific rates for access to support structures owned by the large incumbent telephone companies. Access to these essential facilities is provided under the terms of tariffs

approved by the CRTC. The new rates, which were made effective retroactively to June 21, 2009, will slightly increase Cogeco Cable's operational costs as Cogeco Cable makes significant use of support structures owned by federally-regulated telephone companies within its network footprint in Canada. An application by cable carriers to review and vary the CRTC's decision to modify support structure rates was dismissed on September 1, 2011.

Early 2011, the CRTC approved usage-based billing ("UBB") rates for the mandated wholesale provision of residential high-speed Internet service by large telephone and cable carriers, including Cogeco Cable, at a discount of 15 percent from the carrier's comparable usage-based billing rates for its retail Internet services. This decision was highly disputed by small ISPs and generated considerable public and political backlash. In February 2011, the CRTC launched a proceeding to review billing practices for wholesale residential high-speed access services, with the objective of ensuring that small ISPs can offer innovative and competitive services in the residential retail Internet service market. However, the CRTC specifically clarified that it would not examine during this proceeding the retail UBB practices applied by large and small ISPs which are not regulated. The proceeding included an online consultation and a public hearing in July 2011. The CRTC has suspended the implementation of wholesale UBB pending the disposition of its current review.

In the regulatory policy issued on May 3, 2011, the CRTC concluded that it would not be appropriate at this time to establish a funding mechanism to subsidize the deployment of broadband Internet access services in Canada. The CRTC rather established broadband Internet access target speeds of 5 Mbps downstream and 1 Mbps upstream in order to ensure that all Canadians, particularly those in rural and remote areas, can benefit from a greater level of broadband connectivity. These speeds should be available to all Canadians, through a variety of technologies, by the end of 2015. The CRTC also announced that it will continue to gather information from Internet service providers in order to monitor progress towards reaching these target speeds.

In addition, the CRTC revised the current contribution regime. In light of competition among service providers in forborne high-cost serving area (HCSA) exchanges, the CRTC considered that it was no longer appropriate to subsidize the provision of residential service in these exchanges, except for the small incumbent local exchange carriers ("ILECs"). The CRTC also considered that only ILECs should receive subsidies in regulated HCSAs, since they are the only carriers with an obligation to serve. Accordingly, the CRTC eliminated subsidies in forborne exchanges available to competitors, effective June 1, 2011.

Changes in the regulatory framework resulting from the proceedings described above may affect the Corporation's existing business activities or future prospects. Please refer to the section titled "Uncertainties and Main Risk Factors – Regulatory Risks" in the Corporation's management's discussion and analysis for the year ended August 31, 2011.

3.9. TRADEMARKS

COGECO and its subsidiary, Cogeco Cable, have registered or applied for registration of several trademarks for use in its Canadian business which they regard as having significant value or as being important factors in the marketing of their services.

3.10. CYCLES

Cogeco Cable's operating results are not generally subject to material seasonal fluctuations. However, the customer growth in the Basic Cable and HSI services are generally lower in the second half of the fiscal year as a result of decrease in economic activity due to the beginning of the vacation period, the end of the television seasons and students leaving their campus at the end of the school year. Cogeco Cable offers its services in several university and college towns in Canada such as Kingston, Windsor, St. Catharines, Hamilton, Peterborough, Trois-Rivières and Rimouski. Furthermore, the third and fourth quarters' operating margins are usually higher as no management fees are paid to COGECO in those quarters. Under the management agreement outlined in Item 14 of this AIF, Cogeco Cable pays a fee equal to 2% of its total revenue subject to a maximum amount. Since the maximum amount was reached in the second quarter of fiscal 2011, Cogeco Cable paid no management fees in the second half of fiscal 2011.

4. DESCRIPTION OF THE EUROPEAN BUSINESS

The cable assets of Cabovisão, a subsidiary corporation incorporated under the laws of Portugal and registered in the Commercial Registry of Palmela, are managed from a main office located in the city of Palmela (near Lisbon), Portugal. With initial services launched in 1996, Cabovisão is the second largest hybrid fibre coaxial cable system operator in Portugal.

4.1. CUSTOMERS

The following table presents the total number of homes passed, RGU, Basic Cable service customers and the penetration rate of Basic Cable service in Portugal as at August 31, 2011:

HOMES PASSED	RGU	BASIC CABLE SERVICE CUSTOMERS	PERCENTAGE OF PENETRATION OF BASIC CABLE SERVICE
905,742	831,665	255,777	28.2

The following table presents the number of customers subscribing to Basic Cable service and the penetration rate of Basic Cable service, HSI service and Telephony service in Portugal from August 31, 2007 to August 31, 2011:

AS AT AUGUST 31,	BASIC CABLE SERVICE CUSTOMERS	PERCENTAGE OF PENETRATION OF BASIC CABLE SERVICE	DIGITAL TELEVISION SERVICE CUSTOMERS AS A % OF BASIC CABLE SERVICE ⁽¹⁾⁽²⁾	HSI SERVICE CUSTOMERS AS A % OF BASIC CABLE SERVICE ⁽²⁾	TELEPHONY SERVICE CUSTOMERS AS A % OF BASIC CABLE SERVICE ⁽²⁾
2007	294,003	34.2	N/A	54.4	82.7
2008	296,135	33.1	8.3	53.8	82.8
2009	259,480	28.7	39.6	55.3	87.3
2010	260,267	28.7	61.4	62.7	94.3
2011	255,777	28.2	64.3	63.5	97.3

(1) THE DIGITAL TELEVISION SERVICE WAS LAUNCHED IN THE THIRD QUARTER OF 2008.

(2) CALCULATED ON THE BASIS OF THE CABLE SYSTEMS WHERE THE SERVICE IS OFFERED.

4.2. SERVICES

4.2.1. BROADCASTING DISTRIBUTION SERVICES

Cabovisão's broadcasting distribution services are offered in mainland Portugal, on a subscription basis, in analogue form and, for certain services, in digital form.

ANALOGUE TELEVISION SERVICE

Analogue Television service customers receive a Basic Cable service or a Mini-Basic Cable service that both include thematic channels in the Portuguese language (subtitled or dubbed) and several thematic channels in the English, French and Spanish languages.

DIGITAL TELEVISION SERVICE

The basic service offered to Digital Television service customers includes additional television channels. Digital Television service customers can also access a large selection of pay television services that are supplied through a digital set-top box as well as a VOD service offering. Digital Television service customers who rent HD-capable set-top boxes can also access HD channels made available by Cabovisão.

4.2.2. TELECOMMUNICATION SERVICES

HSI SERVICE

Residential

Cabovisão offers to its residential customers in all its territory five HSI packages with different transfer speeds and service attributes.

Business

Cabovisão offers to its commercial customers various HSI access that are customized to fit the size of their business. Additional IP address or pool IP addresses and register domain service are offered to HSI service business customers.

TELEPHONY SERVICE

Residential

Cabovisão's Telephony service uses a mix of proprietary technologies and IP to transport voice signals over the same Cabovisão private network that brings Cable Television and HSI services into the home. Cabovisão's residential Telephony service is available as a standalone or within double and triple-play bundle packages (named *Duplo* and *Triplo*). The customer who subscribes to *Duplo* or *Triplo* may choose between various calling

packages for its Telephony Service. Five optional fixed Telephony plans are also available to customers for an additional monthly fee.

Business

For the business market, Cabovisão offers to small office home office, small and medium enterprise and large companies several types of Telephony access lines with different rating plans, each with minimum monthly usage. Cabovisão also offers a special on-net rating plan for commercial customers with a network of shops and offices within Cabovisão's footprint.

4.3. CABLE NETWORKS

Cabovisão provides its cable services through state-of-the-art 750 MHz broadband distribution networks. Cabovisão fully owns its distribution networks, head-ends and drops. HSI service is offered to 100% of homes passed and served by a two-way cable plant. Telephony service is also offered to 100% of homes passed with standard based embedded Multimedia Terminal Adapters ("e-MTA"). Cabovisão currently uses class-5 circuit switches and class-5 advanced soft switches.

Cabovisão's intercity fibre optic network extends over 3,414 kilometres and includes approximately 232,000 kilometres of optical fibre. Cabovisão has deployed optical fibre to nodes serving clusters of typically 1,200 homes passed, with many fibres per node in most cases, which allows Cabovisão to further extend the fibre plant to smaller clusters of 500 homes rapidly with relative ease if and when necessary. Node splitting leads to further improvements in the quality and reliability of the network and services and allows for increased capacity of two-way services, such as HSI, VOD and Telephony.

Cabovisão currently uses DOCSIS 1.1, DOCSIS 2.0 and DOCSIS 3.0 standards within its IP platform. DOCSIS 3.0 has been deployed in all major centres and expansion to all homes will continue in the coming years, providing up to 160 Mbps for HSI service.

In Portugal and in most of Europe, Phase Alternated Line ("PAL") B and PAL G television standards are used and each analogue channel requires 7 MHz (PAL B is used up to 300 MHz) and 8 MHz (PAL G is used above 300 MHz) of bandwidth compared to 6 MHz in North America, which uses the National Television System Committee ("NTSC") standards. An infrastructure with 750 MHz capacity in Portugal allows for the transmission of up to 83 analogue channels. For reference purposes, each analogue channel (representing 7 or 8 MHz of bandwidth), with the current compression, multiplexing and modulation technologies used by Cabovisão, allows for the transmission of up to 13 SD Digital Television signals, or of up to 6 HD signals.

4.4. LICENCES AND CONTRACTS

Cabovisão holds several licenses for its activities as Cable Television distributor, ISP and Telephony operator. Cabovisão has obtained licenses from *Autoridade Nacional de Comunicações* ("ANACOM") for offering of Cable Television service in 233 municipalities in Portugal, as well as a license to operate public telecommunications networks and fixed Telephony services. The national legislation respecting electronic communications law authorizes Cabovisão to provide services in the entire territory of Portugal and it does not establish expiry terms for the exercise of these activities, neither does it provide anymore for asset reversions, as could have happened in the previous legal regime. Cabovisão is also licensed by ANACOM to provide Internet services.

Under Portuguese legislation on electronic communications, operators are entitled to use the public domain to deploy their network infrastructure (Law No. 5/2004). These rights-of-way are also named *access rights* and they mostly include access to conducts and poles. These access rights cover not only the public domain of municipalities or other public entities and the Portuguese incumbents' infrastructure, but also other operators' support infrastructure (conducts and poles) as well as utilities companies. The scope of these access rights was recently widened by Decree-Law No. 123/2009 as a result of the Portuguese Government agenda to stimulate the penetration of Next Generation Networks ("NGN").

The distribution of certain audio and video programming services, such as pay television, requires the execution of various agreements, including affiliation agreements, which are for the most part negotiated with a small number of large integrated broadcasting groups and major studios. The offering of new digital audio and video services by Cabovisão requires the conclusion of suitable arrangements with program suppliers.

The offering of HSI service requires the execution of several IP transit contracts with some of the major world providers, which are typically renewed on a regular basis by direct negotiation. For its Telephony service, Cabovisão has several interconnection agreements with telephony operators and other providers of public available communications networks and services in Portugal. All the operators have the right and the obligation to negotiate interconnection with each other, in order to ensure the provision and interoperability of services. Under ANACOM rules, no operator having significant market power can deny interconnection to another licensed operator for call termination.

4.5. RENEWAL OF CONTRACTS

Cabovisão regularly negotiates renewals of programming affiliation agreements. Important premium content is subject to a must-offer obligation, on non-discriminatory conditions, subject to the scrutiny of the Portuguese Competition Authority (“AdC”).

4.6. EMPLOYEES

As at August 31, 2011, the number of full-time equivalent employees of Cabovisão was 388. There are no collective agreements at Cabovisão and, therefore, all employees are governed by the Portuguese Labour Code.

4.7. COMPETITIVE CONDITIONS

In Portugal, Cogeco Cable’s indirect subsidiary Cabovisão faces competition for all its lines of business mainly from incumbent telecommunications carrier Portugal Telecom, SGPS, S.A. (“PT”), Zon Multimedia, SGPS, S.A. (“Zon”), Vodafone, Sonaecom, SGPS, S.A. (“Sonaecom”), a subsidiary of diversified Portuguese conglomerate Sonae, SGPS, S.A. (“Sonae”) and AR Telecom.

Zon, the largest cable telecommunications operator in Portugal, also offers a direct-to-home satellite distribution service to the Portuguese market. Zon’s cable plant overlaps the major part of Cabovisão’s footprint in Portugal. Zon also owns extensive program content interests, including equity interests in several pay television channels distributed by Cabovisão.

PT’s national telephone network, PT Comunicações, which offers a full range of fixed and mobile telecommunications services throughout Portugal, is aggressively marketing MEO, its competitive IPTV service over its wireline plant, and is offering its own direct-to-home satellite service. In addition, PT has launched in Portugal a new digital terrestrial television service available directly over-the-air.

Sonaecom owns and operates the Clix (residential fixed telephony, HSI and IPTV), Novis (business telephony solutions) and Optimus (wireless telephony and wireless HSI) services, which provide voice, data, HSI, video and mobile services to the residential and business markets.

Vodafone offers its own video distribution service for bundling with its mobile telephone and Internet services.

Cabovisão, Zon, PT, Sonaecom, Vodafone and AR Telecom all have competitive triple-play offers available in the Portuguese market. Cabovisão continues to aggressively market its Digital Television services, which include HD channels, throughout its footprint. Operating margins are under pressure due to the addition of programming services and promotional price discounts required to meet the competition mainly from large incumbents PT and Zon. Cabovisão and Zon continue to carry a legacy video service on less bandwidth-efficient analog channels. The competitive television service offerings of the other competitors in the Portuguese market are all digital. PT, Zon and Vodafone each have a significantly larger overall customer base, and both Zon and PT have a larger video customer base, than Cabovisão.

While several competitors in the Portuguese market are deploying optical fibre facilities to the premises of customers, Cabovisão continues to focus its investments for network upgrades on completing the deployment of DOCSIS 3.0 technology over its existing HFC platform.

The Portuguese market is facing very difficult times as a result of the government’s austerity program to stem its rising annual public accounts deficit and bring its national debt to a more manageable level. The austerity measures, including income and sales tax initiatives, are having a negative impact on net disposable income and discretionary consumer spending. General economic conditions are not expected to improve in the near term. It is anticipated that the prevailing situation will continue to adversely affect customer acquisition, and RGU gains, and bad debt experience for the Corporation’s Portuguese operations.

The level of piracy of television signals and the actual penetration of illicit reception of television distribution services in households within the Cabovisão’s service areas may also have a significant effect on Cabovisão’s business and the competitiveness of its service offerings.

4.8. RECENT REGULATORY DEVELOPMENTS

During fiscal year 2010, Cabovisão filed with AdC complaints against Zon that raised issues of abuse of dominant position by that incumbent cable, satellite and content service provider. Other providers have filed complaints against Zon concerning access to content. Zon is accused mainly of hindering competitors’ access to premium sports and movies contents, essential to compete in the downstream Pay TV markets. During the last quarter of 2010, Cabovisão informed the European Commission of its complaints against Zon and held meetings with the Chairman of the AdC who publicly stated that a decision on content or bundled communications services was to be expected in 2011. In the meantime and as a result of this complaint, in June 2011 Zon’s partly owned subsidiary SPORT TV relaxed the contractual conditions imposed on Cabovisão for access to premium sports channels,

eliminating minimum penetration fees. Other previous Cabovisão complaints before the AdC included a complaint against the incumbent telephone company PT for refusing to give competitors access to its support structures and ducts. AdC had imposed a fine of €38 million to PT but the AdC decision has since been challenged in court which overruled the AdC decision and cancelled the fine. In another proceeding against PT and Zon for abuse of dominance and margin squeeze in the broadband Internet access market in Portugal, both companies were fined €45 million and €8 million respectively. PT and Zon have both decided to challenge this AdC decision in court and the matter is still pending.

The complementary measures adopted by the European Commission to facilitate the roll out and take up of fast and ultra-fast broadband in the European Union ("EU"), have yet to be executed at the national level by Portuguese Telecoms Regulator ANACOM.

New revised EU Electronic Communications Regulatory Framework came into force in May 2011 and has recently been transposed into national law. This new revised framework includes the right for customers to switch telecommunication operators in just one day without having to change their phone number (number portability) and several new obligations for operators related to customer contracts, cancellation of services, protection of personal data online and others.

4.9. TRADEMARKS

Cabovisão has registered or applied for registration of certain trademarks for use in its Portuguese business which it regards as having significant value or as being important factors in the marketing of its services.

4.10. CYCLES

Cabovisão results are subject to some seasonal fluctuations, such as holiday periods, sports events (mainly soccer championships and cups) or special periods such as Christmas and back to school. However, the "back to school" period (September and October) and the Christmas period (November to December) are generally positive for customer acquisition and upsell, mostly for HSI. The addition of Cable Television and HSI service customers is generally slower from June to August due to the summer vacations period, mostly in university cities, such as Aveiro, Covilhã, Evora, Guarda and Coimbra. During that same period, the loss of pay television customers increases following the end of the national soccer championship. March and April results are slightly negatively affected by Easter, Freedom Day and Labour Day holidays, when families go on short-vacations.

More generally, economic conditions in Portugal were difficult during fiscal 2011, ultimately requiring financial assistance from the International Monetary Fund and the European Central Bank. As part of the negotiated financial assistance package, the Portuguese government has committed to financial reforms which include increases in sales and income taxes combined with reductions in government spending on social programs. These measures are expected to put further downwards pressure on consumer spending capacity. The rate of growth for Cabovisão services has diminished in this environment, with net customer losses and service downgrades by Cabovisão customers in fiscal 2011.

5. REORGANIZATIONS

On September 1, 2009, Cogeco Cable completed an internal corporate reorganization of certain of its subsidiaries pursuant to which (i) substantially all of the activities of Cogeco Cable Québec Inc. were gradually transferred to CCQ GP (a newly formed general partnership); (ii) substantially all of the activities of Cogeco Cable Canada Inc. were gradually transferred to CCC LP (a newly formed limited partnership); and (iii) substantially all of the activities of CDS were gradually transferred to CDS LP (a newly formed limited partnership). On April 22, 2010, Cogeco Cable completed a corporate reorganization of certain of its subsidiaries in Luxembourg that caused the liquidation and the transfer of the shares of Cogeco Cable Luxembourg Holding S.à.r.l. to Cogeco Cable Acquisitions Inc. and the liquidation and dissolution of Cogeco Cable G.P.S.e.c.s

On August 31, 2009, COGECO completed a reorganization by amalgamating Cogeco Radio-Television Inc. and CDI into a new company which continued to be named Cogeco Diffusion Inc.

On August 29, 2011, COGECO completed a reorganization by amalgamating 7953623 Canada Inc. (previously 591991 BC Ltd.), Metromedia CMR Broadcasting Inc. and Cogeco Diffusion Acquisitions Inc. into a new company which continued to be named Cogeco Diffusion Acquisitions Inc.

The radio stations CJEC-FM and CFEL-FM in Québec and CJTS-FM in Sherbrooke were transferred into separate companies to facilitate their divestiture as required by the CRTC when it approved the acquisition by COGECO of the Corus radio stations in Québec.

6. RISK FACTORS

The business conducted by COGECO involves numerous risks and uncertainties. The main risk factors and uncertainties facing COGECO are disclosed in the "Uncertainties and Main Risk Factors" section of the Corporation's Annual Report for the year ended August 31, 2011 which is incorporated herein by reference, as supplemented in the "Risk Factors and Uncertainties" section of the Corporation's quarterly reports to shareholders. These risks and uncertainties should be considered in conjunction with the other information included in this AIF.

7. DIVIDENDS

The Corporation declared the payment of a quarterly dividend of \$0.08 per Multiple and Subordinate Share during the first three quarters of fiscal year 2009 and to \$0.10 during the fourth quarter of fiscal year 2009. The quarterly dividend remained at \$0.10 per Multiple and Subordinate Share for fiscal year 2010 and increased to \$0.12 per Multiple and Subordinate Share for the first three quarters of fiscal year 2011 and to \$0.14 in the last quarter. The declaration, amount and date of any future dividend will continue to be considered and approved by the Board of Directors of the Corporation based upon the Corporation's financial condition, results of operations, capital requirements and such other factors as the Board of Directors, at its sole discretion, deems relevant. There is therefore no assurance that dividends will be declared, and if declared, their amount and timing may vary.

8. CAPITAL STRUCTURE

The authorized share capital of the Corporation consists of an unlimited number of Subordinate Shares, Multiple Shares, Class A Shares and Class B Shares. As at August 31, 2011, 1,842,860 Multiple Shares and 14,989,338 Subordinate Shares were issued and outstanding. No Class A Shares or Class B Shares are presently issued and outstanding. The following is a summary of the material characteristics attached to the authorized classes of shares of the capital stock of the Corporation:

8.1. GENERAL DESCRIPTION OF CAPITAL STRUCTURE

8.1.1. SUBORDINATE SHARES AND MULTIPLE SHARES

Except for voting rights, Subordinate Shares and Multiple Shares carry and are subject to the same rights, privileges, restrictions and conditions.

VOTING RIGHTS

The Subordinate Shares are entitled to one vote per share and the Multiple Shares are entitled to twenty votes per share.

DIVIDENDS

Subject to the prior rights of the holders of the Class A Shares and Class B Shares, the holders of Subordinate Shares and Multiple Shares shall be entitled equally, on a share-for-share basis, to any dividend which, in the discretion of the Board of Directors, may be declared, paid or set aside for payment during any fiscal year with respect to such shares.

DISSOLUTION

The holders of Subordinate Shares and Multiple Shares shall be entitled to share equally in any distribution of the assets of COGECO upon its liquidation, dissolution or winding-up or other distribution of its assets. Such participation is subject to the rights, privileges, restrictions and conditions attached to any issued and outstanding Class A Shares and Class B Shares.

CONVERSION RIGHTS

Each Multiple Share is convertible at any time at the holder's option into one fully paid and non-assessable Subordinate Share.

RIGHTS IN THE EVENT OF A TAKE-OVER

If a takeover bid (as defined in the articles of the Corporation) is made for the Multiple Shares and subject to certain conditions, including the acceptance of such takeover bid by the majority holder, each Subordinate Shares shall become, upon such takeover bid, convertible into one Multiple Share, at the option of the holder, in order to allow such holder to participate in the takeover bid and accept it, and for these purposes only, provided that the takeover bid be completed by the offeror.

8.1.2. CLASS A SHARES

SERIES

Class A Shares may be issued from time to time in one or more series. The Board of Directors of the Corporation shall be entitled, by resolution, but subject to the provisions of the Québec BCA, the provisions in the Articles and the provisions attaching to any series of Class A Shares outstanding, to determine, from time to time, prior to issue, the number of shares of each series of Class A Shares and the consideration per share, as well as their designation and the rights, privileges, conditions and restrictions attaching thereto.

VOTING RIGHTS

The Class A Shares are not entitled to any voting rights, unless the meeting is called to consider any matter in respect of which the holders of the Class A Shares would be entitled to vote separately as a class or series.

DIVIDENDS

The holders of Class A Shares are entitled to receive, in priority to the Class B Shares, the Subordinate Shares and the Multiple Shares, a dividend, which dividend may or may not be cumulative and payable in cash or by way of stock dividends or in any other manner not prohibited by the Québec BCA.

DISSOLUTION

The holders of the Class A Shares shall be entitled to receive, in priority to the Class B Shares, the Subordinate Shares and the Multiple Shares, to the extent provided with respect to each series, (i) an amount equal to the price at which the said shares were issued, (ii) the premium, if any, provided for with respect to the shares of such series, and (iii) in the case of cumulative Class A Shares, all unpaid cumulative dividends, and, in the case of non-cumulative Class A Shares, all non-cumulative dividends declared but unpaid, before any amount shall be paid or any assets of the Corporation distributed to the holders of the Subordinate Shares and the Multiple Shares.

8.1.3. CLASS B SHARES

SERIES

Class B Shares may be issued from time to time in one or more series. The Board of Directors of the Corporation shall be entitled, by resolution, but subject to the provisions of the Québec BCA, the provisions in the Articles and the provisions attaching to any series of Class B Shares outstanding, to determine, from time to time, prior to issue, the number of shares of each series of Class B Shares and the consideration per share, as well as their designation and the rights, privileges, conditions and restrictions attaching thereto.

VOTING RIGHTS

The Class B Shares are not entitled to any voting rights, unless the meeting is called to consider any matter in respect of which the holders of the Class B Shares would be entitled to vote separately as a class or series.

DIVIDENDS

The holders of Class B Shares are entitled to receive, after the holders of Class A Shares but before the holders of Subordinate Shares and Multiple Shares, a dividend, which dividend may or may not be cumulative and payable in cash or by way of stock dividends or in any other manner not prohibited by the Québec BCA.

DISSOLUTION

Subject however to the prior rights of the holders of the Class A Shares, the holders of the Class B Shares shall be entitled to receive, to the extent provided with respect to each series, (i) an amount equal to the price at which the said shares were issued, (ii) the premium, if any, provided for with respect to the shares of such series, and (iii) in the case of cumulative Class B Shares, all unpaid cumulative dividends, and, in the case of non-cumulative Class B Shares, all non-cumulative dividends declared but unpaid, before any amount shall be paid or any assets of the Corporation distributed to the holders of the Subordinate Shares and the Multiple Shares.

8.2. CONSTRAINTS ON ISSUE AND TRANSFER OF SHARES

The issue and transfer of Subordinate Shares and Multiple Shares of the Corporation are constrained by its Articles in accordance with the Québec BCA, in order to ensure that the Corporation and its subsidiaries comply with the directions or the conditions of the Corporation's licences issued by the CRTC. The Corporation is subject to Canadian ownership and control requirements that limit the extent to which equity can be issued or transferred to non-Canadian residents and that preclude control by non-Canadian residents.

In summary, each subscriber or transferee of any shares of the Corporation is required to supply a declaration stating certain facts with respect to citizenship and ownership and control over the shares. No share may be issued or transferred if this would prevent the Corporation or its subsidiaries from holding licences or approvals for commercial activity and, in particular, cable television and radio, or if the issue or transfer would be in contravention of the *Broadcasting Act* (Canada) or any instruction issued by the Governor-in-Council by virtue of such Act or any licence or authorization of the Corporation. In the event of any contravention of the foregoing, the holder of the shares may not exercise the voting rights attached thereto so long as the contravention subsists.

9. MARKET FOR SECURITIES

The Subordinate Shares of COGECO are listed on the TSX under the symbol CGO.

The table below shows the price ranges and trading volume of the Subordinate Shares for each month of the last fiscal year:

PRICE RANGES AND TRADING VOLUME OF THE SUBORDINATE SHARES

MONTH	HIGH	LOW	VOLUME
	\$	\$	#
SEPTEMBER 2010	31.93	29.50	150,014
OCTOBER 2010	33.60	31.19	72,038
NOVEMBER 2010	37.50	32.55	231,000
DECEMBER 2010	39.50	34.12	270,572
JANUARY 2011	40.00	37.20	180,040
FEBRUARY 2011	40.00	37.85	216,650
MARCH 2011	43.97	39.55	173,193
APRIL 2011	43.35	37.76	137,357
MAY 2011	43.35	40.74	151,103
JUNE 2011	43.35	38.70	58,994
JULY 2011	44.50	40.92	89,074
AUGUST 2011	44.50	40.20	105,212

10. DIRECTORS AND EXECUTIVE OFFICERS

10.1. DIRECTORS

The table below lists COGECO's directors, their municipality of residence and their current principal occupation on August 31, 2011. Each director is elected at the annual general meeting of shareholders to serve until the next annual meeting or until a successor is elected or appointed¹:

NAME AND MUNICIPALITY OF RESIDENCE	DIRECTOR SINCE	CURRENT PRINCIPAL OCCUPATION
LOUIS AUDET, ENG., MBA ⁽²⁾ WESTMOUNT, QUÉBEC	1984	PRESIDENT AND CHIEF EXECUTIVE OFFICER OF COGECO AND OF COGECO CABLE
ANDRÉ BROUSSEAU, B.A., B.PÉD., L.PÉD.-L. ⁽²⁾ TROIS-RIVIÈRES, QUÉBEC	1996	CORPORATE DIRECTOR
PIERRE L. COMTOIS, B. SC. COM., ADM.A. MONTRÉAL, QUÉBEC	2003	VICE-CHAIRMAN OF THE BOARD AND CHIEF INVESTMENT OFFICER, OPTIMUM ASSET MANAGEMENT INC. (INVESTMENT MANAGEMENT COMPANY)
PAULE DORÉ MONTRÉAL, QUÉBEC	2009	CORPORATE DIRECTOR
CLAUDE A. GARCIA, B.A., B.COM. MONTRÉAL, QUÉBEC	2003	CORPORATE DIRECTOR
DAVID MCAUSLAND, B.C.L., LL.B. BEAUNSFIELD, QUÉBEC	1999	PARTNER, MCCARTHY TÉTRAULT (LAW FIRM)
JAN PEETERS MONTRÉAL, QUÉBEC	1998	BOARD CHAIR OF COGECO AND OF COGECO CABLE, PRESIDENT AND CHIEF EXECUTIVE OFFICER AND BOARD CHAIR, OLAMETER INC. (TELEMETRY)

(1) MR. MARIO BERTRAND RESIGNED ON JULY 18, 2011.

(2) MESSRS. AUDET AND BROUSSEAU ARE FORMER DIRECTORS OF TQS INC., WHICH FILED FOR PROTECTION UNDER THE COMPANIES CREDITOR ARRANGEMENT ACT ("CCAA") ON DECEMBER 18, 2007 AND ITS SHARES WERE SOLD WITH COURT APPROVAL IN AUGUST, 2008.

PAST OCCUPATION

COGECO's directors have held the position listed in the table above or other executive functions with the same company during the past five years or more, except as follows:

- Ms. Paule Doré has been a corporate director since September 2009. Between 1990 and 2006 she was a member of the executive team of CGI Group Inc, a global leader in information technologies services, notably as Executive Vice President and Chief Corporate Officer.
- Mr. David McAusland has been a partner of McCarthy Tétrault, a major law firm in Canada, since June 2009. From 1999 to February 2008, he was a senior officer (most recently, Executive Vice President, Corporate development and Chief Legal Officer) of Alcan Inc., a large multinational industrial company.

COMMITTEES OF THE BOARD

The Board has established four standing Committees to facilitate the carrying out of its duties and responsibilities and meet applicable statutory and policy requirements. The Committees are currently comprised of the following directors:

AUDIT COMMITTEE	HUMAN RESOURCES COMMITTEE	CORPORATE GOVERNANCE COMMITTEE	STRATEGIC OPPORTUNITIES COMMITTEE
ANDRÉ BROUSSEAU	ANDRÉ BROUSSEAU	PIERRE L. COMTOIS	LOUIS AUDET
PIERRE L. COMTOIS ⁽¹⁾	PAULE DORÉ	PAULE DORÉ	CLAUDE A. GARCIA
CLAUDE A. GARCIA	CLAUDE A. GARCIA ⁽¹⁾	DAVID MCAUSLAND ⁽¹⁾	DAVID MCAUSLAND JAN PEETERS ⁽¹⁾

(1) COMMITTEE CHAIR

(2) MR. JAN PEETERS, BOARD CHAIR, IS ENTITLED TO ATTEND AS AN OBSERVER AND TO PARTICIPATE IN MEETINGS OF THE AUDIT, HUMAN RESOURCES AND CORPORATE GOVERNANCE COMMITTEES.

10.2. EXECUTIVE OFFICERS

The table below lists COGECO's executive officers, their municipality of residence and the office that they held at COGECO on August 31, 2011.

NAME	MUNICIPALITY OF RESIDENCE	POSITION OCCUPIED
LOUIS AUDET	WESTMOUNT, QUÉBEC	PRESIDENT AND CHIEF EXECUTIVE OFFICER
ELIZABETH ALVES	STE-JULIE, QUÉBEC	VICE PRESIDENT, INTERNAL AUDIT
PIERRE GAGNÉ	BEACONSFIELD, QUÉBEC	SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER
RENÉ GUIMOND	MONTRÉAL, QUÉBEC	VICE PRESIDENT, PUBLIC AFFAIRS AND COMMUNICATIONS
CHRISTIAN JOLIVET	MONTRÉAL, QUÉBEC	VICE PRESIDENT, CHIEF LEGAL OFFICER AND SECRETARY
YVES MAYRAND	MONTRÉAL, QUÉBEC	VICE PRESIDENT, CORPORATE AFFAIRS
ALEX TESSIER	MONTRÉAL, QUÉBEC	VICE PRESIDENT AND TREASURER

PAST OCCUPATION

All the executive officers named above have held their present position with the Corporation or one of its subsidiaries during the past five years or more, except as follows:

- Elizabeth Alves has been, since February 1, 2011, Vice President, Internal Audit of COGECO and Cogeco Cable. Prior to that, she was Senior Director, Internal Audit, from September 15, 2008 to January 31, 2011. Prior to joining COGECO, she was Director, Internal Audit, from 2006 to 2008 at ING Canada.
- Pierre Gagné has been, since September 1, 2009, Senior Vice President and Chief Financial Officer of COGECO and Cogeco Cable. Prior to that, he was Vice President Finance and Chief Financial Officer from December 11, 1996 to August 31, 2009.
- René Guimond has been, since November 15, 2010, Vice President, Public Affairs and Communications of COGECO and Cogeco Cable. Prior to that, he was Vice President, Development, New Media of Cogeco Cable from September 1, 2008 to November 14, 2010. Prior to joining Cogeco Cable, he was President and Chief Executive Officer of Cogeco Radio-Télévision Inc. ("CRTI") and TQS Inc. ("TQS"), from October 2005 to August 31, 2008.
- Christian Jolivet has been, since November 12, 2009, Vice President, Chief Legal Officer and Secretary of COGECO and Cogeco Cable. Prior to that, he was Chief Legal Officer and Secretary from

December 11, 2002 to November 11, 2009 and Director, Legal Affairs from March 17, 1997 to December 11, 2002.

- Alex Tessier has been Vice President and Treasurer of COGECO and Cogeco Cable since November 12, 2009. Prior to that, he was Treasurer from January 10, 2007 to November 11, 2009. Prior to joining COGECO and Cogeco Cable, he worked as Executive Director in the Credit Capital Markets Group of CIBC World Markets Inc.

As at August 31, 2011, the directors and executive officers of the Corporation named above, as a group, beneficially owned, directly or indirectly, controlled or directed:

- 3,200 Multiple Shares of the Corporation representing 0.2% of the outstanding shares of such class.
- 98,518 Subordinate Shares of the Corporation, representing 0.6% of the outstanding shares of such class.

11. LEGAL PROCEEDINGS

The Corporation is involved in various claims and litigation as a regular part of its business. Management believes that the resolution of these claims and litigation (which in certain cases are, subject to applicable deductibles, covered by insurance) will not have a material adverse effect on its financial position or results of operations.

12. TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of the Corporation is Computershare Trust Company of Canada at its principal offices in Montréal and in Toronto.

13. MATERIAL CONTRACTS

On June 2, 2006, Cogeco Cable entered into an agreement with Cable Satisfaction International Inc. ("CSII"), Catalyst Fund Limited Partnership I and Cabovisão, to purchase, for a total consideration of €461.8 million (\$667.5 million), all the shares of the second largest cable telecommunications company in Portugal, an indirect wholly-owned subsidiary of CSII. The price included the purchase of senior debt and reimbursement of certain other Cabovisão liabilities. The acquisition was completed on August 1, 2006. The final purchase price was determined following completion of a post-closing working capital adjustment that occurred on March 9, 2007. According to the agreement, the final purchase price was reduced by an amount of €2.2 million (\$3.4 million). The acquisition was accounted for using the purchase method. The results of Cabovisão have been consolidated as of the acquisition date.

On June 13, 2008, Cogeco Cable entered into an agreement with Toronto Hydro Corporation for the purchase of all the shares of THTI, the telecommunications subsidiary of Toronto Hydro Corporation for a purchase price of \$200 million and a working capital deficiency and certain liabilities of approximately \$4 million. The acquisition was completed on July 31, 2008 at which time the name of the acquired subsidiary was changed to CDS (now CDS LP pursuant to the Reorganization described under the heading 5, "Reorganization"). See the description above under the heading 2.2, "History".

14. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

COGECO holds 32.2% of its subsidiary Cogeco Cable's equity shares, representing 82.6% of the votes attached to Cogeco Cable's voting shares. As of September 1, 1992, COGECO executed a management agreement with Cogeco Cable under which the Corporation agreed to provide certain executive, administrative, legal, regulatory, strategic and financial planning services and additional services to Cogeco Cable and its subsidiaries (the "Management Agreement"). These services are provided by COGECO's senior executives, including the President and Chief Executive Officer, the Senior Vice President and Chief Financial Officer, the Vice President, Corporate Affairs, the Vice President, Chief Legal Officer and Secretary, the Vice President and Treasurer, the Vice President, Public Affairs and Communications and the Vice President, Internal Audit. No direct remuneration is payable to these senior executives by Cogeco Cable. Cogeco Cable granted 35,800 stock options to COGECO's senior executives, who are also Cogeco Cable's senior executives, during the 2011 fiscal year, compared to 33,266 in the 2010 fiscal year. During fiscal 2011, Cogeco Cable charged COGECO an amount of \$233,000 with regards to Cogeco Cable's options granted to COGECO's employees compared to a charge of \$249,000 during fiscal 2010.

Effective October 29, 2009, Cogeco Cable established an incentive share unit plan for senior executives and designated employees. During fiscal 2011, Cogeco Cable granted 10,000 Incentive Share Units ("ISUs") to

COGECO's employees and charged COGECO an amount of \$216,000 in relation to the ISUs granted, compared to 9,981 ISUs granted in fiscal 2010 to COGECO's employees for a charge of \$89,000.

Under the Management Agreement, Cogeco Cable pays monthly fees equal to 2% of its total revenue to COGECO for the above-mentioned services. In 1997, the management fee was capped at \$7 million per year, subject to annual adjustments based on the increase in the Consumer Price Index in Canada. Accordingly, for the year ended August 31, 2011, the maximum amount of \$9.2 million was paid to COGECO, which represents about 0.7% of Cogeco Cable's total revenue for fiscal 2011. In the prior year, Cogeco Cable paid a management fee of \$9 million to COGECO, also representing approximately 0.7% of Cogeco Cable's fiscal 2010 revenue. The Audit Committee of Cogeco Cable can increase the cap under certain circumstances upon request to that effect by COGECO. In addition, Cogeco Cable reimburses COGECO's out-of-pocket expenses incurred with respect to services provided to Cogeco Cable under the Management Agreement. In fiscal 2012, the management fee has been increased as of September 1, 2011, pursuant to the Management Agreement, by 3.1% for a total amount of \$9.5 million, which reflects an adjustment based on the increase in the Consumer Price Index in Canada during the preceding 12-month period.

15. AUDIT COMMITTEE DISCLOSURE

15.1. CHARTER PURPOSE

Financial reporting and disclosure by COGECO represents a major aspect of the management of the Corporation's business and affairs. The purpose of the Board of Directors' oversight of the Corporation's financial reporting and disclosure is to gain reasonable assurance that the following objectives are being met:

- (a) that the Corporation complies with all applicable laws, regulations, rules, policies and other requirements of governments, regulatory agencies and stock exchanges relating to financial reporting and disclosure;
- (b) that the accounting policies and practices, significant judgments and disclosures which underlie or are incorporated in the Corporation's financial statements are the most appropriate in the prevailing circumstances;
- (c) that the Corporation's quarterly and annual financial statements are accurate and present fairly the Corporation's financial position and performance in accordance with Canadian International Financial Reporting Standards ("IFRS");
- (d) that there is an effective system of internal controls; and
- (e) that financial information in public disclosure documents has been reviewed and that appropriate information concerning the financial position and performance of the Corporation is disseminated to the public in a timely manner.

To assist the Board of Directors in its monitoring of the Corporation's financial reporting and disclosure, the Board of Directors has established, and hereby continues the existence of, a committee of the Board of Directors known as the Audit Committee for the purpose of overseeing the accounting and financial reporting processes and audits of the financial statements of the Corporation.

Although the Audit Committee has the powers and responsibilities set forth in this Charter, the role of the Audit Committee is oversight. The members of the Audit Committee are not full-time employees of the Corporation and may or may not be accountants or auditors by profession and, in any event, do not serve in such capacity. Consequently, it is not the duty of the Audit Committee to conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate, and in accordance with IFRS and applicable rules and regulations. These are the responsibilities of management, the External Auditors and other specialists retained by the Corporation.

COMPOSITION AND QUALIFICATION

The Audit Committee is appointed annually by the Board of Directors and consists of a minimum of three directors from among the directors of the Corporation. Every Audit Committee member must be independent, as defined in Multilateral Instrument 52-110 ("MI 52-110") and subject to the independence exemptions provided for therein.

The members of the Audit Committee are appointed at the first meeting after the annual meeting of the shareholders, or at any other meeting if a vacancy arises. The Board of Directors appoints one of the members of the Audit Committee each year as its Chair.

Subject to the exemptions provided for in MI 52-110, all members of the Audit Committee should be "financially literate" and, as such, able to read and understand a set of financial statements that present a breadth and level of

complexity of accounting issues that are generally comparable to the breath and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

In contributing to the Audit Committee's discharging of its duties under this mandate, each member of the Audit Committee shall be entitled to rely in good faith upon:

- (a) financial statements of the Corporation represented to him or her by an officer of the Corporation or in a written report of the External Auditors to present fairly the financial position of the Corporation in accordance with IFRS; and
- (b) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

In contributing to the Audit Committee's discharging of its duties under this mandate, each member of the Audit Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this mandate is intended, or may be construed, to impose on any member of the Audit Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Board of Directors members are subject. The essence of the Audit Committee's duties is monitoring and reviewing to gain reasonable assurance (but not to ensure) that the fundamental accounting and reporting activities are being conducted effectively, that the financial reporting and disclosure objectives are being met and that a proper system of internal controls is in place, so as to report accordingly to the Board of Directors.

OPERATING PRINCIPLES AND GUIDELINES

The Audit Committee fulfills its responsibilities within the context of the following principles and guidelines:

- (a) The Committee Chair and the other Audit Committee members have direct, open and frank communications throughout the year with management, other committee chairs and Board members, the External Auditors, the Vice President, Internal Audit and other key committee advisors as applicable.
- (b) The Committee, in consultation with management and the External Auditors, develop annually an Audit Committee Work Plan responsive to the Audit Committee's responsibilities as set out in this Charter.
- (c) The Audit Committee, in consultation with management and the External Auditors, participates in a process for review of important financial topics and emerging standards that have the potential to impact the Corporation's financial presentation and disclosure.
- (d) The Audit Committee meeting agendas are the responsibility of the Committee Chair in consultation with Committee members, senior management, the Vice President, Internal Audit and the External Auditors.
- (e) The Committee communicates its expectations to management, the Vice President, Internal Audit and the External Auditors with respect to the nature, timing and extent of its information needs. The Committee expects that written materials will be received from management, the Vice President, Internal Audit and the External Auditors and posted on the electronic portal of the Corporation one week in advance of meeting dates for all the topics on the agenda.
- (f) The External Auditor's ultimate responsibility is to the Board of Directors and the Audit Committee, as representatives of the shareholders. The External Auditors must report directly to the Audit Committee.
- (g) The Committee may, in addition to the External Auditors, at the expense of the Corporation and after consultation with management, engage independent counsel or other advisors, which the Committee determines, are necessary to carry out its duties.
- (h) At each regular scheduled meeting of the Committee, the Committee members meet in private sessions among themselves only; with the External Auditors only; with the Vice President, Internal Audit only and with management only.
- (i) The Committee, through its Chair, reports after each Committee meeting to the Board of Directors at its next regular meeting or earlier if required.
- (j) The Audit Committee meets at least four times per year on a quarterly basis and holds special meetings as circumstances require. The timing of the meetings, and calling of and procedure at meetings, are determined by the Committee, provided that:
 - (i) at all Audit Committee meetings a majority of the members shall constitute a quorum; and

- (ii) the acts of the Audit Committee at a duly constituted meeting require no more than the vote of a majority of the members present and that, in any circumstances, a resolution or other instrument in writing signed by all members of the Audit Committee shall avail as the act of the Audit Committee.

The Senior Vice President and Chief Financial Officer (“CFO”) of the Corporation, the Vice President, Internal Audit of the Corporation and the External Auditors usually attend all Audit Committee meetings.

The minutes of meetings of the Audit Committee are approved by the Committee and delivered to the Board of Directors for its information.

The Secretary or Assistant Secretary of the Corporation acts as the secretary of the Audit Committee.

RESPONSIBILITIES AND DUTIES

The Committee is responsible for the following:

FINANCIAL REPORTING

- Review, before they are released, the annual financial statements included in the annual report to shareholders and the External Auditors’ report thereon and recommend their approval to the Board of Directors.
- Review, before they are released, the interim and year-end financial statements, the Management’s Discussion and Analysis (“MD&A”) and related news releases and recommend their approval to the Board of Directors.
- Review, before they are released, public disclosure documents, such as a prospectus or annual information form, containing consolidated financial statements of the Corporation, and recommend their approval to the Board of Directors.
- Review, before they are released, the earnings guidance provided to financial markets and financial institutions.
- Review the reports of the Disclosure Committee of the Corporation.
- Discuss with management any significant variances between comparative reporting periods and across comparable business units.
- Review the annual financial statements of the Corporation’s pension plans and, when required, actuarial valuations of such plans.

ACCOUNTING POLICIES

- Review, with management and the External Auditors, any proposed changes in securities policies or regulations and/or major accounting policies, and key estimates and judgments that may be material to financial reporting and probe whether the underlying accounting policies, disclosures and key estimates and judgments are considered to be the most appropriate in the circumstances.
- Report to the Board in a timely fashion on any proposed changes in securities policies or regulations and/or accounting policies and key estimates and judgments that may be material to financial reporting and entail significant actual or potential liabilities, contingent or otherwise.
- Discuss with management and the External Auditors the clarity and completeness of the Corporation’s financial disclosures.
- Review, whenever there are significant changes in accounting policies and disclosure requirements, benchmarks submitted by management of the Corporation’s accounting policies and disclosure to those followed in its industry.

RISK AND UNCERTAINTIES

Recognizing that it is the Board’s responsibility, in conjunction with management, to 1) identify the principal business risks facing the Corporation, 2) determine the Corporation’s tolerance for risk and 3) approve risk management policies, the Audit Committee reviews the Corporation’s significant financial risks and oversees the implementation by management of appropriate systems to manage these risks.

- Develop reasonable assurance that these significant financial risks are effectively being mitigated and controlled by:

- (i) reviewing with management, at least once a year, an updated list of such financial risks as well as ongoing or special actions undertaken to manage each one of these identified risks;
 - (ii) discussing with management its assessment of the residual financial exposure to the Corporation if any, ensuing from their management of such financial risks; and
 - (iii) enquiring of management whether existing policies, processes and programs are appropriate to identify, manage and control such financial risks.
- Review, at least once a year, the appropriateness of insurance coverage maintained by the Corporation.
 - Review quarterly updates of the Corporation's outstanding contingencies, including legal claims, tax assessments and others, that could have a material effect upon the financial results and condition of the Corporation and the manner in which these matters are being disclosed in the financial statements.
 - Review, at least once a year, the appropriateness of foreign currency, interest rate and other financial risk mitigation practices such as the use of derivative financial instruments.
 - Review, at least once a year, the list of guarantees provided by the Corporation.

FINANCIAL CONTROLS AND DEVIATIONS

- Review annually the plans of the Vice President, Internal Audit and External Auditors to gain reasonable assurance that the proposed combined evaluation and testing of the internal controls are appropriate to risks, comprehensive, coordinated and cost effective.
- Review with management of the Corporation any significant changes to the internal control environment and measures implemented, if any, to address identified control deviations.
- Review procedures for public disclosure of financial information extracted from the Corporation's financial statements, other than the public disclosure referred to under Financial Reporting above, and periodically assess the adequacy of these procedures.
- Establish procedures for (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
- Receive quarterly reports from the Vice President, Internal Audit, on all complaints and anonymous submissions of concern by employees regarding accounting, internal accounting controls or auditing matters, results of any inquiry carried to that effect, and how such matters have or will be corrected.
- Review and understand the processes that support the President and Chief Executive Officer ("President and CEO")'s and the CFO's certification and be satisfied that they constitute a reasonable approach and are diligently performed.
- Review all design and operational effectiveness weaknesses in internal control over Financial Reporting and disclose controls and procedure that, individually and/or in combination, could have a material impact on the financial reporting, understand the assessment of these weaknesses and the decision process supporting whether identified weaknesses should be disclosed or not in the MD&A and review the completeness and accuracy of the disclosures provided in the MD&A.
- Review, approve and monitor the remediation plan proposed by the President and CEO and the CFO.

COMPLIANCE WITH LAWS AND REGULATIONS

- Review regular reports from management concerning the Corporation's compliance with tax and financial reporting laws and regulations including those necessitating withholdings requirements which can have a material impact on financial statements.

RELATIONSHIP WITH THE EXTERNAL AUDITORS

- Recommend annually to the Board the nomination of the External Auditors for the purpose of preparing or issuing an auditor's report and conducting quarterly reviews and or any other related work for the Corporation. The Committee will only recommend External Auditors who (a) participate in the oversight program of the Canadian Public Accountability Board ("CPAB") and (b) are in good standing with the CPAB.

- Recommend annually to the Board the compensation of the External Auditors.
- Receive a report annually from the External Auditors with respect to their independence and objectivity, such report to include a disclosure of all engagements (and fees related thereto) for non-audit services rendered to the Corporation.
- Review with the External Auditors the scope of the audit, the areas of special emphasis to be addressed in the audit, the extent to which the external audit can be coordinated with internal audit activities and the materiality levels which the External Auditors propose to employ.
- Establish effective communication processes with management and the Corporation's Internal and External Auditors to assist the Committee in monitoring objectively the quality and effectiveness of the relationship among the External Auditors, management and the Committee.
- Oversee the work of the External Auditors, receive quarterly review reports and reports from the External Auditors on the progress against the approved audit plan, important findings, management letter recommendations for improvement and the Auditors' final report.
- Resolve disagreements between management and the External Auditors regarding financial reporting.
- Meet regularly with the External Auditors in the absence of management.
- Establish annually a list of services that may not be provided by the External Auditors as a measure to safeguard their objectivity and independence. Ensure compliance with such list of proscribed services with regulatory requirements.
- Pre-approve all non-audit services to be provided to the Corporation or its subsidiaries by the External Auditors, subject to the exemptions provided for in MI 52-110.
- Review and approve the Corporation's hiring policy regarding partners, employees and former partners or employees of the present and former External Auditors of the Corporation.
- Review reports of External Auditors concerning planned rotation of partners assigned to the Corporation's affairs.
- In the case of resignation or termination of the External Auditors or their replacement, review and approve the change of auditor notice within 30 days after the date of termination, resignation or replacement.
- Receive at each quarter a confirmation from the External Auditors that there are no defects in their quality control systems according to the CPAB and/or that they have not been subject to any sanction by the CPAB.
- Receive in a timely manner notice from the External Auditors of defects in their quality control systems according to the CPAB and/or that they are subject to any sanction by the CPAB.

RELATIONSHIP WITH THE VICE PRESIDENT, INTERNAL AUDIT

- Review the appointment and replacement of the Vice President, Internal Audit. Report such to the Board.
- Review and approve the Vice President, Internal Audit's terms of reference, annual plan and schedule of audit assignments and annual budget.
- Review list of external audit firms from which Internal Audit can outsource employees on a contractual basis for parts or all of its planned assignments.
- Review the reports of the Corporation's Vice President, Internal Audit with respect to control, financial risk and any other matters appropriate to the Committee's duties. Receive management's responses to these audit observations and recommendations.
- Review and approve the reporting relationship of the Vice President, Internal Audit to ensure that organizational independence is effectively achieved and that the Vice President, Internal Audit has direct reporting and access to the Committee on matters affecting the Committee's duties.

- Encourage the Vice President, Internal Audit to share her planning and findings with the External Auditors in order to maximize audit coverage of the Corporation's operations and financial condition, in a cost-effective manner.

OTHER RESPONSIBILITIES AND ISSUES

- Review and reassess annually the adequacy of this Charter.
- Review disclosure of the Committee's Charter and of the Committee's activities presented in the Corporation's statement of corporate governance practices.
- After consultation with the CFO and the External Auditors, gain reasonable assurance, at least annually, of the quality and sufficiency of the Corporation's accounting and financial personnel and other resources.
- Be informed of the appointment of the Corporation's senior financial executives.
- Perform such other functions as may from time to time be assigned to the Committee by the Board.

15.2. COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee is currently formed with three directors, i.e. Messrs. Pierre L. Comtois, Committee Chair, André Brousseau and Claude A. Garcia who satisfy the independence requirements set out within MI 52-110.

15.3. EDUCATION AND EXPERIENCE OF AUDIT COMMITTEE MEMBERS

The following describes the relevant education and experience of each member of the Audit Committee that provides him or her with (a) an understanding of the accounting principles used by the Corporation to prepare its financial statements, (b) the ability to assess the general application of such accounting principles, (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to those that can reasonably be expected to be raised by the Corporation's financial statements or experience actively supervising one or more persons engaged in such activities and (d) an understanding of internal controls and procedures for financial reporting.

André Brousseau — Mr. Brousseau is a corporate director. He has been Vice-rector and General Secretary at the *Université du Québec à Trois-Rivières* from 1970 to 1997. He is President of *Conseil des gouverneurs* and Chairman of the Board of the Canassurance Hospital Service Association, Québec and Ontario Blue Cross. He is Chairman of the Board of Canassurance Financial Corporation and of its subsidiaries. He is a director of the Canadian Association of Blue Cross Plans and member of the Standards compliance committee.

Pierre L. Comtois — Mr. Comtois has been, since January 2007, Vice-Chairman of the Board and Chief Investment Officer of Optimum Asset Management Inc. Previously, he was successively Executive Vice President, Finance and Treasurer (1992-1996) of Optimum Group Inc. and President-General Manager (1996-2006) of Optimum Asset Management Inc. From 1982 to 1992, he was Vice President and General Manager, Finance of General Trust of Canada. He is a director of Optimum Group Inc., Optimum Vie (France), Banque Martin Maurel (France) and of the *Fondation du Grand Montréal*.

Claude A. Garcia — Mr. Garcia is a corporate director. From June 1993 to December 2004, he was President, Canadian Operations of The Standard Life Assurance Company. He is a director of Goodfellow Inc., L'Excellence, Compagnie d'assurance-vie and BTB Reit, which are reporting issuers. He chairs the Audit Committee of Goodfellow Inc. and L'Excellence, Compagnie d'assurance-vie and serves as a member of the Audit Committee and chairs the Investment Committee s of BTB Reit. He is also a member of the Board of OmbudService for Life & Health Insurance.

15.4. POLICY REGARDING NON-AUDIT SERVICES RENDERED BY AUDITORS

The Charter of the Audit Committee requires the Audit Committee to pre-approve all non-audit services to be provided by the External Auditors to the Corporation or its subsidiaries other than Cogeco Cable and its subsidiaries. The Audit Committee also establishes annually a list of proscribed services that may not be provided by the External Auditors as a measure to safeguard their objectivity and independence. The list of proscribed services includes the following services:

- Bookkeeping or other services related to the accounting records of financial statements of the Corporation;
- Financial information systems design and implementation;
- Appraisal or valuation services, fairness opinions or contribution-in-kind reports;

- Actuarial services;
- Internal audit outsourcing services;
- Management functions;
- Human resources;
- Broker-dealer, investment adviser or investment banking services;
- Legal services;
- Expert services related to the audit, except for tax services.

15.5. REMUNERATION OF AUDITORS

The following table presents, by category, the fees billed by the External Auditors of the Corporation, Samson Bélair/Deloitte & Touche s.e.n.c.r.l., for the fiscal years 2011 and 2010:

CATEGORY OF FEES

	2011	2010
	\$	\$
AUDIT FEES	709,649	677,078
AUDIT-RELATED FEES ⁽¹⁾	321,863	207,930
TAX FEES ⁽¹⁾	579,362	624,638
OTHER FEES ⁽¹⁾	83,449	208,522
TOTAL	1,694,323	1,718,168

(1) "AUDIT-RELATED FEES" INCLUDE FEES FOR ANNUAL AND QUARTERLY AUDITS AND REVIEWS, FINANCIAL INFORMATION PRESENTATION AND CERTIFICATION, FEES RELATED TO ACQUISITIONS AND ANNUAL AUDIT FEES IN RESPECT OF THE CORPORATION'S PENSION BENEFIT PLANS. "TAX FEES" INCLUDE TAX COMPLIANCE SERVICES AND TAX ADVISORY AND PLANNING SERVICES. "OTHER FEES" INCLUDE PRINCIPALLY TRANSLATION SERVICES.

16. ADDITIONAL INFORMATION

Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and the securities authorized for issuance under equity compensation plans, if applicable, as well as corporate governance matters, is contained in the Corporation's 2011 information circular. Additional financial information is provided in the Corporation's comparative financial statements and the Management's Discussion and Analysis for the year ended on August 31, 2011. This and other information relating to the Corporation is available on Internet at www.sedar.com or www.cogeco.ca.